



# **An Evaluation of Fairtrade Impact on Smallholders and Workers in the Banana Sector in northern Colombia**

## **Final Report**

**Presented by  
the Corporation for Rural Business Development  
(CODER)  
to  
Max Havelaar – The Netherlands**

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**February 2014**

**Conducted with support from the Dutch–Colombian  
Public Private Partnership for Sustainable Banana Production**



Kingdom of the Netherlands

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## Acronyms

<b>ANDI</b>	National Industrial Association
<b>ASOBAM</b>	Association of Banana Growers of Magdalena
<b>ASOBANARCOOP</b>	Cooperative of Small-scale Producers of Rio Frio
<b>ASOCOOMAG</b>	Association of Banana Traders of Magdalena
<b>ASOPROBAN</b>	Cooperative of Land tenants and Small-scale producers
<b>AUC</b>	United Self-defense of Colombia
<b>AUGURA</b>	Colombian Banana Growers Association
<b>BANAFRUCOOP</b>	Cooperative of Small-scale Banana Producers
<b>BANACOL</b>	Associated Banana Growers of Colombia
<b>BANAFRUT</b>	International Traders BANAFRUT S.A. (exporter)
<b>BANASAN</b>	United Banana Growers of Santa Marta S.A.
<b>CENIBANANO</b>	Banana Research Center
<b>CMLS</b>	Current Minimum Legal Salary
<b>CODER</b>	Corporation for Rural Business Development
<b>COMFAMA</b>	Family Compensation Fund of Antioquia
<b>COMFENALCO</b>	Family Compensation Fund of the National Federation of Retailers
<b>COOBAFRIO</b>	Banana Cooperative of Rio Frio
<b>COOBAMAG</b>	Multi-active Banana Cooperative of Magdalena
<b>CORBANACOL</b>	Corporation of BANACOL
<b>CORFATRA</b>	Future Vision Fair Trade Corporation
<b>DANE</b>	National Administrative Department for Statistics
<b>EAT</b>	Associative Work Enterprises
<b>ECV</b>	Survey on Quality of Life (DANE)
<b>ELN</b>	National Liberation Army
<b>ELP</b>	Patriotic Liberation Army
<b>EMPREBANCOOP</b>	Cooperative of Small-scale Banana Businessmen
<b>EPS</b>	Health Service Providing Company
<b>EXW</b>	Ex Works
<b>FARC-EP</b>	Armed Revolutionary Forces of Colombia – People’s Army
<b>FISA</b>	Social Investment Foundation of ASOPROBAN
<b>FLO</b>	Fairtrade Labeling Organization
<b>FUNDABANASAN</b>	BANASAN Foundation
<b>FUNDAFRUT</b>	Social Foundation of BANAFRUT

<b>FUNDAUNIBAN</b>	UNIBAN Foundation
<b>FUNTRAJUSTO</b>	Fairtrade Workers Foundation
<b>Fyffes</b>	Leading importer and distributor of tropical products with operations in Europe, USA, Central America and South America
<b>GAP</b>	Good agricultural practices
<b>GDP</b>	Gross Domestic Product
<b>ICA</b>	Colombian Agricultural Institute
<b>IDS</b>	Institute of Development Studies
<b>IPS</b>	Health Service Providing Institute
<b>ISEAL</b>	International Social and Environmental Accreditation and Labeling
<b>PIVD</b>	Project for Induction to Life in the University
<b>PPE</b>	Personal Protection Equipment
<b>QMS</b>	Quality Management System
<b>SENA</b>	National Learning Service
<b>SGC</b>	Quality Management System
<b>SINTRAINAGRO</b>	Independent Agricultural Workers Union
<b>SISBEN</b>	Subsidized Health System
<b>UNIBAN</b>	Banana Growers Union of Urabá
<b>USA</b>	United States of America
<b>TECBACO</b>	Baltimore Techniques of Colombia S.A.

### Exchange Rate (COP to USD)

Year	Exchange rate (average)
<b>February and March 2013</b>	<b>1,791</b>
<b>2012</b>	<b>1,793</b>
<b>2011</b>	<b>1,845</b>
<b>2010</b>	<b>1,889</b>

## Executive Summary

Max Havelaar Netherlands, in close collaboration with Fairtrade International, the Fairtrade Foundation, and the Dutch Embassy in Colombia, commissioned a study on the impact of Fairtrade certification for banana-growing smallholders and their cooperatives in the Magdalena Department and for hired workers in banana plantations in the Urabá region, in northern Colombia. The study assessed the impact of Fairtrade (production and trade norms, prices and Premium, certification, support to producers and market access) on economic, environmental and social development conditions of participating smallholders and hired workers; smallholder and hired-worker organizations; the ability to organize and strengthen the organization; development at the family and community level, and the impact on the smallholder's position in the banana production chain at the national level.

In the year 2013, there are 36 Fairtrade-certified banana organizations in Colombia. Six of them are small-farmer cooperatives in the Magdalena Department, while two are associated working cooperatives in the Urabá region. The rest of the partners are hired-labour plantations in the Urabá region. Most organizations sell their bananas in the Fairtrade system through the international trader UNIBAN, one of the largest banana exporters in Colombia, and Fyffes, a leading importer and distributor of tropical products. Fifteen certified plantations are associated and sell their fruit to BANAFRUT, a vertically-integrated company that also exports, and one cooperative sells through BANASAN.

Structured questionnaires were applied to smallholders in cooperatives and hired workers in plantations; semi-structured interviews were applied to other individuals such as leaders, managers and technical staff of cooperatives and plantations and to buyers and service providers; and focus group sessions were conducted with a sample of smallholders, of hired workers in farms and plantations, and of family members. In addition, seven mini-case studies for smallholders and hired plantation workers were prepared.

### **Main conclusions of the Fairtrade impact study for the smallholder banana sector**

The study confirmed that Fairtrade has had a very positive impact in the last three years at the level of smallholder households and farms, smallholder cooperatives, and neighboring communities. Premium investment has been an essential factor for achieving this impact. On average, 35% of the Fairtrade Premium is invested in on-farm productivity and lowering banana production costs; 15% is spent to cover administration costs; 12% is used to pay for Fairtrade-norm maintenance; and 10% is expended for social welfare in the community.

Fairtrade has contributed to increasing the standard of living of smallholders' households in three ways. Sales of Fairtrade-certified bananas at the minimum price has increased household income and stability; the investment of the Fairtrade Premium in services for smallholders, including loans, has facilitated housing improvement, purchase of household assets, and better access to medicine and education; and part of the Premium is being invested in enhancing on-farm productivity and lowering banana production costs. However, 23% of smallholder households mentioned that they still have food security constraints. This farmer segment has lower per capita income because their farms are quite small. Fairtrade has improved smallholder cash flow because it has increased incomes and income stability, promoted a savings culture, lowered banana-production costs, and improved access to credit and emergency funds.

All smallholders believe that Fairtrade is a great contributor for making family agriculture more attractive because it has enabled cooperatives to support them with respect to market access,

innovation and technology transfer, transparency and justice, on-farm production assets, and various services. They value the fact that cooperatives are now sharing with them the risk and benefits of banana production.

Fairtrade has contributed enormously to the strengthening of smallholder cooperatives. Total banana sales volumes are increasing, as well as the proportion of bananas sold on Fairtrade terms (80%). Since cooperatives are the liaison with Fairtrade and exporters that represent an attractive market, smallholders appreciate their membership much more. Four of the six cooperatives studied have increased their membership in the last three years. The Premium has funded better-qualified administrative personnel with a greater business orientation and has allowed cooperatives to provide a broad portfolio of services that are greatly valued by their members. However, the study evidenced that cooperatives have several management weaknesses, mostly related to their inadequate handling of Fairtrade- and banana value chain-related information, information systems, and communications with members.

Cooperative leaders and managers mentioned several Fairtrade-related concerns. Insufficient market demand in European Fairtrade markets forces exporters to buy on average only 80% of their Fairtrade-certified banana production. The Fairtrade minimum unit price for bananas is equal or less than its unit cost of production, which endangers the sustainability of smallholders in the banana business. Smallholders are assuming a minor trade logistical cost that should be covered by one of the exporters. The cooperatives are founding a second-level organization (ASOCOOMAG), to improve their bargaining power and margin in the Fairtrade banana value chain.

Fairtrade has contributed much to the revitalization of the regional economy in the Magdalena banana zone, through higher incomes, investment of the Fairtrade Premium, and job creation, and by means of the multiplier effect of this incremental income that has stimulated local demand for goods and services. Smallholders consider that their linkage to Fairtrade helped them to overcome the social and economic crisis left by the armed conflict.

### **Main recommendations of the Fairtrade impact study for the smallholder banana sector**

As the Fairtrade market is very important for the operations of smallholders, it is recommended that **the Fairtrade System** intensify its market penetration, market development and market awareness strategies in European countries to favor market expansion for Fairtrade-certified bananas and price increases. To make smallholders better understand how the Fairtrade banana chain operates, it is necessary that Fairtrade International explain to cooperative leaders and managers the context and process by which sales prices are defined and to emphasize the great power that supermarkets have. It is suggested that Fairtrade International facilitate the process to support cooperatives in determining banana production costs accurately.

It is important that **Fairtrade International** lead the planning of a banana chain meeting with the participation of cooperative leaders, exporters and Fairtrade, to improve price and cost transparency, and to clarify responsibilities and commitments of the different participants in the banana value chain. It is recommended that Fairtrade International support smallholder cooperatives in the establishment of a new trade contract policy that can favor their economic growth and support their initiative to establish ASOCOOMAG as a direct exporter of Fairtrade-certified bananas to international markets.

Some cooperative members have tiny farms that are hardly economically viable. It is recommended that **cooperatives** execute a strategy so all members can maximize banana yields on

their farms. It is necessary that cooperatives develop integrated strategies targeted to 15% of their members in poverty, focused on raising household incomes and food security. As the average age of members is high, it is important that cooperatives develop a strategy for generational renewal among their members, which could include stimuli for participation of youngsters on farms and in the cooperative.

It is recommended that **cooperatives** clearly demonstrate that the Fairtrade minimum price is not covering real banana production costs. It is important that cooperatives establish a new trade contract policy that can favor their economic growth. It is suggested that cooperative leaders and managers prepare a feasibility plan for ASOCOOMAG as a direct exporter of Fairtrade-certified bananas to international markets.

Cooperatives depend much on the Fairtrade Premium, but their operations should be viably run without this extra income. It is necessary that **cooperatives** implement viable business models that can permit them to self-finance more of their operation without having to depend so much on Fairtrade-Premium funding. It is important that cooperatives improve their management information systems and communication with their members, and update Fairtrade-certified banana production costs using appropriate accounting methods.

Cooperatives tend to use the Fairtrade Premium more for internal use, while a lot of members stress other needs as well. It is therefore recommended that **cooperatives** look for mechanisms to increase the impact in communities in their area of influence that could include strategic alliances to secure counterpart funding for key community projects. Regional projects could include the design and implementation of business models for offering low-cost drinking water and toilets for rural communities and also for supplementing or improving the inadequate health-care services offered by SISBEN and EPS to cooperative members and their relatives.

As cooperatives expressed some confusion as to whom should bear certain trading costs, it is recommended that **exporters** participate in work meetings with Fairtrade International members, cooperative managers and leaders to discuss and improve price and cost transparency, and to clarify responsibilities and commitments of the different participants along the Fairtrade banana value chain

### **Main conclusions of the Fairtrade impact study for hired workers in plantations**

Fairtrade has had a significant impact on hired workers in Fairtrade-certified banana plantations in the last three years, at the level of hired-worker households, plantations, hired-worker organizations and nearby communities. The Fairtrade Premium of all affiliated plantations in Urabá was invested in 2011 in workers' housing construction and improvement; in recreational and cultural programmes, medical assistance, and community assistance; and in education and training programmes. The main project for hired workers and Joint Bodies is to achieve home ownership for all workers. 52% of workers improved their housing in the last three years. Joint Bodies invested a relatively low Premium percentage on community projects. Most investment in workers' and community well-being is funded by the Premium and as a much lesser proportion by the private sector.

Fairtrade impact at the hired-worker and household level includes better labour conditions such as higher salaries, payment of legal and extra social benefits, and greater job stability. Only 16% of the Control plantation workers have indefinite-term contracts versus almost 100% for Fairtrade plantation workers. All the workers think that their quality of life with Fairtrade is better and most think the same about their current economic situation. No worker mentioned having food

security problems. Wage levels of indefinite term- and fixed-term contracts in the plantations studied reached a peak in 2011 but were lowered in 2012 and remained the same in 2013.

Fairtrade has contributed to workers' health improvement by expanding access to personal protective equipment, occupational health, adequate sanitary services, and dining halls at the workplace. They also receive training on health-related topics and benefit from the lesser use of agrochemicals and reduction of work-related sickness and accidents. Hired workers also receive training, recreational, social support, and credit services. They also have access to educational support, enjoy freedom of association, and have increased their personal savings. Workers at the Control plantation have less access to formal loans, scholarships, and request more sick leave than Fairtrade plantation workers.

Fairtrade affiliation opens preferential markets for plantations because of the resulting good quality of the fruit. Fairtrade impact included increased sales volumes and higher prices for Fairtrade-certified bananas. Although banana sales volume decreased in the last three years, the percentage of boxes sold on Fairtrade terms actually increased, to 78%. Managers interviewed lacked a consensus on Fairtrade effects on plantation profitability. Managers did agree that the minimum price for Fairtrade-certified banana was equal or lower to its production cost, so profitability levels are minimal for plantations.

The three companies invested in the last three years around USD 167,400 to comply with Fairtrade requisites, mainly by improving plantation and water treatment infrastructure, and also spent USD 891,000 to reinforce their business structures and cover increased labour costs. Fairtrade affiliation has also resulted in a notable reduction of direct investment in workers by the plantations, because many services demanded by workers are now channeled through the Joint Body and are covered by Premium funds.

Fairtrade has also supported improvement of banana-production technology, greater environmental protection and rational use of agrochemicals. However, annual average banana yields for all three cooperatives have been decreasing due to climate changes and due to problems with manual weed control.

Fairtrade impact on Joint Bodies has resulted in greater worker participation in decision-making and strengthening of leadership and human capital of worker representatives. An Annual Plan is prepared for the adequate administration of the Fairtrade Premium. Workers express a solid credibility of workers in the Joint Body, and finally the Joint Bodies have developed a service portfolio directed to workers, including credit, training and educational aid.

Fairtrade has generated jobs in the region by contributing to the reactivation of banana exports, by the implementation of Fairtrade standards and by Fairtrade Premium investment. This has resulted in higher, stable workers' incomes. Premium investment in housing construction and improvement, and household appliances, among others, raise the local demand for goods and services, which in turn stimulates employment in local commerce. All of the above has a multiplier effect that stimulates the regional economy and generates further employment.

Labour conditions in the banana sector of Urabá are generally good. There is uniformity in terms of wage payments, because 98% of the workers are under the same Collective Bargaining Agreement led by AUGURA and SINTRAINAGRO. Therefore, the difference in salary between Fairtrade and non-Fairtrade workers is minimal. Fairtrade has contributed to this because now more workers have labour contracts and are paid the legal social benefits.

FUNTRAJUSTO, a collective initiative of most of the Joint Bodies in Urabá, was constituted to work together with municipalities and other local development agencies in the planning and execution of larger community projects. Some municipalities and family compensation funds like COMFENALCO and COMFAMA are also supporting local activities and services for workers and their families. Colombia tends to have a weak government presence in rural areas and small municipalities tend to have scarce funds. Hence, most of the current services would not exist without the Fairtrade Premium. However, the government is providing subsidies for the construction of workers' housing and Joint Bodies are advancing in their lobbying capacity to obtain subsidies for workers from the local government.

### **Main recommendations of the Fairtrade impact study for hired worker in plantations**

It is recommended that **Fairtrade International** revise the banana sales price and adjust it to reflect realistic production costs according to Fairtrade principles.

It is also recommended that Fairtrade International carry out some further research as to whether services formerly financed by the plantations are now covered by Fairtrade Premium funds, suggesting that Premium funds bring in less extra income for workers.

It is suggested, to stimulate household income diversification, that **Joint Bodies** establish “business incubators” to advice, coach and fund microenterprises with the participation of interested women and youngsters. It is recommended that a greater percentage of the Fairtrade Premium be invested in pertinent community-level projects and that Joint Bodies and FUNTRAJUSTO continue to develop strategic alliances to attract counterpart funding for these projects. It would be appropriate to explore possible counterpart funding by the banana plantations and their foundations for community projects.

It is important to continue training programmes for Joint Body workers' representatives, to reinforce their participation and leadership in meetings, and to encourage them to take note of workers' household members' ideas on how to spend the Premium.

It is recommended that **plantations** request Fairtrade International to revise the banana sales price and adjust it to reflect realistic production costs according to the Fairtrade principle: “Fairtrade prices respond to the real production value”. In addition, to determine precisely the effect of Fairtrade affiliation on plantation profitability, it is suggested that a cost/benefit analysis be conducted of the Fairtrade banana business of different plantations with different production scales.

It is important that plantations continue to fund projects to promote the social well-being of hired workers, relatives, and the community in general. It is important that the direct investment by plantations be supplementary to Premium-funded investments.

It is suggested that the plantations or AUGURA approach CENIBANANO, the national banana research center, to request additional research on alternative ways to control banana weeds, pests and diseases in large banana plantations to reduce dependence on agrochemicals.

## 1. Introduction

Max Havelaar Netherlands, in close collaboration with Fairtrade International, the Fairtrade Foundation, and the Dutch Embassy in Colombia, commissioned CODER<sup>1</sup> a study on the impact of Fairtrade banana certification for smallholders and their cooperatives in the Magdalena Department and for hired workers and plantations in the Urabá region of the Antioquia Department, in northern Colombia. This study was appointed because the banana sector is very important for the economy of the two regions mentioned and because these Colombian smallholder organizations and plantations are currently one of the main suppliers of bananas for the Fairtrade markets in the United Kingdom and The Netherlands. In addition, this research supplements an earlier 2010-11 banana-sector study prepared by IDS in 2010 in the Dominican Republic, Ecuador, Ghana and the Winward Islands, in which Colombia was not included.

The study assessed the impact of being part of Fairtrade (production and trade norms, prices and Premium, certification, support to producers and market access) for banana-growing smallholders and their organizations, and for hired workers in plantations of Colombia. The following areas were taken into account to measure impact: the economic, environmental and social development of participating smallholders and hired workers; smallholder and hired worker organizations; the ability to organize and strengthen the organization; development at the family and community level, and the impact relative to the smallholder's position in the banana production chain at the national level. The study also analyzed how these impacts contribute to the achievement of Fairtrade's development objectives, such as sustainable livelihoods, individual and collective empowerment, and to make trade more just for poor farmers and workers.

In the year 2013, there are 36 Fairtrade-certified organizations in Colombia. Six of them are smallholder cooperatives in the Magdalena Department, while two are associated working cooperatives in the Urabá region. The Magdalena cooperatives are COOBAMAG, ASOPROBAN, EMPREBANCOOP, BANAFRUCOOP, ASOBANARCOOP and COOBAFRIO, all located in the towns of Zona Bananera and Ciénaga in the Magdalena Department of northern Colombia. The rest of the partners are hired-labour plantations in the Urabá region. Most organizations sell their bananas in the Fairtrade system through the international trader UNIBAN, one of the largest banana exporters in Colombia, and the importer Fyffes.<sup>2</sup> Fifteen certified plantations are associated to BANAFRUT and one cooperative sells through BANASAN.

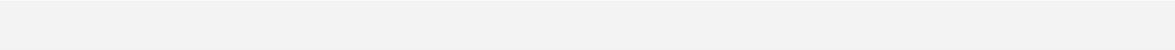
The Magdalena Department has an agricultural sector where bananas are mainly produced in the towns of Santa Marta, Zona Bananera, Ciénaga, El Retén, Fundación and Aracataca. In 2012, there were approximately 13,200 hectares under banana cultivation, of which 80% were grown by large- and medium-scale producers and the remaining 20% grown by nearly 700 smallholders in small farms with an average area of 3.21 hectares.

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<sup>1</sup> Corporation for Rural Business Development.

<sup>2</sup> Leading importer and distributor of tropical products with operations in Europe, USA, Central America and South America.

The Urabá region in the Antioquia Department is also largely agricultural, and produces mainly bananas, plantains and cassava. In 2012, this region had 35,200 hectares under banana cultivation, mostly in plantations, with 90% of its economy dependent on banana and plantain exports. Fruit that does not meet quality standards is sold in the domestic market.



## 2. Methodology of the Impact Study

This impact study has two main objectives. First, to determine the key socioeconomic characteristics of smallholders and their cooperatives, and of hired workers and their plantations in Colombia's Fairtrade banana sector; and secondly, to identify Fairtrade impact on (a) smallholders, their cooperatives, workers they hire, and in the community, and (b) hired workers in plantations, their organizations, plantations, and in the community (see **Annex 1** for Terms of Reference). The research questions (see **Annex 2**), the corresponding indicators and the several research instruments addressed the research objectives. To provide an understanding of the counterfactual, one recently certified plantation in Urabá and five individual non-Fairtrade smallholders in Magdalena were also studied.

As a planning tool, two matrices were prepared with the support of Max Havelaar, Fairtrade International and ISEAL<sup>3</sup>; one for cooperatives and another for plantations, indicating the level of analysis, impact themes, indicators and their sources, units of measurement, and data collection methods. Due to time, budget and logistical constraints such as distance between farms, availability for survey, and climate, CODER adjusted its data-collection procedure by inviting managers to group interviewees in comfortable, central locations.

### Sources of information

Secondary information was reviewed on the Fairtrade banana chain in Colombia, including documents provided by Max Havelaar, Fairtrade International and other material. Primary information was collected from smallholders in the six Fairtrade-certified cooperatives and five individual non-Fairtrade farmers in Magdalena, and hired workers in four Fairtrade-certified plantations in Urabá (including one recently certified plantation as control). Information was also collected from smallholders' and workers' family members, managers and leaders in cooperatives and plantations, technical staff and service providers and buyers, including personnel from Fairtrade International and private banana-sector foundations. See **Annex 3** for a list of research instruments used in this study and **Annex 4** for a list of interviews conducted with other organizations and support institutions.

### Data collection methods

CODER obtained primary information in February-March 2013 by using structured questionnaires to survey smallholders and hired workers; several semi-structured guides to interview other individuals like leaders, managers, technical staff, and buyers, and several guides to conduct focus group sessions with smallholders, hired workers and family members. Each focus group session involved 5-8 participants. Furthermore, seven mini-case studies of smallholders and hired workers were prepared. These instruments covered all main research questions as highlighted in the Terms of Reference (ToR). It should be noted that CODER sent a format in advance to cooperative and plantation managers and

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<sup>3</sup> International Social and Environmental Accreditation and Labeling.

leaders, requesting key quantitative and financial data. This gave these key informants enough time to gather accurate information.

Cooperative managers were contacted several weeks in advance of the fieldwork, and were informed of the dates and exact number of representative individuals (sample) to be surveyed. These individuals, mostly smallholders and some relatives were invited by the cooperative to a comfortable, quiet room at the cooperative headquarters. Here the CODER research team interviewed them, both individually and in focus group sessions. Managers or cooperative leaders were not in the room when smallholders and relatives were interviewed. This centralized procedure was necessary to avoid wasting time travelling from farm to farm and to accelerate survey application, taking into account that the sample was large (230 smallholders). Although the representative sample of smallholders was invited well in advance, some did not arrive, for several reasons. In this case, CODER had to ask cooperative administrators to complete the target sample required with other smallholders. Since 77% of the smallholder population was being interviewed, this procedure was considered to be adequate.

Likewise, in the case of plantations, managers were contacted several weeks in advance of the fieldwork, and were informed about the exact number of hired workers required for the representative sample and to be summoned to an appropriate central location. CODER decided to randomly select interviewees from among the workers available during its visit to plantations. Plantation managers were not in the room when the chosen hired workers were interviewed.

Managers and leaders were contacted with two objectives; firstly, to provide general basic information on their organizations and, secondly, to respond to the structured questionnaire with the research questions. Most of the questions in structured questionnaires were multiple-choice to speed up data-recording and processing. The objective of the focus group sessions was to obtain in-depth information on certain selected topics.

### **Sample used**

To select the sample, the following criteria were used:

- *A representative section of smallholders and plantations.* All of the six Fairtrade-certified smallholder cooperatives and four plantations (one used as control) were selected. The ToR demanded that a high percentage of the smallholder population in Magdalena be surveyed; this was also due to the importance for the Public Private Partnership (PPP) programme of the Dutch Embassy.
- *Coverage of the different supply chains.* The UNIBAN, BANAFRUT and BANASAN channels were included. Four plantations were chosen as follows; two for UNIBAN, one for BANAFRUT, plus the control group and the six smallholder organizations, five related to UNIBAN and one to BANASAN, since smallholders are not linked to BANAFRUT.<sup>4</sup>

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<sup>4</sup> BANAFRUT is vertically integrated.

- *Duration of the Fairtrade certification:* Enough time is needed to perceive a significant impact due to participation in Fairtrade. For these reasons, only plantations that had been Fairtrade-certified for three years or more participated in this study. Smallholder organizations were all included.
- *Volumes traded in Fairtrade:* In order to compare, the plantations selected exhibit large and small volumes of Fairtrade bananas.

**Table 1** summarizes the sample chosen for this Fairtrade impact study. In total, more than 440 individuals were contacted in the two regions, of which more than 70% are from Magdalena. It should be pointed out that the smallholder sample from Magdalena (230) represents 77% of total smallholders that produce Fairtrade bananas (300). The hired-worker sample was 46, out of a population of 636 hired workers in the three plantations studied. Another 40 workers and relatives were interviewed in six focus group sessions. **Table 2** provides sample details for each of the ten banana organizations involved in this Fairtrade impact study.

**Table 1. Summary of the sample used for the Fairtrade impact study in the Colombian banana chain**

Instrument	Magdalena	Urabá
<b>Fairtrade-linked</b>		
<b>Individual surveys, smallholders and workers</b>	230	46
<b>Interviews of other chain participants</b>	42	21
<b>Focus group sessions, smallholders and workers</b>	3	3
<b>Focus group sessions, family members</b>	3	3
<b>Focus group sessions, hired workers in smallholder farms</b>	2	0
<b>Interviews with smallholders and workers</b>	4	3
<b>Controls (not linked to Fairtrade)</b>		
Instrument	Cooperatives	Plantations
<b>Individual surveys, smallholders and workers</b>	5	6
<b>Interviews of other chain participants</b>	0	7
<b>Focus group sessions</b>	0	2
<b>Interviews (managers, key informants)</b>	3	1

**Table 2. Details of the sample used in the ten Fairtrade banana organizations in Colombia**

Organization	# of individuals	# individuals in sample	%	# of focus group sessions <sup>5</sup>	Inter-views <sup>6</sup>	Sample of other actors <sup>7</sup>
<b>Smallholder cooperatives in Magdalena</b>						
<b>ASOPROBAN</b>	80	57	71	2	1	15
<b>ASOBANARCOOP</b>	44	38	86	1	0	8
<b>COOBAMAG</b>	40	32	81	0	0	8
<b>COOBAFRIO</b>	42	34	81	1	0	8
<b>BANAFRUCOOP</b>	33	26	79	2	1	15
<b>EMPREBANCOOP</b>	59	43	73	2	1	15
<b>Non-Fairtrade smallholders (Control)</b>	N.A.	5	0	0	0	3
<b>Total</b>	<b>300</b>	<b>230</b>	<b>77</b>	<b>8</b>	<b>3</b>	<b>72</b>
<b>Hired plantation workers in Urabá<sup>8</sup></b>						
<b>Bananeras de Urabá</b>	458	34	7.4	2	1	15
<b>Los Cedros</b>	155	8	5.2	2	1	8
<b>Marta María</b>	23	4	17.4	2	1	15
<b>Plantation (control)</b>	43	6	12.0	2	1	15
<b>Total</b>	<b>679</b>	<b>52</b>	<b>7.7</b>	<b>8</b>	<b>4</b>	<b>53</b>

<sup>5</sup> There are three types of focus group sessions; with farmers or hired workers, with family members, or with workers hired in the smallholder farms.

<sup>6</sup> With smallholders and hired plantation workers (mini-case studies).

<sup>7</sup> Includes managers, leaders, technical staff interviewed individually, plus the number of smallholders, hired workers and relatives who participated in the focus groups sessions.

<sup>8</sup> The sample for the plantations permits a maximum Error Margin of 10% at a 90% Confidence Level.

**Focus group session with  
EMPREBANCOOP smallholders**



**Focus group session with relatives  
of hired workers at Bananeras de  
Urabá**



### **Limitations while collecting primary information**

In general, the logistical support (transportation of CODER team, contacting of interviewees, coordination of interviews) provided by both cooperatives and plantations was good. However, with respect to delivery of reliable information, cooperatives showed some deficiencies, probably caused by their weak management information systems. All of the four plantations contacted handed over only part of the quantitative information requested by CODER; one of the plantations supplied little financial information.

Other limitations were encountered during collection of primary information, as follows:

- The questionnaires for smallholders and hired workers were long. Each smallholder questionnaire took, on average, one hour to complete and hired-worker questionnaires took somewhat less, 45 minutes.
- The banana importer did not provide requested commercial information, with the excuse that it was confidential; one of the exporters supplied information related to

cooperatives but not to plantations; while another exporter was briefly interviewed personally, but did not send the completed questionnaire that had been requested.

- Few non-Fairtrade smallholders living near some cooperatives were available for interviews because they were not summoned in advance, as had been requested. It should be noted that many non-Fairtrade farmers are not small-scale. So the sample of non-Fairtrade smallholders remained small.
- Cooperative smallholders and leaders do not differentiate between expenditure related to Fairtrade and GlobalGap<sup>9</sup> certification, so it was difficult to link conclusions to the specific individual certifications.
- Cooperative and plantation managers and staff sometimes provided irregular or odd data with respect to banana yields, costs of production, and additional certification-related expenses, which suggests that management information systems are weak.
- During the individual interviews, smallholders had difficulties recalling accurate data on banana volumes and production costs, and interviewers had to support them when making calculations.
- Since gaining access to a non-Fairtrade plantation as a control group was difficult, it was decided to select a recently Fairtrade-certified plantation where impact had not taken place yet.

## Data analysis

The CODER research team conducted a quantitative analysis of the data collected through structured questionnaires, including the calculation of parameters such as frequencies, averages and percentages. Data gathered in the focus group sessions and interviews was treated qualitatively. All of the information was processed and analyzed for each research question proposed in the ToR.

Eleven Fairtrade-impact reports by organization were prepared in Spanish, as follows: six cooperative reports, four plantation reports, and one report on the small, non-Fairtrade smallholder sample in Magdalena. These reports were sent to the organizations for their feedback, but the response was scarce. Subsequently, a draft final general report was developed in Spanish and English versions, and was shared by the Max Havelaar study coordinator with several Fairtrade International members and the PPP programme for their feedback.

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<sup>9</sup> Gap stands for Good Agricultural Practice and GlobalGap is the worldwide standard that assures it. GlobalGap is a not-for-profit organization promoting safe, sustainable agricultural production worldwide that sets voluntary standards for the certification of agricultural products around the globe. More and more producers, suppliers and buyers are harmonizing their certification standards to match.

### 3. Context of the Banana Sector in Colombia

Colombia, the second most biodiverse country in the world, has an area of 1,141,000 km<sup>2</sup> and a multicultural population of 47.2 million<sup>10</sup>, 55% of which is less than 30 years old. Colombia has seven metropolitan areas with a population of more than one million inhabitants.<sup>11</sup> In 2012, the Gross Domestic Product (GDP) grew by 4% and the per capita GDP was USD 8,000.<sup>12</sup> The Colombian economy is based on the production of primary goods for export and consumer goods for the domestic market. Coffee production in Colombia has been a traditional economic activity, and it is still an important global exporter, but the importance of coffee has declined in the last three years. In 2011, 7.8 million 60-kg bags were produced, a 12% decrease relative to 2010.<sup>13</sup> Colombia is also an important producer of flowers and fruits, including bananas and plantains. The importance of oil for the Colombian economy has been growing in the last decades, and in 2012 it produced nearly one million barrels of oil daily<sup>14</sup>, making it the sixth largest producer in the continent. Coal production is also prominent, with an output of 85 million tons in 2011<sup>15</sup>, plus the production and export of gold, emeralds, and diamonds. The main industrial outputs in Colombia include textiles, automobiles, chemicals and petrochemicals. Colombian exports in 2012 amounted to USD 60,667 million, and the main destinations were the USA, China, Spain and Venezuela.<sup>16</sup>

#### The banana sector in Colombia

Colombia produces and sells two types of bananas; bananas for export and local bananas (murrapo) for local consumption. Production of bananas for export is concentrated in the Urabá region and the Magdalena Department in northern Colombia, whereas bananas production for the domestic market is widespread but exhibits a much lower crop area and volume. The history of bananas for export in Colombia began in 1885 in the Department of Magdalena, where the first “Gross Michel” banana varieties were planted, brought in from Panama. In 1889, the export of bananas to New York began. In 1900, the first banana plantations were established in Urabá with investment from a German company. In 1960, the United Fruit Company expanded commercial banana production in Urabá, partly due to the crisis in the Magdalena banana zone where banana production was steadily decreasing. The banana agroindustry has developed as a traditional agro-exporting chain, and exports 94 million boxes annually, amounting to USD 746 million; this amount is equivalent to 3% of the total export volume and contributes 0.4% of the GDP.<sup>17</sup> Bananas occupy 1.5% of the Colombian land area planted in permanent crops.<sup>18</sup>

<sup>10</sup> Source: DANE, Forecast 2013. EIU.

<sup>11</sup> PROEXPORT Colombia, 2013.

<sup>12</sup> ANDI, 2012.

<sup>13</sup> El Colombiano: Coffee production in the country decreased 12 percent in 2011.

<sup>14</sup> El Espectador: Colombia to produce one million barrels of crude oil daily ending 2011.

<sup>15</sup> El Colombiano: Coal production will probably increase 14 percent this year.

<sup>16</sup> PROEXPORT Colombia, 2013.

<sup>17</sup> AUGURA: [http://www.augura.com.co/index.php?option=com\\_content&view=article&id=11&Itemid=21](http://www.augura.com.co/index.php?option=com_content&view=article&id=11&Itemid=21)

<sup>18</sup> <http://www.caracol.com.co/noticias/economia/huelga-en-las-fincas-bananeras-de-uraba/20090508/nota/808335.aspx>

In 2012, Colombia had more than 48,400 hectares under banana production for export, 73% (35,200 hectares) located in the Urabá region and 27% (13,200 hectares) in the Magdalena Department. Most of the population in these two regions is poor, suffers social exclusion, and belongs to the lowest income strata (SISBEN 1 and 2). In general, they have a high level of unsatisfied basic needs and still depend on government and international cooperation investment for their socioeconomic development.

In the Urabá region, with a population of 600,000 of which a high proportion are immigrants, banana production is located mainly in the towns of Chigorodó, Carepa, Apartadó and Turbo. Here, 24,000 direct and 72,000 indirect jobs are generated, mostly in agricultural and other support services and trading logistics, plus another 3,000 jobs in factories producing boxes, seals, plastic, shipyards, air fumigation services, and other agro-industrial goods and services. In 2012, Urabá exported 65 million boxes of bananas, a 7.6% decrease over 2011, mainly to the European Union and the USA, generating an income of USD 576 million.<sup>19</sup>

In Magdalena, the main banana production is located in the towns of Santa Marta, Zona Bananera, Ciénaga, El Retén, Fundación and Aracataca, where 8,000 direct and 22,000 indirect jobs are generated. In 2012, Magdalena exported 25.4 million boxes of bananas, a 7.5% increase over 2011, principally to the USA and the European Union, generating an income of more than USD 170 million.<sup>20</sup>

However, the banana production structures are very different in these two regions. In Urabá, banana production is conducted in 350 medium- and large-scale commercial farms or plantations with an average size of 80 hectares. Permanent and temporary workers, mostly men living in the area, are hired to perform agricultural and packing tasks. In 1990, the ownership of banana plantations was transferred from the large multinational exporters to large national commercial farmers. The main producers are mostly companies with several large farms, such as Bananeras de Urabá; the BANAFRUT economic group which is vertically integrated (produces, processes and exports bananas) with certified and non-certified farms; and medium- and small-scale companies with one or more farms, such as Antonio Jairo Jaramillo Sossa, which owns the Marta María farm.

These plantations are production- and labour-intensive, have access to better technology, roads, infrastructure (irrigation and fruit transportation) and exhibit higher productivity levels (41 tons/hectare). They also have good information systems, traceability and logistical management. Their main objective is to maintain acceptable profitability levels by maximizing banana-yield levels and minimizing their production costs, without damaging the environment or exploiting their hired workers. However, plantations face challenges such as market uncertainties, exchange rate variations (devaluation of USD versus COP), climatic changes, the high cost of controlling Black Sigatoka<sup>21</sup> and higher input prices. Finally, the principal challenge of hired plantation

<sup>19</sup> Augura: [http://www.augura.com.co/index.php?option=com\\_content&view=article&id=13&Itemid=31](http://www.augura.com.co/index.php?option=com_content&view=article&id=13&Itemid=31)

<sup>20</sup> Augura: [http://www.augura.com.co/index.php?option=com\\_content&view=article&id=13&Itemid=31](http://www.augura.com.co/index.php?option=com_content&view=article&id=13&Itemid=31)

<sup>21</sup> Black Sigatoka, a leaf spot disease of banana plants caused by a fungus, was discovered in 1963. Plants with leaves damaged by the disease may have up to 50% lower yield of fruit and control can take up to fifty sprays a year.

workers is to defend their wages and labour rights, taking into account that banana retailers (supermarkets) are putting strong pressure on their suppliers to keep prices low.

In sharp contrast, banana production in Magdalena is conducted in 1,000 large and small farms. Large farms are profit-driven and their areas range from 50 to 100 hectares, whereas small farms combine subsistence farming and profit-driven production, and their area ranges from 0.5 to 8 hectares, with an average of 3.2 hectares. Smallholders work on their farms but also hire workers, mostly temporary and male. The smallholder cooperatives linked to Fairtrade only own approximately 7.5% of the land planted in bananas in Magdalena, sell a similar percentage of the banana boxes, and own only 2% of the total banana area in the two regions studied, Urabá and Magdalena.

Smallholder cooperatives have limited access to technology, land and credit, and they also lack funds to invest in infrastructure (irrigation and fruit transportation). In consequence, their productivity is lower (36 tons/ hectare) and they have higher banana production costs than plantations in Urabá. Smallholders also have lower education levels, weak negotiation skills and are sometimes subjected to exclusivity contracts by buyers. Hired workers in smallholder farms are sometimes poorly paid. Smallholder cooperatives face challenges related to market uncertainty, exchange rate variations, meeting quality standards, access to resources, and high production costs and competitiveness in general.

### **The banana value chain**

The banana value chain includes input suppliers (boxes, seals, plastic, fertilizers, air fumigation), river and maritime transporters, ports, container terminal, trade associations, labour unions, banana growers enterprises, large- and small-scale banana farmers, smallholder cooperatives, exporters, importers, retailers (mostly supermarkets in the European Union and the USA), private-sector foundations, and agencies providing technical and social support services.

The trade organization, AUGURA, groups 100% of the Urabá banana producers and 70% of Magdalena banana producers. AUGURA represents 160 companies and 340 banana farms altogether. The other key operator is SINTRAINAGRO, which was created in 1998 and represents 98% (18,999) of the agro-industry workers in Urabá of which 2,250 work in the Fairtrade-certified banana plantations. By the end of the last century, the first Collective Bargaining Agreement in the Industry was signed between AUGURA and SINTRAINAGRO, involving all members of the union and companies associated with AUGURA, a unique case in the banana history of Latin America.<sup>22</sup> In addition, hired plantation workers formed Worker Committees and Corporations in each plantation when Fairtrade entered the banana sector in Urabá. Each Corporation has a Joint Body, comprising both hired-worker and management representatives, which administers the Fairtrade Premium. In addition, the banana exporters have created foundations that support the well-being of hired workers and communities in general, such as FUNDAUNIBAN (UNIBAN Foundation), CORBANACOL, the Rosalba Zapata Cardona Foundation, FUNDAFRUT, among others.

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<sup>22</sup> Quesada, V. H. What can we learn from the banana experience in Colombia? FLO. March, 2013.

The six smallholder cooperatives in Magdalena, all Fairtrade-certified, are COOBAMAG, ASOPROBAN, EMPREBANCOOP, BANAFRUCOOP, ASOBANARCOOP and COOBAFRIO), located in the towns of Zona Bananera and Ciénaga. The main banana traders in Colombia and their respective export share (2012) are: UNIBAN (42.5%), BANACOL (16.4%), BANASAN (11.3%), TECBACO<sup>23</sup> (8.3%), BANAFRUT (6.9%), Tropical (5.8%), Conserba (4.6%), and others (4.2%).<sup>24</sup> In 2012, 82.2% of the Colombian banana was exported to the European Union.

Most of the bananas, including Fairtrade-certified fruit, exported to the European Union from Colombia are sold in supermarkets; for example, 80% of bananas sold in the UK are through supermarkets. This means that supermarkets hold considerable power over their suppliers. Over the past few decades, the big UK supermarkets have cut prices of bananas in efforts to compete for customers, and have priced bananas as loss leaders.<sup>25</sup> In general, there is a downward pressure on prices, production costs and workers' wages in the banana sector.

Several supermarket chains in UK and The Netherlands have decided to sell Fairtrade bananas exclusively, which has resulted in increased consumer demand for Fairtrade bananas. These supermarkets that sell only Fairtrade bananas are also playing the price wars, although they also have Fairtrade minimum price and Premium commitments. One of them has even been reported as using its considerable commercial clout to keep Fairtrade minimum prices from increasing to reflect rising costs of production.<sup>26</sup> The downward pressure on banana prices is due not only to the aforementioned price wars, but also to banana oversupply caused by the European Union trade liberalization and by new banana-growing players. Therefore, the blame for poor, decreasing wages of workers in the banana sector cannot be placed solely on plantation owners.

### **Fairtrade in the Colombian banana sector**

Between 2009 and 2010, Colombia was reported as the country with the third highest Fairtrade income, with approximately USD 62 million. The number of Fairtrade certified banana farms in Colombia increased from 4 in 2007 to 35 in 2013. This increase stems mainly from the opportunity offered by the supermarket chains in UK and The Netherlands, which exclusively sell Fairtrade bananas. Both Colombia and the Dominican Republic are the ones that benefit the most from that exclusivity. In the Urabá region, according to Fairtrade International, there are 27 farms certified under the Fairtrade Standard for Hired Labour, totaling 2,254 jobs. In 2012, Colombia exported 6.2 million boxes of Fairtrade-certified bananas, which represents 35% of the world's Fairtrade bananas.

<sup>23</sup> Baltime Techniques of Colombia S.A.

<sup>24</sup> Augura, Coyuntura Bananera Colombia, 2012.

<sup>25</sup> This means that bananas are sold at a low cost to attract customers who will buy other, more profitable items.

<sup>26</sup> [www.bananalink.org.uk](http://www.bananalink.org.uk)

## Public Private Partnership (PPP) Programme

AUGURA and the Dutch Embassy in Colombia established a partnership several years ago and have invested more than USD 5 million through the social foundations CORBANACOL and FUNDAUNIBAN in the banana-growing regions of Colombia. The following achievements in the Magdalena banana zone can be highlighted:

- GlobalGap certification for smallholders so they can export
- Infrastructure improvement in smallholder farms
- Improvement of Fairtrade-sales processes
- Improvement of the standard of living of smallholders and their family members
- Social investment in education, sports, and cultural activities

## The Armed Conflict

Since 1960, Colombia has experienced an armed conflict in which the main protagonists are the army, leftist guerrillas and rightist paramilitaries (demobilized in 2006), and is currently conducting peace negotiations in Cuba. Both the Urabá and Magdalena regions were seriously affected by this conflict.

In Magdalena, the leftist FARC (Revolutionary Armed Forces of Colombia) and ELN (National Liberation Army) guerrilla groups were active in the period from 1980 to 2000 where they extorted and kidnapped mostly large-scale farmers and ranchers. In 1997, rural insecurity increased, caused not only by the guerrilla groups but also by common delinquents. In response, affected trade associations and landowners invited and funded existing self-defense or paramilitary groups from neighboring regions to neutralize the guerrilla and delinquency. Initially, these paramilitary groups acted as watchmen and guards in rural areas, then initiated operations in urban areas, and soon were involved in the murder of potential guerrilla fighters and their collaborators. After expelling the guerrilla groups, the paramilitary units took military control and started to make alliances with local, regional and national politicians. The objective was mostly to steal public funds. This terror setting that endured until 2006 greatly harmed agricultural production in the banana zone because many farmers abandoned their farms or could not visit them. The government policy that promoted and facilitated paramilitary demobilization at that time, coupled with the reactivation of the agricultural-based economy and the social investment by the government and private sector, helped normalize the security situation again. Fairtrade entry reinforced this economic and social recovery in the banana zone.

Violence in Urabá dates back to the beginning of the 20th century, when banana workers struggled against terrible living and labour conditions inside the United Fruit Company. In 1928, the government supported this transnational during a workers' strike and killed more than 3,000 banana workers.<sup>27</sup> Although the United Fruit Company disappeared in the Sixties and banana-production operations were handed to national landholders, conflicts continued and several leftist guerrilla and political parties were

<sup>27</sup> Revista Credencial Historia. Edición 190. October 2005.

formed and took control of the workers' labour organizations. Urabá's banana zone became the center of revolutionary movements and the government responded with violent repression. When the pacification efforts by the Colombian government failed in the Eighties, mostly due to the FARC-ELP<sup>28</sup> guerrillas, banana landholders (and with the tolerance of Army chiefs in the region) supported and funded the so-called "Peasant Self-Defense of Cordoba, and Urabá" paramilitary unit. The result was widespread violence and the death of 8,000 people in less than seven years, of which 800 were union leaders and members. In 1998, two labour unions merged to form SINTRAINAGRO, as a pro-peace action group but also with the conviction that an economic reactivation in the region was necessary to improve the living conditions of banana workers. After removing the army commanders in Urabá, the army started to combat the paramilitary groups which soon demobilized to take advantage of the amnesties offered by the government in 1991 and 2006. In retrospect, the pacification of Urabá depended not only on ending the armed confrontation, but also on the reactivation of the banana sector, based on productivity and respect for human and labour rights.

### **Current conflicts in Magdalena**

Although it is not a generalized problem, in focus groups sessions with smallholders and family members conducted as part of the impact study, it was discovered that some members of ASOPROBAN are having conflicts with large landholders in the zone (Cadavid and Vives), who are taking over water sources, and leaving smallholders waterless. Some smallholders have been forced to sell their farms, and this seems to be a landholder strategy to expand their plantations. Smallholders expressed their interest in denouncing this situation to Fairtrade International, to obtain support in order to avoid, as they put it, that "the small-scale farmer be crushed by the large farmer".

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<sup>28</sup> ELP stands for Patriotic Liberation Army.

## 4. Characterization of Smallholders and their Cooperatives

This section first presents a brief overview of each of the six Fairtrade-certified cooperatives in Magdalena that were part of this study. It summarizes the main socioeconomic characteristics of the cooperatives and their members, investment of the Fairtrade Premium and highlights important differences among the cooperatives.

### 4.1 Cooperatives: location and history

In Colombia there are six Fairtrade-certified banana cooperatives, all of whom were evaluated in this impact study: COOBAMAG, ASOPROBAN, EMPREBANCOOP, BANAFRUCOOP, ASOBANARCOOP and COOBAFRIO, all located in the towns of Zona Bananera and Ciénaga in the Magdalena Department (see **Figure 1**). They are located in the middle of two strategic ecosystems, the Sierra Nevada de Santa Marta and the lake complex Ciénaga Grande of Santa Marta. The cooperatives are dedicated to the production and processing of bananas for the international and domestic markets, and they also provide members with services such as training, credit, input-buying unions, air fumigation, quality control and supervision of Fairtrade-norm compliance.

**Figure 1. Geographical location of the Fairtrade banana smallholder organizations under study**



**Cooperative A** was constituted in June 1997 as an initiative of a group of 28 small-scale banana producers in the town of Zona Bananera in Magdalena, who had suffered a negative experience due to the inadequate financial management of their previous association. It has been linked to an exporter since February 2011 and obtained GlobalGap and Fairtrade certification in 2007 and 2008, respectively. Five full-time employees (three women and two men) work in its offices.

**Cooperative B** was constituted in December 1984 by 28 members who sold their fruit to a local trader and started its commercial relationship with another major exporter. In 1998 it became a cooperative, obtained Fairtrade certification and started to export directly to the European market after signing a contract. In 2006, the smallholder organization became insolvent, ceased exports and did not comply with the contract. This was mainly due to a profound economic crisis, mismanagement and the serious security situation and social emergency in the region. In 2008, thanks to the support from a major exporter, through fertilization and air fumigation subsidies, the cooperative started the recovery of its members' banana farms. In week 45 of 2008, banana sales were reactivated, but the name of another legal organization was used, because of the high debt level. The cooperative continues with the process of organizational and business recovery.

**Cooperative C** was founded in March 2010 by 35 smallholders who were producing 3,000 boxes weekly. Before this, they had initiated an organizational process through an EAT<sup>29</sup> but with no success. It has been linked to an exporter since 2010 and received GlobalGap and Fairtrade certification in November 2010 and July 2011, respectively. Six full-time employees (four men and two women) work in its offices.

**Cooperative D** was established in March 2007 in the city of Santa Marta, an initiative of the smallholders with less than 10 hectares. It has been affiliated to an exporter since 2007 and obtained GlobalGap and Fairtrade certification in 2008 and 2009, respectively. Ten full-time employees (seven men and three women) work in its offices.

**Cooperative E** was constituted in November 1987 as an association with 16 farms that started selling through an exporter, and became a cooperative in 2002. It has had GlobalGap and Fairtrade certification since 2007 and 2006, respectively. Five full-time employees (three men and two women) work in its offices.

**Cooperative F** was founded by smallholders in December 1999. When a local trader closed its operation, the smallholders were left with no alternatives for selling their fruit. The cooperative experienced administrative problems when selling conventional bananas, which almost led to its closure in 2003, when only 15 members remained. During the years 2009 and 2010, it was reactivated thanks to its relationship with another exporter and started the Fairtrade certification process. Thanks to the Fairtrade Premium, the cooperative started a process of organizational and business strengthening. The cooperative started selling Fairtrade fruit in week 13 of 2011, with 3,303 17-kg boxes. It obtained GlobalGap and Fairtrade certification in 2010 and 2011, respectively. Nine employees (five men and four women) work full-time in its offices.

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<sup>29</sup> Associative Work Enterprise.

## 4.2 Basic characterization of cooperatives

This section describes social and economic aspects of the six cooperatives and points out the major differences among them.

### Socioeconomic information

**Table 3** presents key basic socioeconomic information (year 2012) of the six cooperatives and their members. Some aspects are highlighted below. Farm areas vary a lot, from a minimum of 0.3 hectares to a maximum of 16; annual household incomes show a great variation (from USD 2,393 to USD 60,245) as well as annual per capita incomes (USD 464 to USD 18,640). These figures illustrate that cooperative membership is diverse, a blend of farmers with a wide range of incomes, including some who are living in poverty. The average farm area in Cooperative D is 71% larger than the average for all six cooperatives; its members also boast average schooling that is 50% above the average for all six cooperatives; and the average annual household income of its members is 62% higher than the average for all six cooperatives. This clearly indicates that Cooperative D has an important segment of members that has a much higher standard of living than the most of the members of the other cooperatives. In addition, the average age of all smallholders is 47, but it's 60 years for Cooperative E members. Annual average cooperative banana yields range from 30-38 tons/hectare.

It is important to note that Table 3 presents net income (not gross income) from total banana sales (Fairtrade and non-Fairtrade) and so the respective production costs have been subtracted. However, this information was obtained directly from smallholders and the interviewers had to quickly guide the step-by-step calculation. Accuracy of the information collected depends on the ability of each smallholder to recall the volume of bananas sold, production costs and other expenses incurred related to cooperative membership. The CODER research team considers that the value of the latter deductions tended to be exaggerated, and thinks that net incomes from banana sales were somewhat underestimated.

It is important to note here that although the minimum price for a Fairtrade-certified banana box in 2012 was USD 6.70, in fact 20% of the total banana volume was sold in the conventional market at a heavy discount. CODER calculates that the net income obtained by individual smallholders from total banana sales ranges from 35-45% of gross income. The average annual net income from bananas for 2012 presented in Table 3 (USD 13,068) is approximately twice Colombia's minimum legal salary.

**Table 3. Basic socioeconomic aspects of the six cooperatives and their members, annual information for year 2012 (USD)**

Information	COOP A	COOP B	COOP C	COOP D	COOP E	COOP F	Total or Average
# members	40	80	59	35	44	42	<b>300</b>
Total hectares	117.0	216.0	161.4	195.0	135.5	137.4	<b>962.3</b>
Average has/member	2.93	2.70	2.74	5.57	3.08	3.27	<b>3.21</b>
Largest farm area	10	16	11	16	8.5	10.3	<b>12</b>
Smallest farm area	0.5	0.3	0.8	1.0	0.7	0.8	<b>0.6</b>
Total boxes sold	181,946	428,567	351,809	353,326	284,396	268,180	<b>311,371</b>
% boxes sold on Fairtrade terms	93%	72%	78%	84%	73%	86%	<b>80%</b>
Average annual yield (ton/ha)	30.0	34.1	38.0	30.9	36.0	33.0	<b>34.1</b>
Average age of members	41	41	51	51	60	41	<b>47</b>
Average years of schooling of members	8	7	8	12	7	9	<b>8</b>
Average # of members in hh	5	6	5	5	6	6	<b>6</b>
% of members with food security	84%	68%	77%	88%	88%	70%	<b>77%</b>
Average annual hh income	16,548	14,735	13,426	26,249	15,859	15,137	<b>16,284</b>
Maximum hh income	32,393	49,080	49,767	50,753	42,476	60,245	<b>47,780</b>
Minimum hh income	3,904	2,393	5,220	5,187	4,176	4,495	<b>4,032</b>
Average per capita income	3,868	3,176	2,819	6,204	3,893	4,057	<b>3,782</b>
Maximum per capita income	11,712	10,485	12,442	16,650	18,640	16,241	<b>13,755</b>
Minimum per capita income	465	791	746	1,037	464	694	<b>706</b>
Average net income from bananas	13,863	11,862	11,265	20,987	11,353	12,336	<b>13,068</b>
Maximum net income from bananas	30,117	42,270	49,767	49,671	39,041	40,167	<b>42,219</b>
Minimum net income from bananas	3,012	2,142	2,030	4,350	2,320	2,900	<b>2,626</b>

**Table 4** shows the penetration of basic services in the homes of cooperative members. It highlights that household access to health services is high, although smallholders mentioned that the SISBEN (national subsidized health service system) and EPS (national non-subsidized health service system) services were mediocre; in focus group sessions with smallholders and family members, they mentioned that the health centers in their communities lack the adequate conditions for addressing an emergency properly. SISBEN health services, targeted at poor people, are mostly free of charge, whereas the cost of EPS services depends on the member's income. Access to basic sanitary services in households is also high, but the availability of drinking water is still low, because water usually comes from natural wells, some of which are contaminated. These results suggest that cooperative managers could explore practical ways to improve health services and access to drinking water with Fairtrade Premium and/or government funding.

**Table 4. Percentage of smallholder households from banana cooperatives with basic services**

Services	COOP A	COOP B	COOP C	COOP D	COOP E	COOP F	Average
% with health services	100%	100%	100%	97.1%	100%	100%	<b>99.6%</b>
% with SISBEN	64.5%	56.1%	72.1%	23.5%	19.0%	39.4%	<b>48.9%</b>
% with EPS	35.5%	43.9%	27.9%	73.5%	81.0%	60.6%	<b>50.6%</b>
Distance to health center (km)	1.8	2.0	1.7	8.8	2.3	5.0	<b>3.4</b>
% with water from a natural source	87.1%	84.2%	93.0%	79.4%	42.3%	57.6%	<b>77.0%</b>
% with treated water	12.9%	15.8%	7.0%	20.6%	57.7%	42.4%	<b>23.0%</b>
% with WC	71.0%	78.9%	95.3%	94.1%	96.2%	100%	<b>88.2%</b>
% with latrine	41.9%	33.3%	14.0%	17.6%	7.7%	3.0%	<b>21.1%</b>
% with sewage	71.0%	75.4%	72.1%	85.3%	92.3%	75.8%	<b>77.6%</b>
% with cement floor	96.8%	95.5%	97.7%	100%	100%	97.0%	<b>97.5%</b>
% with garbage disposal	96.8%	100%	100%	97.1%	100%	100%	<b>99.1%</b>
% with insect control	74.2%	89.5%	88.4%	70.6%	73.1%	60.6%	<b>78.5%</b>

### Cooperative differences

The most prominent differences between the six cooperatives are presented below, which are important to note. **Cooperative A** exhibits the highest agricultural diversification index, its members are the most interested in expanding their crops, and it presents the highest percentage of members with a motorcycle. On the other hand, it

presents the highest index of informal sources of credit, has a segment of members with the lowest annual per capita income, the lowest penetration of WCs in households, and the least number of permanent hired-workers with contracts. It is also the cooperative with the lowest proportion of female members.

**Cooperative B** has the lowest food security index (68%) versus an average of 78% for all six cooperatives. It is also the organization whose members rate it below the average for all six cooperatives with respect to sharing costs and risk with its members, transparency in operation, service provision and support to members by means of agricultural assets.

**Cooperative C** has members with the lowest average annual per capita income, the greatest proportion of members affiliated to SISBEN, its members hire the least number of permanent workers, and it shows one of the lowest agricultural diversification indexes. It is also one of the organizations with the least number of female members.

**Cooperative D** has members who on average belong to a higher socioeconomic stratum than the members of the remaining cooperatives, reflecting higher per capita incomes, greater access to EPS and other basic services, superior vehicle ownership and savings capacity. It is also the cooperative with the largest proportion of female members (31% versus an average of 19% for all six cooperatives).

**Cooperative E** is the cooperative where women are most important in terms of income generation, exhibits a high EPS access level, the greatest savings value among members who save money, and shows large Fairtrade- and GlobalGap-related investments. On the other hand, its members live the farthest away from health centers, have the lowest number of loans from formal banks, exhibit the lowest income and agricultural diversification levels, and it has a segment of members with the lowest per capita incomes.

**Cooperative F** is the cooperative that made the greatest Fairtrade and GlobalGap certification-related investments in 2012, all of its members have a WC, boasts an above-average agricultural diversification level, and has the least proportion of households with relatives who have migrated. However, it also shows the lowest food security level and only 64% of its members save money.

### 4.3 Banana sales volumes, sales prices and production costs

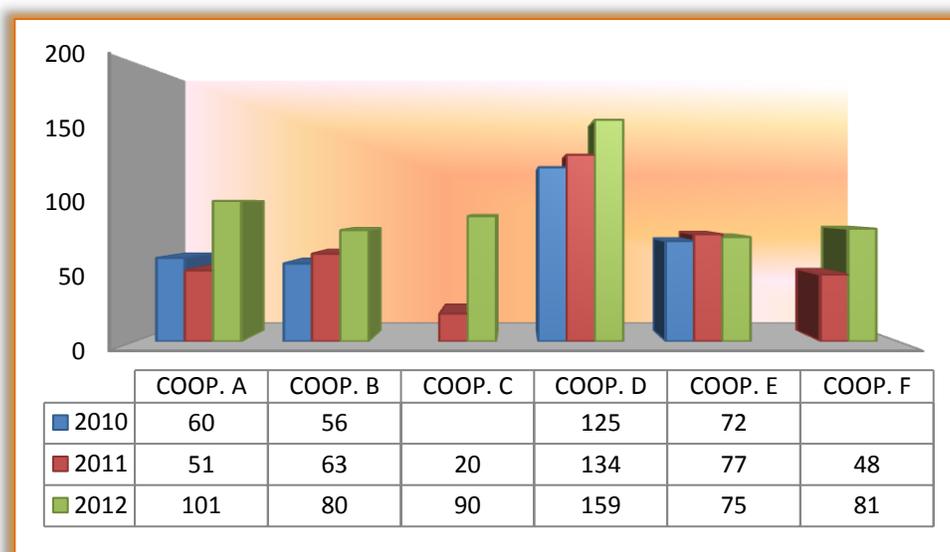
#### Banana sales volume

**Table 10** in **Section 5.1** of this report shows total volume of banana boxes sold by cooperatives in the last three years, including the percentage sold on Fairtrade terms. As already mentioned, four of the six cooperatives increased total banana sales volume in this time period and five of the six cooperatives also increased their volume sold on Fairtrade terms. The average percentage volume of bananas sold on Fairtrade terms increased from 71% in 2011 to 80% in year 2012.

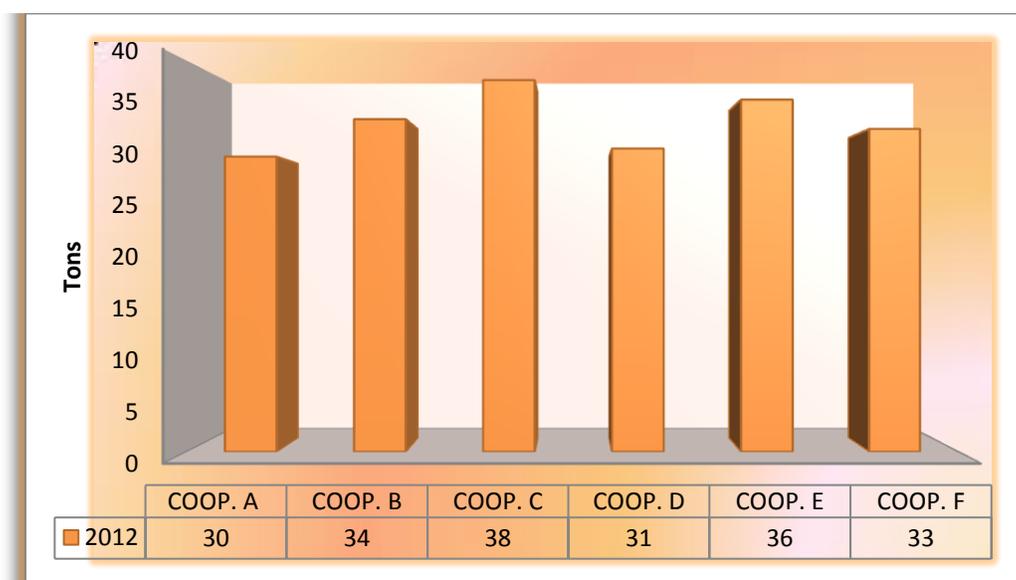
**Figure 2** displays the average annual banana production per farm (tons/year) in the cooperatives of Magdalena from 2010 to 2012. The average annual volume of bananas

sold on Fairtrade terms across all cooperatives was 49 tons in year 2010, 61 tons in 2011 and 93 tons in 2012, or an increase of 52.4% in the last two years. Cooperative D has the highest annual average farm production, 159 tons, because its members have the largest farms, tend to have higher incomes and more schooling, which allows them to invest more in banana production.

**Figure 2. Average annual banana production per farm (tons/year) in the cooperatives of Magdalena (2010-2012)**



**Figure 3. Average banana yield (tons/ha) per cooperative (2012)**

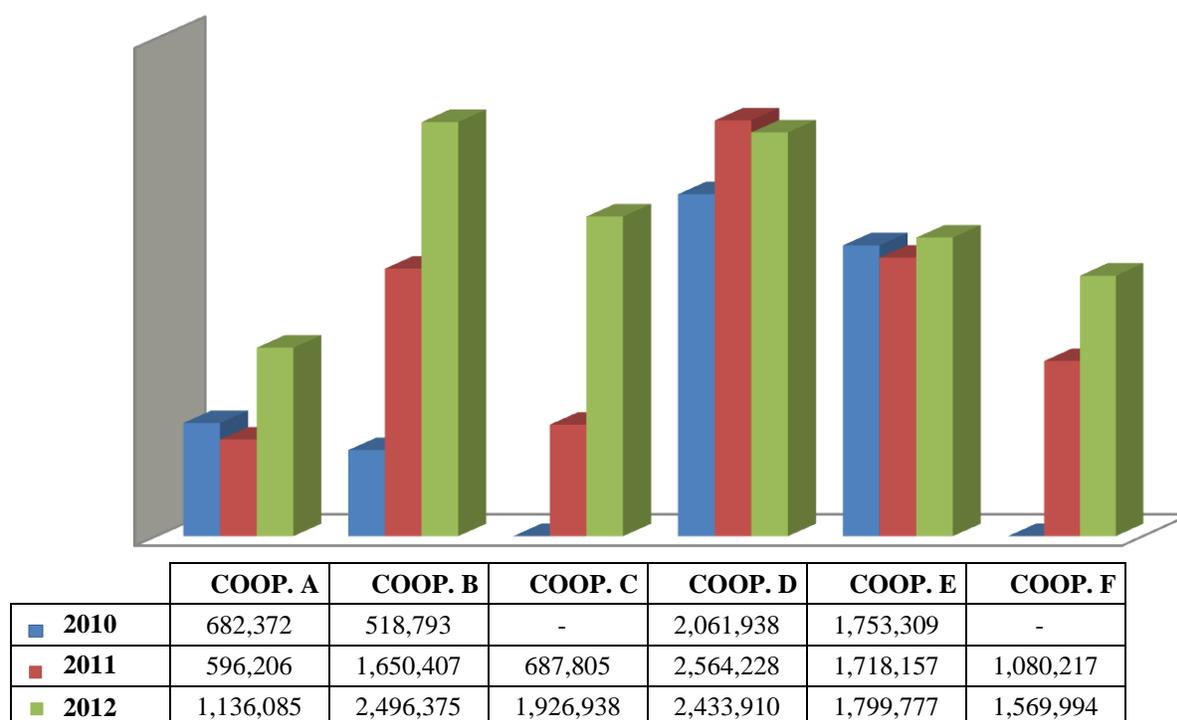


**Figure 3** shows the average banana yield (tons/ha) of cooperatives in 2012; this data was provided by cooperative managers. The average yield according to managers last year was 34.1 tons/ha, and Cooperatives C and E show the highest yields. The average yield of

non-Fairtrade farms surveyed was 10-15% lower than in Fairtrade farms. On the other hand, data collected directly from smallholders point to higher yields; the average in year 2010 was 29 tons/ha, 30 tons/ha in 2011, and 37 tons/ha in 2012. However, it is considered that this data is somewhat exaggerated, because smallholders surveyed had to recall the average amount of boxes they sold per week. Hence, it is recommended to use the official yield data offered by the managers.

Cooperatives sell an average of 94% of their banana production to exporters, 4% to buyers in the local market, and 2% is given away to hired workers or consumed by household members. An average annual Fairtrade banana sale per cooperative was USD 727,000 in 2010; 1,357,000 in 2011; and 1,964,000 in 2012. **Figure 4** shows the income per cooperative from sales of bananas sold on Fairtrade terms in the last three years.

**Figure 4. Cooperative income from sales of banana sold on Fairtrade terms, 2010-2012 (USD)**



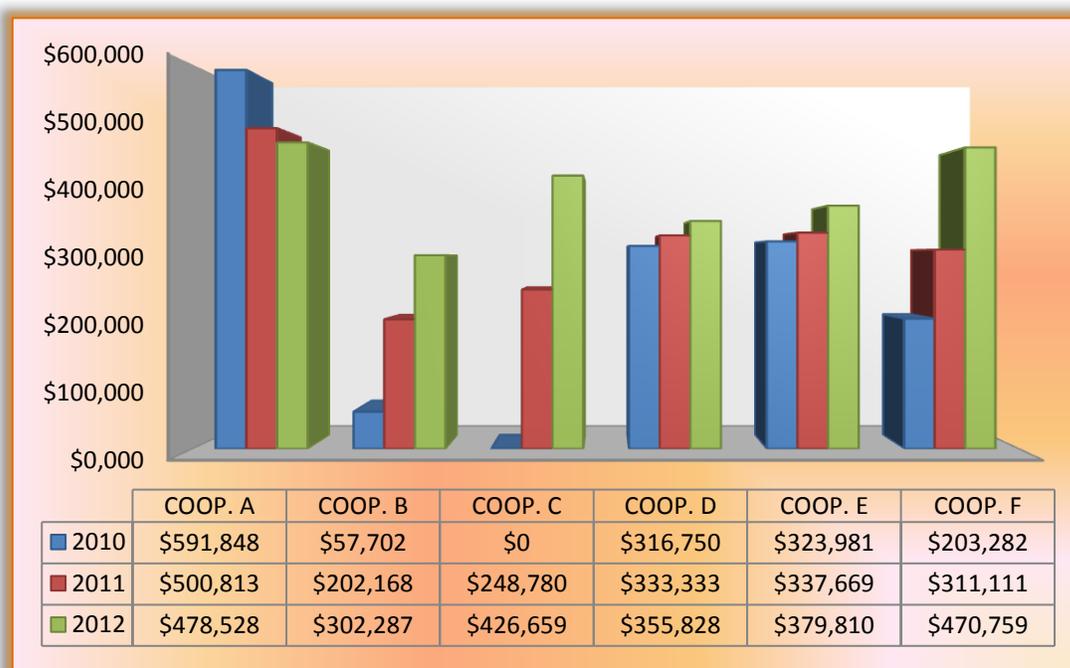
**Table 5** shows annual banana sales to the conventional export market per cooperative from 2010-2012. Cooperative-reported average annual banana sales to the conventional export market were USD 586,554 for year 2010; USD 309,485 in 2011; and USD 128,277 during 2012.

**Table 5. Annual banana sales to the conventional export market per cooperative, 2010-2012 (USD thousand)**

Cooperative	2010	2011	2012
Cooperative A	273,690	433,062	77,524
Cooperative B	940,709	462,331	105,968
Cooperative C	0	41,734	38,483
Cooperative D	552,144	7,046	117,122
Cooperative E	294,336	272,087	184,049
Cooperative F	1,370,037	569,648	294,479
<b>Weighted average</b>	<b>586,554</b>	<b>309,485</b>	<b>128,277</b>

**Figure 5** displays net income for cooperatives from 2010-2012. Total average net income per cooperative last year was USD 393,000; Cooperatives A, C, and F exhibited the highest incomes.

**Figure 5. Net income for cooperatives, 2010-2012 (USD)**



### Sales price of bananas

Smallholders negotiate prices as EXW.<sup>30</sup> The minimum EXW price defined by Fairtrade International<sup>31</sup> for bananas is USD 6.70 and the FOB<sup>32</sup> price is USD 9.10 per

<sup>30</sup> The acronym EXW (*Ex-Works*) is an international trade clause that means, in this context: “the seller will place the product in the cooperative plant or banana plantation”. Bananas have to be packed and labeled by

18.14-kg box of Fairtrade bananas. All Fairtrade-certified banana smallholder organizations receive a USD 1.00 additional Fairtrade Premium for each box sold on Fairtrade terms for investment in production and community/social development. An important finding of the study is that the current Fairtrade minimum price does not leave a margin for profitability, mainly because of the dollar fluctuation and the high costs of banana production. Respondents perceive that the real Fairtrade benefits are the Premium, price stability and market assurance.

Most smallholders and managers surveyed know what the current price is for a box of bananas for the Fairtrade and conventional export markets. However, some smallholders offered irregular data, and for this reason this report uses official information reported by the cooperative managers. The current average price that a banana cooperative receives for a box of Fairtrade bananas is USD 7.24 and in the conventional market the price is USD 6.96.

**Table 6** shows the detailed sales price of a box of bananas per cooperative. It should be clarified that the prices for a box of bananas from Cooperative A are different because of its particular terms of negotiation with the exporter.

**Table 6. Current sales price of a box of bananas for Fairtrade and for the conventional export market (USD)**

Cooperative	Fairtrade <sup>33</sup>	Conventional
<b>Cooperative A</b>	6.60	6.60
<b>Cooperative B</b>	7.26	6.50
<b>Cooperative C</b>	7.26	6.77 <sup>34</sup>
<b>Cooperative D</b>	7.34	7.13
<b>Cooperative E</b>	7.63	7.26
<b>Cooperative F</b>	7.26	7.29 <sup>35</sup>
<b>Weighted average</b>	<b>7.24</b>	<b>6.96</b>

Cooperative directors believe that value distribution along the banana value chain should be more transparent, and that smallholders should have greater bargaining power with the buyers, and they expect support from Fairtrade in this sense.

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the seller, but the buyer has to cover all subsequent expenses after product delivery, including loading the product into the ship.

<sup>31</sup> Table of Fairtrade minimum prices and Premium, Version 2013.

<sup>32</sup> FOB stands for “Free On Board”, and is always used in conjunction with a port of loading. The seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer pays subsequent costs, such as marine freight, transport, insurance, unloading, and transportation from the arrival port to the final destination.

<sup>33</sup> The current (year 2013) Fairtrade sales price for five of the six cooperatives is above the minimum price because one of the buyers unilaterally increased it.

<sup>34</sup> Average annual price for a 20-kg box. The price was USD 7.27 in Semester I and USD 6.27 in Semester II.

<sup>35</sup> The Fairtrade box has 17.5 kg, whereas the conventional box has 20 kg.

Smallholders surveyed expressed their dissatisfaction with the current price, because it was not raised in 2013, which evidences their lack of knowledge of Fairtrade policy that established, in October 2012, that the minimum price would be revised every two years.<sup>36</sup>

Nevertheless, in the case of one of the exporters, the purchasing price for year 2013 was raised within the minimum–maximum price range, a situation that did not occur with another exporter that has not raised prices for two years now. In spite of this, it was detected that Cooperative A members are satisfied with their commercial relationship with this exporter, as the buyer has supported them in times of crisis, the one-year trade contract was signed by the cooperative and not by the smallholders, and it has provided support to smallholders in terms of technical assistance, certification processes and transportation of inputs.

### Costs of production

This impact study revealed that few of the actors in the banana value chain really know what the costs of production are for a box of bananas. Production cost information for this report was obtained directly from cooperative managers, who did mention that the current Fairtrade minimum price was not fully covering the cost of production for bananas.

**Table 7. Current (2013) cost of a box of bananas for Fairtrade and for the conventional export market (USD)<sup>37</sup>**

Cooperative	Fairtrade	Conventional	Yields (ton/ha), 2012 <sup>38</sup>
Cooperative A	7.88	7.88	30
Cooperative B	6.00	6.20 <sup>39</sup>	34.1
Cooperative C	7.25	7.25	38
Cooperative D	7.26	7.26	30.9
Cooperative E	8.64	8.64	36
Cooperative F	7.25	7.25	33
<b>Weighted average</b>	<b>7.21</b>	<b>7.26</b>	<b>34.1</b>

<sup>36</sup> Reference document for Fairtrade partners. Review of the price for bananas 2013. Page 6.

<sup>37</sup> All exporters mentioned that they did not have precise information on the banana production costs for smallholders. Thus, data on banana production costs were supplied by cooperative managers but it seems that they lack a uniform method for calculating these.

<sup>38</sup> Yield data provided by both managers and smallholders is inconsistent. Yield data shown are CODER estimates after analyzing yield data in boxes and tons obtained from several sources during the study. Confusions may arise because bananas are sold in boxes with four different weights, ranging from 17 to 20 kgs.

<sup>39</sup> In this cooperative, the production cost for the conventional market is greater because the box sold in this market contains more fruit.

**Table 7** shows current (2013) costs of production and yields (tons/ha) per cooperative for year 2012. The cost of production of a box of bananas is the same for the Fairtrade and conventional export markets, except for Cooperative B (please see footnote 38). The current production cost of a box of Fairtrade bananas is on average USD 7.21 (approximately COP 12,927), similar to the cost for the conventional market (USD 7.26).

Of the cooperatives studied, Cooperative E had the highest cost of production; both for the Fairtrade and conventional markets, the cost is USD 8.64, or COP 15,492. Managers mentioned that the University of Magdalena advised them on how to calculate production costs correctly. It cannot be discarded that some cooperatives are making methodological errors when calculating production costs.

As already mentioned, cooperative managers asserted that the sales price does not fully cover production costs, and they also mentioned that when calculating variable or direct costs, they sometimes excluded the cost of the smallholder's labour, nor did they consider the full cost of fertilizers, fuel or agricultural activities such as "recaba and trincheo", the latter costs partially or fully covered by Fairtrade Premium funds. Furthermore, they also sometimes exclude fixed or indirect costs such as administrative expenses.

The following is a list of investments and costs of production subsumed by smallholders:

- Investment in the crop and infrastructure, such as land preparation, drainage, planting, irrigation systems and cableways
- Costs of washing, disinfection and packaging
- Cost of transportation of boxes to the port, although this amount is reimbursed by the buyers<sup>40</sup>
- Port charges (USD 0.40 per box)
- Costs of crop agronomic and maintenance practices (irrigation, manual weeding, disease control, fertilization, crop maintenance, and drainage cleaning)
- Costs of harvesting and packing material (glue, coding ink, pallet)
- Fixed or indirect costs, such as Fairtrade-norm maintenance and administrative expenses

One of the exporters covers packing inputs and ship loading, but does not pay transport to the port, which it should, because it is selling on EXW terms. For example, it charges the cooperatives USD 0.40 for transporting each box to the port. In addition, it provides services like credit, technical assistance, input supply, air fumigation for Black Sigatoka control and social support to smallholders. Likewise, the other exporter transports inputs to the Cooperative A warehouse and bananas to the port, provides backstopping with respect to quality control and management of Fairtrade and GlobalGap certification,

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<sup>40</sup> Some cooperative managers said that one of the exporters does not reimburse this cost, which means it is not complying with EXW terms of sale.

supports projects for improvement of farm infrastructure, sells and distributes inputs such as fertilizers, plastics, packages, and air fumigation for Black Sigatoka control.

According to managers, in 2012 cooperatives invested an average of USD 30,927 to comply with Fairtrade and GlobalGap requirements. It should be underlined that smallholders do not differentiate between Fairtrade and GlobalGap expenses. **Table 8** presents the approximate amount of investments and expenses, the Premium amount received, and net incomes for the Magdalena cooperatives in year 2012.

**Table 8. Investment and approximated expenses, value of the Premium and net income of cooperatives in Magdalena, 2012 (USD)**

Cooperative	Fairtrade certification-related investments	GlobalGap certification-related investments	Fairtrade Premium amount received	Net income
Cooperative A	7,100	9,838	305,187	478,533
Cooperative B	1,980	9,286	246,107	302,560
Cooperative C	9,593	14,389	255,304	426,531
Cooperative D	5,165	12,052	204,685	355,934
Cooperative E <sup>41</sup>	57,513	-	239,041	379,782
Cooperative F	43,157	32,002	358,438	480,608

#### 4.4 The Fairtrade Premium concept and its investment

Fairtrade is working with a minimum price for certified banana boxes, which was USD 6.70 EXW or USD 9.10 FOB in 2012. In addition, there is a Fairtrade Premium. This is an extra payment of USD 1.00 per box of Fairtrade bananas<sup>42</sup> that is made to the cooperatives upon sale of each box under Fairtrade terms. This additional payment has to be invested in the economic, social and environmental development of the organizations and community.

Fairtrade International is the agency in charge of defining the Premium value, a sum that is not negotiable and ranges from 5-30% of the minimum price, depending on the agricultural product involved, and is paid per each unit of product sold.<sup>43</sup> Therefore, when consumers buy Fairtrade products, they are contributing to increased incomes for smallholder organizations.

The investment of the Fairtrade Premium is decided according to criteria and needs as defined by the organizations themselves. Nobody can impose how to invest it, although

<sup>41</sup> The cooperative does not separate investments related to Fairtrade or other certifications (mainly GlobalGap).

<sup>42</sup> Table of minimum prices and Fairtrade premium. Version 2013.

<sup>43</sup> <http://www.fairtrade.net/price-and-premium-info.html>

**Table 9. Fairtrade Premium received and investment distribution in the six cooperatives, 2012 (USD)**

Cooperative	Project	%	Premium
<b>Coop A</b>	Investment in farms (irrigation, recaba <sup>44</sup> , trincheo <sup>45</sup> , fuel and motors	30	305,187
	Education	20	
	Training	20	
	Audits	20	
	Others	10	
<b>Coop B</b>	Decrease in prices of fertilizers and improvement of processing plant	50	246,107
	Social activities and certification	50	
<b>Coop C</b>	Construction of cooperative headquarters	40	255,304
	Fertilization programme	30	
	Certification	5	
	Education Committee	5	
	Social Welfare Committee	5	
	Solidarity Committee	5	
	Housing and Health Committee	7	
	ASOCCOMAG fee	3	
<b>Coop D</b>	Financing cooperative administration	40	204,685
	Irrigation project (18 smallholders with GAP)	15	
	Productivity	12.5	
	Solidarity Committee	9	
	Certification	8.4	
	Planting of noble weeds programme for environmental balance	7.35	
	Social investment	5.75	
	Committee of Education and Transportation	2.8	
<b>Coop E</b>	Certification and internal and external audit	38	239,041
	Infrastructure and irrigation	35	
	Emergencies and events	15	
	Cultural activities	3.5	
	Social investment and Education Committee	7.5	
	Solidarity and Social Welfare Committee	5	
<b>Coop F</b>	Improvement of productivity	44	358,438
	Certification	18	
	Debt guarantees	10	
	Support for hired workers' social security	12	
	Administrative support	5	
	Social Welfare Fund	4	
	Education Fund	4	
	ASOCCOMAG fee	3	

<sup>44</sup> Elimination of water deposits in banana plantations to avoid fungi and lower the relative humidity

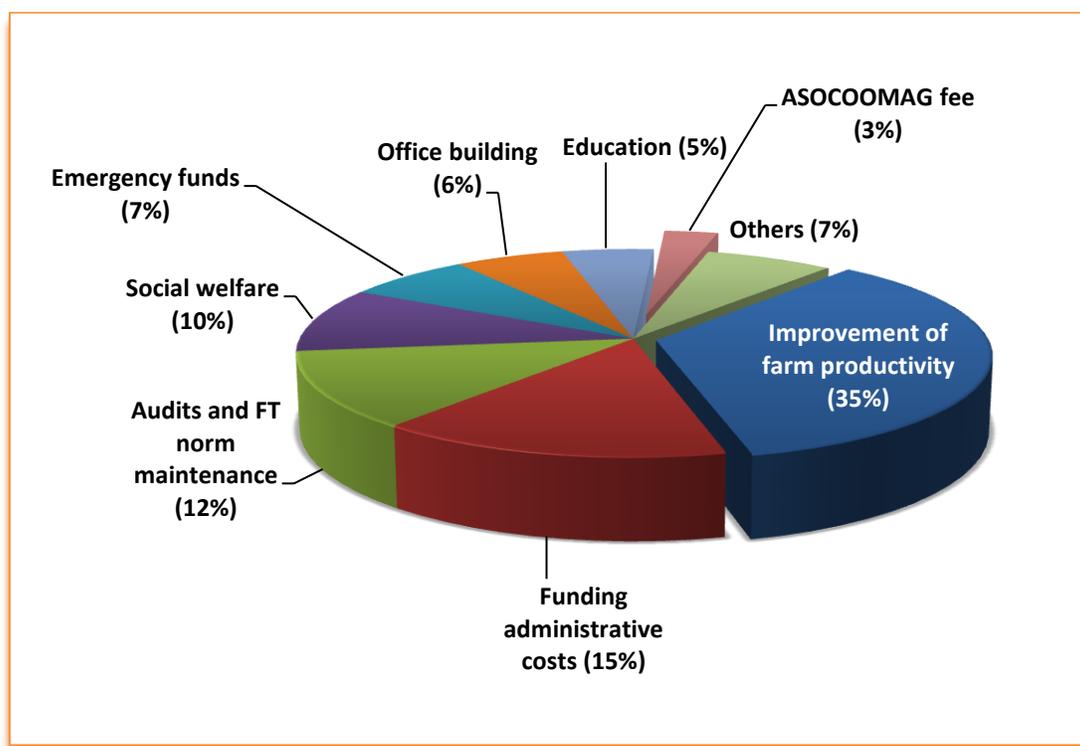
<sup>45</sup> Soil perforation around the plant to facilitate the absorption of water, oxygen and fertilizers.

it is required that project selection and handling of funds “be conducted by means of processes that are transparent, participatory and democratic”. Projects can promote the development of the community or of the pertinent business at hand. The six cooperatives studied in Magdalena assess their needs, analyze how to best employ the funds, make proposals, and then vote in the General Assembly to prepare the annual Premium plan or budget, a document that has to be approved by all of their member smallholders.

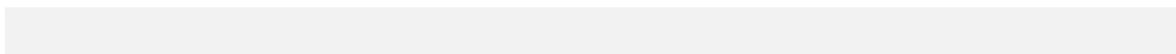
**Table 9** shows the Fairtrade Premium received in 2012 and its budget distribution for the six cooperatives. It confirms the independence of cooperatives when distributing the Premium budget; for example, Cooperative C spent 40% of the Premium in the construction of its headquarters and Cooperative B invested 50% in social activities.

On average, all of the cooperatives invested the Premium in the following way in 2012: 35% to improve farm productivity; 15% to cover administrative costs (although it’s hard to make an accurate estimate because administrative expenses are sometimes ‘hidden’ in other budget items); 12% for audits and Fairtrade compliance; 10% for social welfare; 7% for emergency funds for households; 6% for building cooperative headquarters or offices; 5% for education; 3% to fund ASOCOOMAG (a second-order organization recently founded by the smallholder cooperatives in order to promote their commercial activities); and 7% for other items (funding of social benefits for hired workers, debt payment, training, cultural events, etc.). See **Figure 6**.

**Figure 6. Average distribution of Fairtrade Premium by the six cooperatives (2012)**



It is important to highlight the strong relationship between Fairtrade impact in the banana chain at the household, cooperative and community levels with the Premium investment. For example, on average, 35% of the Fairtrade Premium is invested in enhancing ‘farm productivity’ (lowering the cost of inputs such as fertilizers and fuel, of on-farm infrastructure such as drainage and irrigation, and of key on-farm agricultural activities). This strategy is a direct response to the general assertion by smallholders and managers that the cost of producing bananas is equal or higher than its sales price. In other words, a significant part of the Premium is being used to lower the cost of banana production in the smallholder farms, which in turn is raising the smallholder household income, a key Fairtrade impact. In addition, an estimated 15% or more of the Fairtrade Premium is spent to cover administration costs of the cooperatives, because cooperatives lack sound business models to cover all or most of their administrative costs.



## 5. Impact of Fairtrade on Cooperatives

### 5.1 Socio-economic impact of Fairtrade on smallholder households

#### Smallholders' household income and standard of living

All of the smallholders surveyed said that their affiliation to Fairtrade had resulted in an important increase in their annual household income. The average increase calculated was 34%<sup>46</sup>, ranging from 7-64%. 96% of the smallholders affirmed that their economic situation had improved since joining Fairtrade.

The average annual smallholder's household income in 2012 was USD 16,280 (USD 1,357 per month), and the annual average per capita income was USD 3,781. It should be noted that many smallholder households receive additional non-agricultural incomes from other jobs, pensions, own business, and others. In 2012, the average annual net income from bananas reached USD 13,068<sup>47</sup>, fluctuating from an average minimum of USD 2,621 to an average maximum of USD 42,214.<sup>48</sup> This income from bananas represented on average 83% of total household income, oscillating from 23-100%.

This income level allows many smallholders not only to maintain and replace tools and means of production, but also to make investments and save money. On average, 85% of the households save an average of USD 1,729 annually, which represents 11% of total annual household income. In the focus group sessions, smallholders mentioned that all cooperatives encourage, and sometimes require, that members save money, an amount that is generally deducted from weekly payments for banana sales.

Increases in household income from sales of Fairtrade bananas come from two sources. The first source is the minimum price (USD 6.70 EXW or USD 9.10 FOB in 2012), a Fairtrade tool that seeks to provide greater stability to smallholders in case of market fluctuations and to guarantee that their banana production cost is covered.<sup>49</sup> This price results in additional income due to the higher price of bananas in the Fairtrade channel versus the conventional market; the price difference is low the first semester but increases substantially in the second semester of each year. Price decreases in the second semester in the conventional market are a result of the lower demand for bananas in Europe at this time of the year. In 2012, each cooperative member sold an average of 5,114 boxes of Fairtrade bananas.

<sup>46</sup> This percentage was obtained by calculating the annual smallholder household income (agricultural and non-agricultural) and then asking respondents what they thought their annual household income would be if they were not affiliated to Fairtrade. As is obvious, Fairtrade mostly affects agricultural income.

<sup>47</sup> As previously mentioned in this report, the CODER research team thinks that this figure is undervalued by approximately 15%.

<sup>48</sup> Net income from banana sales has such a wide range because farm areas and yields differ a lot, and some smallholders have suffered climatic-related emergencies.

<sup>49</sup> The minimum price is only a guide for buyers, and should not become the absolute price for buyers.

The second source is derived from the Fairtrade Premium, which is transferred to them in the form of farm improvement and yield increases, lowering of banana-production costs (inputs, manual labour, drainage, irrigation, etc.), and health and educational aid.

**Table 10** shows the percentage of banana boxes sold on Fairtrade terms by cooperatives, 2010-2012. These cooperative sales allow smallholders to capture the aforementioned Fairtrade benefits derived from the minimum price and Premium. Four of the six cooperatives (Cooperatives A, B, C and F) have increased their total banana sales volume in the period 2010-2012, whereas Cooperatives D and E display a minor decrease. All cooperatives show an increase of banana volume sold on Fairtrade terms except for Cooperative D. The average percentage volume of bananas sold on Fairtrade terms increased from 71% in 2011 to 80% in year 2012, with variations from 72–93% in the latter year.

**Table 10. Percentage boxes sold on Fairtrade terms by cooperatives, 2010-2012**

Coop	2010			2011			2012		
	Total boxes sold	Boxes sold as FT	%	Total boxes sold	Boxes sold as FT	%	Total boxes sold	Boxes sold as FT	%
Coop A	151.850	97.183	64%	159.990	87.665	55%	181.946	169.202	93%
Coop B	251.935	96.989	38%	91.728	84.552	92%	428.567	308.568	72%
Coop C	N/A	N/A	N/A	278.963	101.809	36%	351.809	276.110	78%
Coop D	358.763	264.801	74%	329.412	281.668	86%	353.326	297.685	84%
Coop E	315.844	269.817	85%	302.853	255.774	84%	284.396	206.877	73%
Coop F	227.442	N/A	N/A	199.237	152.130	76%	268.180	229.396	86%
<b>Total boxes/Average %</b>				<b>1.362.183</b>	<b>963.598</b>	<b>71%</b>	<b>1.868.224</b>	<b>1.487.838</b>	<b>80%</b>

Regarding their standard of living, 98% of smallholders consider that their quality of life has improved since joining Fairtrade. All cooperative members, thanks to the Fairtrade Premium, have received loans to buy household appliances and also quality technical assistance; 90% received agricultural inputs, 75% obtained credit for family education and 8% received credit to buy a house.

All smallholders have access to health services, 49% to SISBEN and 51% to EPS. On average, health centers are 3.4 km away from smallholders' homes. 77% of the members get their water at home from natural wells, whereas 23% have drinking water because they live in a village.<sup>50</sup> 88% of the members have a WC in their homes, 21% have a latrine, 78% have sewage, 98% have a cement floor, 99% have garbage disposal, and 79% control insects (see **Table 4**). 45% of the Fairtrade households have children aged 6-12 years and 99% of them go to school. Additionally, Fairtrade smallholders enjoy more access to training than non-Fairtrade smallholders.

<sup>50</sup> Smallholders live either in their farm, in a village near their farm, or have houses in both places. Some towns have drinking water, but natural wells are common in both towns and farms.

**Table 11. Asset ownership level among banana cooperative members (%)**

Assets	Coop A	Coop B	Coop C	Coop D	Coop E	Coop F	Average	Country average <sup>51</sup>
% with radio/sound equipment	83.9%	68.4%	67.4%	70.6%	88.5%	72.7%	<b>73.5%</b>	<b>47.9%</b>
% with TV	100%	100%	100%	100%	100%	100%	<b>100%</b>	<b>91%</b>
% with cell-phone <sup>52</sup>	93.5%	94.7%	100%	97.1%	100%	100%	<b>97.3%</b>	<b>83.8%</b>
% with bicycle	80.6%	77.2%	81.4%	52.9%	69.2%	66.7%	<b>72.5%</b>	<b>N.A.</b>
% with motorcycle	74.2%	47.4%	41.9%	50.0%	11.5%	60.6%	<b>47.9%</b>	<b>20.6%</b>
% with refrigerator	80.6%	96.5%	90.7%	91.2%	100%	94.0%	<b>92.5%</b>	<b>78.7%</b>
% with vehicle	6.5%	8.8%	4.6%	14.7%	64.9%	24.3%	<b>17.3%</b>	<b>13.7%</b>

On average, members declared that they had increased household assets by 30% since joining Fairtrade, with a range of 4-73%. **Table 11** describes ownership levels of assets such as household appliances and vehicles in cooperative member households. To compare, the corresponding average data for Colombia is presented. It can be observed that ownership levels in smallholder households is above the national average, according to the National Administrative Department for Statistics (DANE) Survey of Quality of Life (ECV), a situation that confirms that Fairtrade has improved smallholders' quality of life.

In addition, 76% of members improved their house and basic services in the last three years, mostly floors (41%), roofs (32%), WC (30%), kitchen (28%), household assets (17%) and others (51%, including walls, sidewalks, home expansion, etc.), with an average investment of USD 2,231 per house. In contrast, none of the non-Fairtrade smallholders had improved their houses in the last three years.

Fairtrade has improved the standard of living of smallholder households in three main ways. Firstly, sales of Fairtrade-certified bananas at the minimum price has increased household income, enabling basic housing improvement, the purchase of key household appliances, and improved access to non-subsidized health services and to education for children and youngsters. Secondly, the investment of the Fairtrade Premium in services for smallholders has also facilitated basic housing improvement, the purchase of key household appliances, and better access to medicine, education, training and emergency funds. Thirdly, more than one-third of the Fairtrade Premium is being invested in on-farm

<sup>51</sup> Source: DANE ECV 2011 – ECV 2012. Data expanded with population projections, based on the 2005 Census results.

<sup>52</sup> Press release DANE: “Basic information and communication technology indicators/Use and penetration of TIC in households and persons aged 5 or more, Bogotá, D. C., 25 March 2009.

productivity and reduction of production costs, which also impacts positively on smallholder household income.



**Smallholder and hired worker in a banana-growing farm in Magdalena**

### **Food security**

As already mentioned, 77% of the members said that they did not have food security problems in their household. It should be noted that green bananas is a staple food in the region and there are many recipes, which possibly facilitates food security. Additionally, most farms have fruit trees and other minor crops for self-consumption, and in some cases, for selling. Food security means that there is access to an adequate amount of food, which can be produced on-farm or can be purchased. As already mentioned, smallholders said that their affiliation to Fairtrade had resulted in a 34% income increase, which of course facilitates the purchase of food to guarantee food security.

However, although the average monthly per capita income for a farmer household is USD 312, it ranges widely; from USD 61 (quite low) to USD 1,143, and 23% of the surveyed households suffer from food insecurity. These households are generally those with less per capita income because they own less land, have more household members, and their income depends more on banana sales, since they are less diversified. There is no official food security data for the Magdalena Department but it is highly probable that food insecurity levels in non-Fairtrade-linked rural population segments are much higher.

### **Fairtrade certification-related investment**

In the last three years, 92% of the smallholders made Fairtrade and GlobalGap certification-related investments averaging USD 5,000<sup>53</sup>, mostly for improving the on-farm

<sup>53</sup> Smallholders do not differentiate between Fairtrade and GlobalGap certification.

banana-packing infrastructure. Most of the smallholders financed half of the improvements and the Dutch Embassy in Colombia donated the other half.<sup>54</sup>



**An improved warehouse and WC at a smallholder's farm in Magdalena**

### **Additional expenses due to certification**

In 2012, each smallholder household spent an average of USD 892 additionally to comply with Fairtrade and GlobalGap certification, represented mostly in the greater cost of weeding (manual weeding with machete versus herbicide application), an expense that is directly proportional to the cultivation area. All cooperatives have decided to continue avoiding the use of herbicides for weeding, although this is no longer a Fairtrade standard. So strictly speaking, manual weeding cannot be considered as a Fairtrade compliance cost anymore, although many smallholders still perceive it that way. Other additional expenses were made for certification-related data recording, increased hygiene in the banana packing area<sup>55</sup>, and purchase of personal protection equipment (PPE).

### **Smallholders' cash flow**

All smallholders have banana-sales contracts with their cooperatives, to which they sell 94% of their fruit, and cooperatives pay them punctually every week. 73% of members think that the price for the banana box increased the last year, 25% think it has remained the same, and 2% think that the price decreased.<sup>56</sup> The price for bananas actually increased for all cooperatives except for one, where banana prices have not gone up in the last two years because they have a different buyer than the rest of the cooperatives. Furthermore, smallholders said that the following cooperative services, which also enhance their liquidity

<sup>54</sup> As part of the successful PPP Programme led by AUGURA and the Dutch Embassy in Colombia.

<sup>55</sup> A GlobalGap requirement.

<sup>56</sup> This response is partly explained by the USD devaluation versus the COP, which results in little or no real price increase in Colombia.

are good; technical assistance (99%), input supply (96%), and financing (95%).<sup>57</sup> 93% of the members have access to at least one of the following credit sources; cooperative (72%)<sup>58</sup>, formal banks (44%) and informal (12%).

Smallholders' cash flow is also favored by cooperatives services, mostly funded with the Fairtrade Premium. 83% of the smallholders indicated that their cooperative shares with them costs and risks of banana production, because most organizations reduce their infrastructure and production costs (fertilizer and fuel prices, irrigation and several agricultural activities). Some cooperatives also lower the cost of fuel used for irrigation, of manual labour for recaba<sup>59</sup> and drainage. Cooperatives D and E support the establishment and improvement of irrigation systems; the latter also purchased pallets. Cooperative F finances hired-workers' social benefits and Cooperative D covers the cost of soil analysis. Nevertheless, Cooperative B has lowered its investment in the reduction of production costs to smallholders in order to expand its social investment projects (see **Table 9**).

It can be concluded that Fairtrade has increased smallholder income and its stability, has lowered production and agricultural-service costs, and has improved the access to credit, thus reducing their cash flow or liquidity problems.

### **Maintenance of small-scale agriculture**

99% of cooperative members declared that Fairtrade is a great contributor for making family agriculture more attractive. Members asserted that the cooperative takes them into account and collaborates with them in the following aspects: linking with markets (100%); innovation and technology transfer (99%); transparency and justice (87%); access to assets for production (87%); access to services (86%); and sharing risk and benefits (83%).

Cooperatives are providing other types of support to family agriculture, such as: technical assistance, construction of a warehouse for agricultural inputs, improvement of a banana processing plant, repair of access roads to farms and drainage, coordination of air fumigation and banana transportation services, and loans for infrastructure and purchase of farming equipment. Cooperative B is thinking of modernizing irrigation systems and building a plant to produce drinking water for its members and for the community. Cooperatives C and E have bought land to build their offices, which will allow them to expand and improve services for their members. The latter cooperative also bought a vehicle. Cooperative A subsidizes transportation for youngsters of members who study in the National Learning Service (SENA), a public agency for technical training. Finally, one of the exporters offers services to Cooperative A, such as the sale of agricultural inputs, air fumigation, transportation of bananas to the port, and supports management of Fairtrade and GlobalGap certification.

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<sup>57</sup> The last two services are mostly due to the existence of the Fairtrade Premium.

<sup>58</sup> This service is provided with Fairtrade Premium funding.

<sup>59</sup> Elimination of water deposits in banana plantations to avoid fungi and lower the relative humidity.

**Banana packing plant in a  
smallholder farm in  
Magdalena**



Regarding goals and dreams, members think that Fairtrade can contribute much, and in many cases has already done so; for obtaining greater incomes (75%), for education of children and grandchildren (51%), for making investments (23%), for buying land (21%), for diversifying income (6%) and for Others<sup>60</sup> (51%).

93% of members said that they enjoy more freedom at work, in production and selling, and 98% of them think the same about their capacity to control their and their family's future. Due to better training and higher incomes, most of them said they now have more influence in family and community decisions and can offer fairer treatment to temporary workers in their farms. Non-Fairtrade smallholders think differently, because they have greater uncertainty with respect to agricultural production, thus limiting their capacity for planning their future.

Smallholders receive an average of 31 days of training every year, which has generated changes in attitude. Training has been conducted in topics such as sustainable banana production, environmental conservation, health and security, keeping agricultural-production records, business administration, accounting, plus others. They have now more awareness of the need to protect the environment, whereas non-Fairtrade smallholders usually do not know how to protect natural resources in their farms. In focus group sessions with Fairtrade-linked smallholders and hired workers, it was evident that they were aware of the most important practices for environmental protection and Fairtrade-norm compliance, and they mentioned that there was still a lot to be done in this sense.

## **5.2 Fairtrade impact on smallholder organizations**

This section describes how Fairtrade has influenced the growth and development of certified smallholder cooperatives. Because of its policy that calls for collective action by potential beneficiaries, Fairtrade entry into the Magdalena Department contributed to the reactivation of several cooperatives that had either been closed or been weakened by

<sup>60</sup> 'Others' includes reforestation, community projects, direct exporting of bananas by the cooperatives, etc.

internal corruption and/or the armed conflict. The latter had seriously restricted economic activity in the region in general.

99% of cooperative members declared that they trust their organization and 87% argue that Fairtrade promotes transparency in resource handling and decision-making. In addition, because of training received, most smallholders declared that they could now readily transmit their ideas and concerns to the organization. These perceptions are related to the fact that the annual General Assembly of smallholders has the final decision on how to invest the Fairtrade Premium and that members have similar access to the cooperative's service portfolio.

Thanks to Fairtrade and the existence of cooperatives, smallholders have assured sales of 95% of their banana production, which has improved their incomes and has allowed them to generate more and better jobs for hired workers in their own farms, thus stimulating the local economy. The implementation of agricultural practices and technology, which are more modern and sustainable, has been promoted, thus consolidating a greater and better supply of bananas for export. It is estimated that, from 2010-2012, average banana yields have increased by 13% in the Fairtrade cooperatives studied. It should be noted that yield data in this impact study was collected from two sources; cooperative managers (total annual banana production divided by the number of hectares in production), and directly from smallholders themselves.<sup>61</sup> Although the former source was deemed more reliable, both sources indicate that yields are improving.

Among cooperatives, Fairtrade has promoted organizational structures that are more business-oriented. This has been the case because many members have received business training, there is a need to manage Premium funds adequately, and cooperatives now have access to more funds (some derived from the Premium) that enable hiring of qualified administrative staff. However, the study revealed several cooperative management weaknesses, as follows; managers, leaders and smallholders do not have a solid knowledge of their banana production costs; smallholders lack enough basic knowledge on the Fairtrade System; managers, leaders and smallholders have an inadequate understanding of the banana value chain, how the price of Fairtrade bananas is determined, and don't seem to be fully aware of the power exercised by supermarkets in this sense; in consequence, it seems that cooperative communication mechanisms, information systems and data bases relative to Fairtrade and to the banana value chain are rather weak; and despite the fact that nearly 50% of cooperative members are 50 or more years old and exhibit low schooling levels, there is little or no evidence that management has identified the need for generational renewal.

Linkage to Fairtrade has enhanced the growth of four of the six cooperatives, where Cooperative B stands out; in 2009, it had 37 members with 75 hectares; in 2011, 64 members with 161 hectares; and in 2013, 80 members with 214 hectares. In summary, in four years it doubled membership and almost tripled area planted with bananas. In Cooperative E, the banana area increased from 165 hectares in 2010 to 195 hectares in

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<sup>61</sup> During interviews, smallholders were asked several questions systematically so that the interviewers could calculate their annual banana production. However, the accuracy of the information depended on the good memory of the smallholders.

2012, an 18% increase, and the number of members increased by four in year 2012. In the case of Cooperative C, the banana area went from 149 hectares in 2010 to 161 hectares in 2012, an 8.4% increase, and there was also a net increase of nine members. Cooperative F increased its membership by nine in the last three years.

In summary, Fairtrade has strengthened smallholder cooperatives in several ways. Since they liaison with Fairtrade and banana buyers who represent a stable market and higher prices, smallholders now perceive cooperatives as being more important and value their membership much more. The administrative structures of cooperatives are now more solid because they are partly funded with the Premium. Using Premium funds, the cooperatives now provide a broad portfolio of services, greatly appreciated by smallholders, because they increase on-farm agricultural productivity, lower their banana production costs, increase their income and purchasing power (loans) and improve their education and training. Member participation is encouraged because they decide on how to invest the Premium in the annual General Assembly.

Additionally, institutions such as AUGURA, ICA and FUNDAUNIBAN support the social and technical operations of the cooperatives. It is important to note that the PPP programme funded by AUGURA (banana private sector) and the Dutch Embassy has also contributed greatly to the well-being of the banana smallholder segment of the population.

### **Commercial relationships**

The study identified that cooperatives have a low bargaining power relative to pricing with the two exporters. Some managers declared that buyers determine the banana sales price, which is generally equal to the Fairtrade minimum price, but this should not be the case. 74% of the smallholders surveyed perceive that, in 2012, the Fairtrade price for bananas went up, 25% consider that it remained the same, and 2% think that it actually decreased. In reality, for five of the six cooperatives, the price actually increased. As already mentioned, one of the cooperative's managers stated that its international buyer has not increased prices for the last two years. Leaders from the other cooperatives said that Fairtrade International has delayed the updating of the minimum price, and for this reason one of the exporters decided to raise it unilaterally.

All of the Fairtrade cooperatives, as well as smallholders, have signed commercial agreements with buyers. In contrast, not all of the non-Fairtrade smallholders interviewed have contracts, and their main distribution channels are intermediaries (for the domestic and export markets), and the supermarket chain Olímpica.

Cooperatives are all participating in the formation of a second-order organization called ASOCOOMAG, with the objective of improving their negotiating power and the sales price for Fairtrade bananas, by means of direct export to international markets. It should be noted that the exporters ask for exclusivity<sup>62</sup>, and, in addition, one of them is accustomed to signing contracts involving long-term permanency clauses with smallholders for the purchase and selling of conventional bananas. This limits the possibility of

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<sup>62</sup> This means that cooperatives cannot sell their bananas to other traders.

smallholders to export directly or to diversify their trade relationships and the creation of ASOCOOMAG seeks to end this practice. All smallholder cooperatives consider that the Fairtrade System should offer priority to Fairtrade-certified bananas from smallholders to avoid having to sell on the conventional export market, at a lower price and without the Fairtrade Premium benefit.

### **Impact on gender equity**

Men generate almost all of the household income in 64% of the smallholder households. However, in 36% of the households, women generate an average of 45% of household incomes, in some cases reaching up to 100% when the household head is a woman. It is reminded that 19% of cooperative members are female, and that many households have diversified sources of income, where women bring non-agricultural income derived from jobs, pensions, and small businesses. In contrast, in the case of non-Fairtrade smallholders, participation of women in household income generation is nil.

Nevertheless, the number of women involved in on-farm productive activities is low, due mainly to the degree of physical effort required for most of the work. When women do participate, they do so mostly in temporary activities related to fruit packing and not as permanent workers. 79% of the permanent workers with signed contracts are male. With respect to remuneration, there is no evidence of discrimination against women in terms of the value of wages paid.

Women's participation in leadership and administrative positions is also low, limited to the presence of female members in some of the Committees (for example, Premium Execution, Solidarity, Housing, Health, Education, Social Welfare), or in Supervisory Boards. Only in Cooperatives D and F is there a woman on the Board of Directors, and in the former organization the Manager is also a woman. Cooperative B has promoted women's participation on its Board of Directors, but with little results. A cooperative manager said that he thought there were self-esteem issues present.

In general, there are few specialized services for women, but several cooperatives have trained them, using Premium funds, in topics such as food handling, family planning, first aid, gender equity, domestic violence, etc. Some women also go to cultural events and attend regular courses on banana production and certification, offered to all of the members. Cooperative C has several projects targeted at women, such as literacy training, formation of a gender team, training and production of banana flour. Most cooperatives lack statistics on the number of women, both household heads and other family members, who benefit from cooperative services and projects.

## 5.3 Fairtrade impact on local and regional development

### Employment and labour conditions

As already mentioned, Fairtrade supported the reactivation of smallholder cooperatives in the Magdalena banana zone, and has also contributed to their growth. This has stimulated employment, since 96% of the smallholder members hire non-family workers for on-farm labour, an average of 7 temporary workers per smallholder. Depending on farm area, 28% of smallholders hire 1-3 workers, 40% hire 4-6 workers, and 13% hire 7-9, and 15% hire 10 or more workers. This labour is mainly for harvesting and these worker teams harvest bananas from farm to farm. 35% of smallholders hire an average of 1.6 permanent workers. It should be noted that non-Fairtrade smallholders only generate an average of 4 jobs per farm. In addition, job opportunities for women are higher in Fairtrade farms than in non-Fairtrade ones, mainly due to the establishment of washing and packing stations. Since cooperatives continue to prefer manual weeding versus herbicides, despite the fact that this is no longer a Fairtrade standard, the demand for local unskilled labour has increased.

Fairtrade has also contributed to improving the labour conditions of hired workers in smallholder farms, due to the requirements for obtaining and maintaining Fairtrade certification. According to 93% of smallholders surveyed, Fairtrade benefits workers (both hired workers and smallholders themselves) on the farms. On-farm labour conditions have improved because of the payment of daily minimum wages<sup>63</sup> in accordance with Colombian law, the use of PPE, non-exposure to air fumigation, and access to sanitary services in good condition. Smallholders now calculate hired-worker wages based on the current minimum legal wage (CMLS) excluding social benefits, depending on the workday duration and type of labour. Sometimes lunch is provided to the worker. Before Fairtrade arrived, daily wages in the region were below the CMLS. Cooperative B leaders said that the value of the daily wage is 10% above the CMLS, but daily wages actually show a lot of variation; sometimes they are below, equal or above the CMLS (see footnote 61). 27% of smallholders signed contracts with hired workers last year, and on average each cooperative has 12 permanent workers with a contract.

Smallholders said that they do not use chemical inputs in their farms (herbicides or pesticides). Only 6% of smallholder workers have suffered any kind of work-related accident or disease, which resulted on average in 10.4 days of absence per worker. In focus group sessions, workers hired by smallholders recognized their previous carelessness with respect to health and job security in the workplace. They mentioned their initial reluctance to using PPE because they were accustomed to working bare-foot and manipulating

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<sup>63</sup> The CMLS in Colombia is COP 589,500 plus COP 400,200 in social benefits, for a total of COP 989,700, or USD 552,6 per month. In rural Colombia, temporary, and sometimes permanent workers, are not paid social benefits and the government does little to control this situation. According to respondents, the average daily wage in cooperatives for permanent and temporary hired workers is USD 12.28 and the maximum wage is USD 13.96 to USD 16.75 and the minimum wage is USD 11.17. This wage variation is principally due to the different types of work activities and to the several types of agreements between workers and smallholders in relation to the supply of food at work.

agrochemicals unprotected. They now recognize the importance of using PPE and are grateful for the training and supervision received.

Finally, hired workers and employees in cooperatives and smallholder farms do not belong to a labour union that can support them in collective bargaining. In the case of smallholder farms, the reason is that there are few contractual relationships especially for temporary hired workers. It should be pointed out that in rural Colombia, farms of all sizes are still highly informal and there is little or no labour union penetration. Likewise, non-profit organizations such as cooperatives do not tend to have labour unions. A typical farm owner in Colombia is very reluctant to hire a unionized worker.

### **Income diversification**

Fairtrade promotes the diversification of agricultural and non-agricultural incomes, as a strategy to stabilize smallholders' household income. However, the study did not detect much dynamism in this aspect. In 2012, 89% of the members did not invest in activities for generating alternative income; the 11% that did, invested in new initiatives for diversifying non-agricultural income. 6% diversified their income, mostly through retail commerce and cattle-raising. Banana sales still represent an average of 98% of agricultural-related household income, since only 8% of the members sell other crops or cattle. The reason is that all of the smallholders think that they are receiving important benefits from Fairtrade, which reinforces their trend towards specializing in banana production. In other words, most smallholders do not believe that agricultural diversification is a primary issue for them.

### **Impact on the local banana market**

Most smallholders in the region are affiliated to Fairtrade and export their bananas, so banana supply for the local and regional markets is relatively low, consisting mostly of fruit that does not meet Fairtrade quality standards, equivalent to 4% of the total volume. Therefore, it is perceived that there is no oversupply of bananas in the regional market, which avoids price depression for the fruit.

### **Armed conflict, smallholders and Fairtrade**

Public security and order in the banana zones of Magdalena have much improved. The study revealed that smallholders and their families were direct and indirect victims of the conflict and many have remained psychologically affected. They still remember the presence of outlaw groups such as the leftist FARC-EP guerrillas and the rightist AUC (Autodefensas Unidas de Colombia, a paramilitary group), which caused fear, uncertainty and mass displacements. Many smallholders were victims of kidnappings, extortion, murder and some had to observe homicides of family members or acquaintances, and found corpses in the roads. In fear, many smallholders stopped going to their farms, neglected them, which strongly weakened agricultural production and the economy in general. Smallholders say that they recovered peace thanks to the "Democratic Security Policy" of the previous government and to the disbandment of some armed outlaw groups.

Smallholders returned to their farms, banana production was stimulated thanks to Fairtrade, and their economic situation improved markedly.

Cooperative leaders and on average 86% of smallholders, think that the intensity of the armed conflict has gone down; 8% consider that it's the same, and 6% believe that it has worsened. The reason why 14% of the smallholders surveyed think that the armed conflict is the same or has worsened is that the security situation has changed recently. Cooperative managers and some smallholders have started to suffer threats and extortion, due to the fact that the presence of outlaw groups has revived, such as the BACRIM<sup>64</sup>. Cooperatives, directors and smallholders have reported this to the police and security measures have been taken; the police visit cooperatives weekly and are prepared to provide security.

Last year, one of the cooperative managers received extortion threats. One trimester, it could not operate calmly because the cooperative had refused to pay a "vacuna"<sup>65</sup>; smallholders, family members and the community in general leaves their homes at night only until certain hours. Security measures have been taken, like cancelling a meeting because of gun shots in the warehouse or decreasing the frequency of auditing visits to the farms.

Smallholders consider that their linkage to Fairtrade helped them to overcome the social and economic crisis left by the armed conflict, because it encouraged collective action, agricultural production, labour formalization, reactivated technical assistance and credit services, and lowered on-farm input and labour costs by using Fairtrade Premium funds. They now believe that the future is better for banana-growing smallholders, and banana production occupies the first place as a source of jobs in the region.<sup>66</sup> In consequence, all of the smallholders have the intention of continuing their affiliation to Fairtrade. Smallholders and cooperative leaders think that Fairtrade has been an important response to their problems, has created new spaces for their participation, and many even believe that "without Fairtrade, we would not exist anymore".

## Migration levels

66% of the households do not have any relatives who have migrated in the last two years, whereas 33% of households have had an average of 2.2 family members who have migrated in this same period of time. However, migrants have not been youngsters necessarily.<sup>67</sup> It should be underlined that currently each member is generating an average of seven temporary or permanent jobs in his/her farm. 30% of family members who migrate to urban areas do so due to lack of opportunities in the rural area and 53% because

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<sup>64</sup> Emerging criminal bands.

<sup>65</sup> "Vacuna" (extortive vaccine) is a payment that is demanded from potential victims by criminals to avoid being kidnapped or killed. In Colombia, many business owners and ranchers pay large sums of money to criminal bands to avoid attacks.

<sup>66</sup> Municipal Plan for Management of Emergencies and Disasters 2012-2015. "General characterization of risk scenarios". Page 33.

<sup>67</sup> Colombia is a developing nation where urbanization still continues and is a normal trend. It can be argued that the migration rate could have been higher during the armed conflict due to insecurity and violence.

they have obtained better opportunities elsewhere. It should be noted that migration is also partly related to the better education obtained by smallholders' offspring through cooperative support with Fairtrade Premium funding; some members send their teenagers to universities in nearby cities and some youngsters obtain better jobs in urban areas because they are better educated.

In summary, Fairtrade contributed much to the revitalization of the small-scale farmer economy and smallholder cooperatives in the Magdalena banana zone. This impact has been direct, through higher incomes from banana sales and investment of the Fairtrade Premium, and indirectly by means of the multiplier effect of this incremental income, which has stimulated the local commerce of goods and services and the demand for basic services.

## 5.4 Conclusions and recommendations for cooperatives

### 5.4.1 Conclusions on Fairtrade impact

#### General

The study confirmed that Fairtrade has had a strong, positive impact on the small-scale, banana-growers sector of Magdalena in the last three years. This impact has taken place at the level of smallholder households and farms, smallholder cooperatives, and neighboring communities. This favorable impact is the result of the implementation of Fairtrade instruments such as the Premium, the minimum price throughout the year, the requirement for democratic collective action by smallholders, and the several standards related to on-farm labour conditions, environmental protection, and agricultural infrastructure and traceability.

Premium investment has been an essential factor for achieving impact at the household, farm, cooperative and community level. For example, on average, 35% of the Fairtrade Premium is invested for enhancing on-farm productivity and lowering banana production costs; 15% is spent to cover administration costs of the cooperatives; 12% is used to pay for audits and Fairtrade-norm maintenance; 10% is expended for social welfare within the community; 7% is invested in emergency funds for households and 5% is invested in education of household members.

#### Smallholders

Fairtrade has contributed to increasing the standard of living of smallholders' households for three main reasons. Firstly, sales of Fairtrade-certified bananas at the minimum price have increased household income and stability, enabling basic housing improvement, the purchase of key household assets, and improved access to non-subsidized health services and to education for children and youngsters. Secondly, the investment of the Fairtrade Premium in services for smallholders, including loans, has also facilitated basic housing improvement, the purchase of key household assets, and better access to medicine, education, training and emergency funds. Thirdly, more than one-third of the Fairtrade Premium is being invested in enhancing on-farm productivity and lowering banana production costs, which also has a significant, direct effect on household incomes.

The reasons mentioned above also favored food security among smallholders. Although 77% of smallholders do not have food security problems, 23% did mention having them. The latter smallholder segment has less per capita income because their farms are smaller, they have more household members, and their income depends more on banana sales. A significant proportion of these households are still living in poverty. In addition, 77% of smallholder homes lack drinking water, which is common in the region where rural communities obtain their water from wells, which are sometimes contaminated. Besides, most smallholders expressed their dissatisfaction with the health services provided by the health centers.

Fairtrade has also improved smallholder cash flow because it has increased incomes and income stability, promoted a savings culture, lowered banana-production costs, and improved access to credit and emergency funds. 93% of smallholders obtained loans, mostly from their cooperative or a commercial bank.

Almost all smallholders (99%) believe that Fairtrade is a great contributor for making family agriculture more attractive. They appreciate the support obtained through their cooperatives relative to improved access to attractive markets, innovation and technology transfer, transparency and justice, on-farm production assets, and services. They value the fact that cooperatives are now sharing with them the risk and benefits of banana production. Moreover, smallholders think that Fairtrade can contribute greatly to their goals and dreams related mostly to higher incomes and education of their children. Finally, smallholders received an average of 31 days of training every year that has generated positive changes in attitude, such as improved environmental awareness.

### **Cooperatives**

Fairtrade has contributed enormously to the strengthening of smallholder cooperatives for several reasons. In the first place, total banana sales volumes of cooperatives are increasing, as well as the amount and proportion of bananas sold on Fairtrade terms (80%). Secondly, since cooperatives are the liaison with Fairtrade and exporters that represent a stable market with higher prices, smallholders appreciate their membership much more and are more motivated and committed. Member participation is encouraged because they decide on how to invest the Premium in the annual General Assembly. Moreover, four of the six cooperatives studied have increased their membership in the last three years. Thirdly, the Premium has funded qualified administrative personnel with a greater business orientation and improved skills for resource management and record keeping. Also, cooperatives now have better-equipped offices and some are in the process of building new ones. Fourthly, with Premium funding cooperatives now provide a broad portfolio of services that are greatly valued by their members because they improve on-farm assets and productivity, lower their banana production costs, increase their income and purchasing power (loans) and improve their education and training.

However, the study evidenced that cooperatives have several management weaknesses, mostly related to their inadequate handling of Fairtrade- and banana value chain-related information, information systems, and communications with members. Managers, leaders and smallholders lack a solid understanding of their banana production costs. Also, despite the fact that nearly 50% of cooperative members are 50 years old or more and exhibit low schooling levels, there is little evidence that management has identified the need for generational renewal.

Cooperative leaders and managers mentioned several Fairtrade-related concerns that they believe should be addressed in the near future. Firstly, insufficient market demand in European Fairtrade markets forces exporters to buy on average only 80% of their Fairtrade-certified banana production, which obliges cooperatives to sell the remaining 20% to the conventional market at lower prices. Secondly, the Fairtrade minimum price for bananas is

almost equal to its cost of production, which implies that the sustainability of smallholders in the banana business really depends on the reduction of production costs by investing part of Fairtrade Premium funds. Thirdly, the study revealed smallholders are assuming a trade cost that should be covered by the one of the exporters, as the sale is on EXW terms. For the above reasons, cooperatives are founding a second-level organization (ASOCOOMAG), to improve their bargaining power in the Fairtrade banana value chain and to increase the sales price of Fairtrade-certified bananas through direct export to international markets.

## Region

Fairtrade contributed much, directly and indirectly, to the revitalization of the regional economy in the Magdalena banana zone. Direct impact has been achieved through higher incomes from increasing sales of bananas on Fairtrade terms, local investment of the Fairtrade Premium, and job creation. On average, each smallholder farm is generating seven jobs, mostly temporary without formal contracts. Indirect impact has been reached by means of the multiplier effect of this incremental income, which has stimulated local demand for goods and services in general.

Smallholders consider that their linkage to Fairtrade helped them to overcome the social and economic crisis left by the armed conflict, because it encouraged collective action, market access and agricultural production, labour formalization, reactivated technical assistance and credit services, and lowered on-farm input and labour costs by using Fairtrade Premium funds. They now believe that the future is better for banana-growing smallholders, and banana production occupies the first place as a source of jobs in the region. In consequence, all of the smallholders have the intention of continuing their affiliation to Fairtrade.

## 5.4.2 Recommendations

### Fairtrade System

Fairtrade is very important for smallholder operations and income, but it cannot absorb all of their Fairtrade-certified bananas. It is therefore recommended that the Fairtrade system intensify its market penetration, market development and market awareness strategies in European countries that buy Fairtrade-certified bananas that can favor the market expansion for Fairtrade-certified bananas and also eventually lead to an increase in sales prices.<sup>68</sup>

The study has shown a lack of understanding about the Fairtrade System, so it is necessary that Fairtrade International explain in detail to cooperative leaders and managers the context and process by which sales prices are defined in the Fairtrade banana chain, and

<sup>68</sup> A main importer fears that Colombia might become less competitive, as new banana sources in Africa are about to enter the banana market (including Fairtrade). These bananas can be offered much cheaper than bananas from Colombia.

to emphasize the marketing strategies and great deal of pressure exerted by supermarkets on their suppliers to keep prices low. It is suggested that Fairtrade International support all cooperatives in determining their production costs accurately.

It is important that Fairtrade International lead the planning of a banana chain meeting with the participation of cooperative leaders, exporters and Fairtrade, to improve price and cost transparency, and to clarify responsibilities and commitments of the different participants in the banana value chain.

It is recommended that Fairtrade International support smallholder cooperatives in the establishment of a new trade contract policy that can favor their economic growth, and also back their initiative to establish ASOCCOMAG as a direct exporter of Fairtrade-certified bananas to international markets.

## **Cooperatives**

Many farms are tiny and hardly economically viable. It is recommended that cooperatives define and execute a strategy so that all members can maximize banana yields in their farms. It is necessary that cooperatives develop integrated strategies targeted at the 15% of their members in poverty, focused on raising household incomes and food security, taking into account their tiny farms.

As 50% of the members are older than 50 years, it is important that cooperatives develop a strategy for generational renewal among their members, which could include stimuli for participation of youngsters in farms and in the cooperative, or/and to facilitate access to credit for land purchase and establishment of the banana crop.

It is recommended that cooperatives demonstrate undeniably, if that's the case, that the Fairtrade minimum price is not covering real production costs of bananas. It is important that cooperatives, with Fairtrade International support, establish a new trade contract policy that can favor their economic growth. It is suggested that cooperative leaders and managers, advised by Fairtrade International, prepare a feasibility plan for ASOCCOMAG as a direct exporter of Fairtrade-certified bananas to international markets.

Cooperatives depend much on the Fairtrade Premium, but their operations should be viably run without this extra income. It is necessary that cooperatives design and implement viable business models that can permit them to self-finance more of their operations without having to depend so much on Fairtrade-Premium funding. It's also important that cooperatives improve their information systems and data bases and their use; update Fairtrade-certified banana production costs using appropriate accounting methods; and improve their internal communication with members on key basic aspects of Fairtrade and the banana value chain in general.

Cooperatives tend to use the Fairtrade Premium more for internal use, while a lot of members stress other needs as well. It is recommended that cooperatives look for mechanisms to increase the impact in communities in their area of influence that could include strategic alliances to secure counterpart funding for key community projects.

Regional projects, for example, could include the design and implementation of business models for offering low-cost drinking water and toilets for rural communities and also for supplementing or improving the health-care services offered by SISBEN and EPS to cooperative members and their relatives.

### **Exporters**

As cooperatives expressed some confusion as to whom should bear certain trading costs, it is recommended that exporters participate in work meetings with Fairtrade International members, cooperative managers and leaders to discuss and improve price and cost transparency, and to clarify responsibilities and commitments of the different participants along the banana value chain.

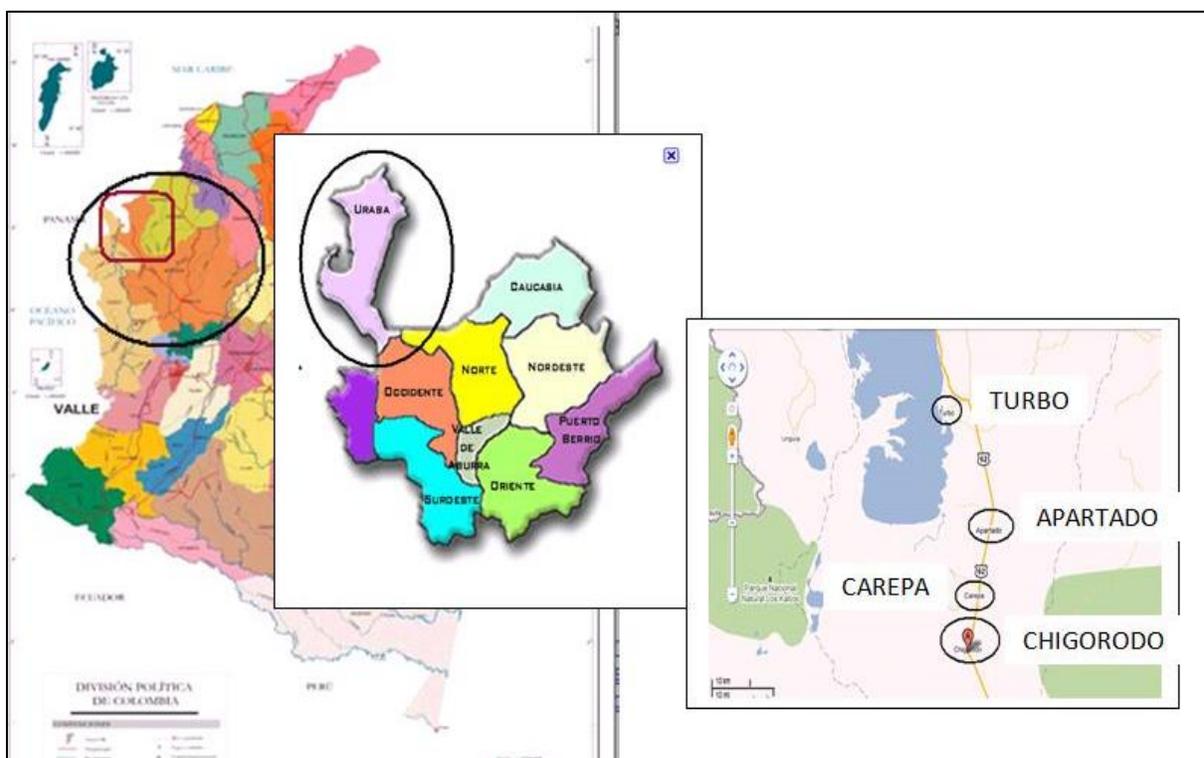
## 6. Characterization of Plantations and Hired Workers

This section first presents the three commercial plantations studied in Urabá that have been linked to Fairtrade for several years now, and also the plantation used as the control group, which joined Fairtrade just recently. Then, the main socioeconomic aspects of plantations and their hired workers are summarized. Due to its great importance as the key instrument for Fairtrade impact at the level of hired workers, households, organizations, community and region, the Fairtrade Premium concept is explained, along with a description of the related budget distribution in the plantations.

### 6.1 Plantations: location and history

The Fairtrade banana plantations evaluated in this impact study were: Bananeras de Urabá S.A. and the Los Cedros and Marta María farms, located in the Municipalities of Turbo and Apartadó, in the Urabá region, Department of Antioquia in northern Colombia. Additionally, a control plantation was studied as the counterfactual. See **Figure 7**.

**Figure 7. Geographic location of the Fairtrade banana plantations studied in Urabá**



These plantations are dedicated to production, processing and packing of bananas for international and domestic markets. All of their hired workers live outside the plantations, on average 14 km away, and all belong to a Workers' Corporation, administered by a Joint Body, in charge of the Fairtrade Premium management.

**Plantation A** was founded in May 1963, composed of six farms affiliated to Fairtrade with a total area of 660 hectares under banana cultivation. It hires 458 workers in the farms, with permanent contracts (45 with one-year contracts and 413 with indefinite contracts), of which 427 are men and 31 women. The plantation exports all of its production through an exporter, of which it is also a shareholder. It has had GlobalGap and Fairtrade since February 2004 and November 2005, respectively. All of its workers belong to a Corporation that owns and manages the Fairtrade Premium. This Corporation started operations in March 2008, and although the Fairtrade certification dates back to 2005, a Foundation used to manage these resources. Most of the services offered to workers with Fairtrade Premium funding are delivered as loans and with low interest rates, so therefore the Corporation is actually accumulating the Premium funds. The Corporation's Joint Body is composed of 11 worker representatives, 2 management representatives with their substitutes, and one representative of the employees. Worker representatives in the Joint Body come from six different banana farms, and each one has his/her substitute. Management representatives have voting power, although they are a minority, and their position has no time limit.

**Plantation B** is part of a larger company owned since June 2007 by an exporter, a vertically-integrated company. Some of its farms are linked to Fairtrade but others are not, and each of the Fairtrade-linked farms has its own Corporation. The plantation exports all of its production through the exporter. It has an area of 216.78 hectares under banana cultivation and hires 156 workers with permanent contracts, of which 146 are men and 10 women. It has had GlobalGap and Fairtrade certification since 2003 and 2007, respectively. The plantation workers belong to a Corporation, founded in 2007, which manages the Fairtrade Premium funds. The Joint Body is made up of 6 worker representatives and 2 management representatives. Like the previous plantation, most of the services offered to workers by Plantation B with Fairtrade Premium funding are delivered as loans and with low interest rates, so therefore the Corporation is accumulating the Premium funds.

**Plantation C** belongs to a larger organization founded in July 1987. The farm has an area of 31.66 hectares under banana cultivation and hires 22 workers, all with permanent contracts, of which 20 are men and 2 women. The plantation sells all of its production to one of the main exporters. It has GlobalGap and Fairtrade certification, the latter since January 2005. Workers belong to a Corporation founded in 2007. Although Premium funds were received since 2005, they were initially distributed directly among the workers. Nowadays, Premium funds are managed by the Corporation's Joint Body. The Joint Body is made up of 4 worker representatives and one management representative. Like the previous plantations, most of the services offered to workers with Fairtrade Premium funding are delivered as loans at low interest rates, so the Corporation is also accumulating the Premium funds.

The **Control plantation** belongs to a bigger company and has an area of 71.5 hectares, of which 58.33 are planted with bananas. It has 43 workers on the farms with permanent contracts, of which 34 are men and 9 women. The plantation exports its banana production through the same exporter as most of the other certified plantations. It has GlobalGap certification and recently obtained Fairtrade certification.

## 6.2 Basic characterization of plantations

This section describes social and economic aspects of the four plantations studied and points out the major differences among them.

### Socioeconomic information

Table 12 presents basic socioeconomic information of the hired plantation workers.

**Table 12. Basic socioeconomic aspects of hired workers in the four plantations studied, annual 2012 information (USD)**

Information	Plantation A	Plantation B	Plantation C	Total or Average	Control Plantation
Area of plantation (hectares)	660	216.78	31.66	<b>908.44</b>	<b>71.5</b>
Boxes sold	1,463,765	375,623	68,292	<b>1,907,680</b>	<b>167,926</b>
% sold on Fairtrade terms	78.9%	74.6%	86.7%	<b>78.3%</b>	<b>N.A.</b>
Average yield (tons/hectare)	40.7	31.4	39	<b>38</b>	<b>42.6</b>
# of workers	458	156	22	<b>636</b>	<b>43</b>
# of male workers	427	146	20	<b>593</b>	<b>34</b>
# of female workers	31	10	2	<b>43</b>	<b>9</b>
Average worker age	37	39	40	<b>38</b>	<b>50</b>
Average worker schooling (years)	9	10	8	<b>9</b>	<b>7</b>
Average # of household members	4	5	4	<b>4</b>	<b>5</b>
% of workers with food security	100%	100%	100%	<b>100%</b>	<b>100%</b>
Average household income	10,618	11,344	9,740	<b>10,766</b>	<b>10,767</b>
Maximum household income	18,958	15,702	12,010	<b>17,919</b>	<b>14,763</b>
Minimum household income	6,971	8,840	8,463	<b>7,481</b>	<b>7,935</b>
Average per capita income	2,822	2,453	2,464	<b>2,720</b>	<b>2,748</b>
Maximum per capita income	7,404	3,925	3,192	<b>6,405</b>	<b>4,921</b>
Minimum per capita income	1,267	1,473	1,693	<b>1,333</b>	<b>882</b>
Average income from job in plantation	8,363	9,652	8,199	<b>8,674</b>	<b>8,355</b>
Maximum income from job in plantation	11,351	10,610	8,463	<b>11,069</b>	<b>9,231</b>
Minimum income from job in plantation	6,879	8,840	7,899	<b>7,395</b>	<b>7,750</b>

The following socioeconomic aspects shown in **Table 12** can be highlighted; the land area of Plantation A is more than 20 times the land area of Plantation C; the average yield in the Control plantation is 12% higher than the average yield for Fairtrade plantations; most of the plantation workers are male; the Control plantation has a higher percentage of female workers; the average age of workers in the three Fairtrade plantations surveyed is 38 years versus 50 years for the Control plantation; food security levels of workers in all four plantations is 100%; and finally, there is a large difference between the minimum and maximum 2012 household incomes (USD 6,971 to USD 18,958) and for per capita incomes (USD 1,267 to USD 7,404). These latter household income variations are due to differences in the number of household members that are employed and in the number of household members. In addition, **Table 13** shows that the penetration of basic services in homes of plantation workers is high, and the difference between Fairtrade and non-Fairtrade plantations is small.

**Table 13. Penetration of basic services in households of hired workers of the Urabá plantations studied**

Services	Plantation A	Plantation B	Plantation C	Weighted average	Control Plantation
% with electricity	100%	100%	100%	<i>100%</i>	<i>100%</i>
% with gas	100%	100%	100%	<i>100%</i>	<i>100%</i>
% with drinking water	97.1%	100%	100%	<i>97.9%</i>	<i>83%</i>
% with piped water	85.3%	100%	50%	<i>87.6%</i>	<i>83%</i>
% with WC	97.1%	100%	100%	<i>97.9%</i>	<i>100%</i>
% with sewage	100%	100%	25%	<i>97.4%</i>	<i>100%</i>
% with garbage disposal	100%	100%	100%	<i>100%</i>	<i>100%</i>
% with insect control	100%	100%	100%	<i>100%</i>	<i>100%</i>

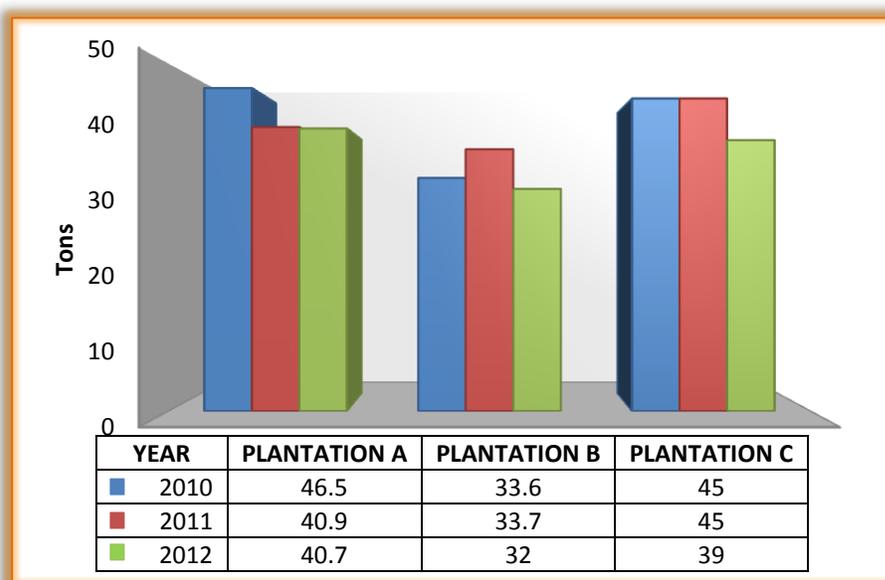
### 6.3 Banana sales volumes, sales prices and production costs

#### Banana sales volume

**Table 20** in **Section 7.1** shows the total number of boxes sold from 2010–2012 by the three plantations studied, and the proportion sold on Fairtrade terms. The average Fairtrade banana sales volume, in boxes, for the three plantations studied, during the last three years has been as follows: 975,403 boxes in year 2010; 933,259 boxes in 2011, and 902,101 boxes in 2012.

**Figure 8** shows information on plantations' banana yields from 2010–2012. As mentioned, yields are decreasing due to climatic conditions and weed-control limitations. Average banana yields for all three plantations were 43 tons/ha in 2010, 40 tons/ha in 2011, and 39 tons/ha in 2012. This decrease in banana yields was caused primarily by climatic conditions (periods of drought and excessive rainfall), and in the case of the largest plantation, due to problems with manual weed control.

**Figure 8. Average annual banana yields (tons/ha) of plantations in Urabá**



**Tables 14 and 15** detail total banana sales made by the plantations to the Fairtrade and conventional export markets.<sup>69</sup>

**Table 14. Total Fairtrade banana sales, 2010–2012 (USD thousand)**

Plantation	2010	2011	2012
<b>Plantation A</b>	8,654,844	8,434,688	8,829,336
<b>Plantation C</b>	382,313	451,491	445,622

Plantation B revealed a Fairtrade sales volume of 115,630 17 kg-boxes and 23,759 20-kg boxes in year 2012 and 303,723 17-kg boxes in 2011.

**Table 15. Total banana sales to the conventional export market, 2010–2012 (USD thousand)**

Plantation	2010	2011	2012
<b>Plantation A</b>	1,203,812	1,333,875	2,395,427
<b>Plantation C</b>	58,232	92,683	152,817

Plantation B sold in the conventional export market 57,969 18.14 kg-boxes in 2012 and 147,578 in 2011.

<sup>69</sup> Plantation B did not provide sales information in USD.

## Sales price of bananas

Plantations A and C sell their bananas to the same exporter and Plantation B sells to another one, a vertically-integrated company that owns Plantation B. The exporters buy the fruit as EXW and sign one-year export contracts. One of the exporters pays USD 6.70 for a 18.14-kg Fairtrade banana box, USD 6.28 for a 17-kg box, and USD 7.40 for an 18.14-kg box for the conventional export market. These prices are set in accordance to a production-cost analysis conducted by the plantation. **Table 16** shows current sales prices and weights for banana boxes for each plantation.

**Table 16. Current sales price (USD) and weight of bananas boxes in the Fairtrade and conventional export markets<sup>70</sup>**

Plantation	FT	Conventional (First quarter)
Plantation A	7.73 (18.14 kg)	6.46 (18.14 kg)
Plantation B <sup>71</sup>	6.70 (18.14 kg)	7.40 (18.14 kg)
Plantation C	7.83 (18.14 kg)	7.50 (18.14 kg)

## Production costs

All of the plantation managers indicated that the current profitability level is minimal, since the unit production cost is similar to the unit sales price. **Table 17** shows the production cost for Plantations A and C; Plantation B did not supply this information. In contrast, the cost of production of a box of bananas for the Control plantation is USD 6.44 and the sales price is USD 7.23; this price is lower than the one paid for Fairtrade bananas, and does not receive the Premium.

**Table 17. Current cost of production (USD) of an 18.14-kg box of bananas in the Fairtrade and conventional export markets<sup>72</sup>**

Plantation	FT	Conventional
Plantation A	7.64	6.60
Plantation C	7.58	7.58

Plantations A and C both cover the cost of the following activities: washing, disinfection, packing and transportation to the port. Plantation C assumes the same costs, but transport to the port is covered by one of the exporters. One of the exporters sells the fruit in the UK and Germany. This same exporter also offers financing services for the production and marketing functions.

<sup>70</sup> This data was officially provided by plantation managers.

<sup>71</sup> The buyer also owns Plantation B (is vertically integrated). A manager said that the owner determines the sales price of the Fairtrade and conventional boxes subjectively.

<sup>72</sup> This data was officially supplied by plantation managers, and suggests that plantations have different methods for calculating production costs, maybe some incorrectly.

## 6.4 The Fairtrade Premium concept and investment

The Fairtrade Premium is an additional payment that plantations receive for bananas sold on Fairtrade terms amounting to USD 1.00 per box<sup>73</sup> that has to be invested in the economic, social or environmental development of the workers, organization and community. All plantations, in accordance with Fairtrade standards, have constituted a non-profit legal organization, a Corporation, which represents the workers and is administered by a Joint Body whose members are mainly workers and some management representatives who together decide on how to invest the Premium. Its objective is to promote, execute and develop social policies, strategies, projects, plans and programmes with Premium funds, for workers, family members and for the communities around the Fairtrade-certified farms.

Corporations have the following administrative and controlling organs: General Assembly, Joint Body, Fiscal Controller and Supervisory Committee. Joint Bodies decide on Fairtrade Premium investment without any external imposition, but it is mandatory that project selection and fund management be conducted by means of transparent, participatory and democratic processes. Projects can promote workers and community well-being, and an annual plan is prepared that has to be approved in the General Assembly of the workers.

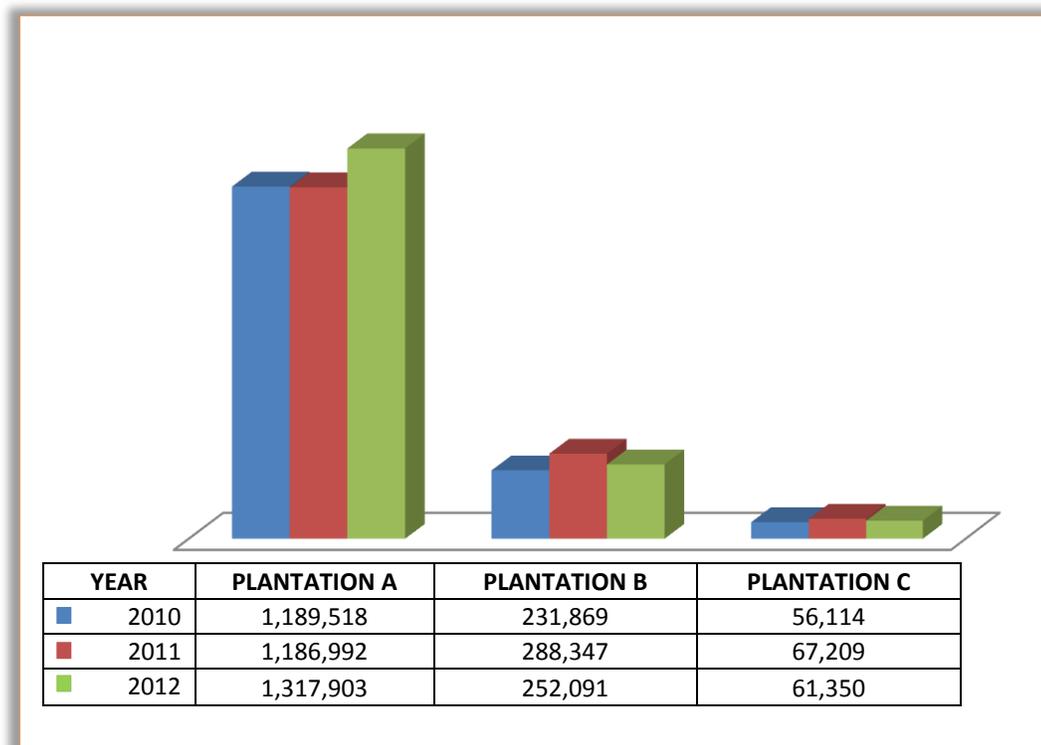
In 2011, the Joint Bodies of all of the Fairtrade plantations in Urabá invested the Fairtrade Premium (USD 6.15 million) in the following areas: USD 3.8 million in housing construction and improvement (62%), USD 550,000 in education and training programmes (9%), and USD 1.8 million in recreational and cultural programmes, medical assistance, community assistance and response to natural disasters (29%).

**Figure 9** shows the Premium value received by the three plantations during the last three years; the great difference between the first plantation and the rest is due to its size and total annual sales reported. In 2012, the three Fairtrade plantations studied received the following amounts of Fairtrade Premium: Plantation A (USD 1,317,908); Plantation B (USD 252,091) and Plantation C (USD 61,350). The Fairtrade Premium is a key instrument that has funded the improved standard of living of workers and their family members in the last three years.

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<sup>73</sup> Table of minimum prices and Fairtrade Premium. Version 2013.

**Figure 9. Amount of Fairtrade Premium received by the three plantations studied, in the last three years (USD)**



**Table 18** shows the type of projects conducted with the Fairtrade Premium in each of the plantations studied. It highlights that most projects focus on the welfare of workers' households and the community, but the main investment of Premium funds has been for housing purchase and improvement for workers. Plantation managers did not provide information on how Premium funds were distributed among the various projects. The study suggests that most investment in workers' and community well-being is funded by the Premium and in lesser proportion by the plantation or private sector foundations. It should be noted that plantation managers did not answer the question regarding the amount of the company's own resources being spent for workers' and community well-being.

**Table 18. Type of projects conducted with the Fairtrade Premium by the Urabá plantations**

<b>Plantation</b>	<b>Projects</b>
<b>Plantation A</b>	Housing programmes (Construction of the Rosalba Zapata housing unit)
	Construction of houses on own land
	Somos Familia Project (Improvement of quality of life, one-year coaching)
	Scholarships for learning English
	PIVD (Project for induction to university life)
	Credit (emergencies and household appliances)
	Training
	Ads promoting environmental protection
	Web page design for company
	Sponsorship of agricultural projects for workers
	Design of an educational and cultural park at the Barrio Obrero (Apartadó)
	Donation of musical instruments to the Cultural Center (Casa de la Cultura) in the town of Apartadó, to ethnic groups in Apartadó and Chigorodó.
	Construction of a bridge in the Vereda Honduras.
<b>Plantation B</b>	Education
	Housing
	Health
	Support to family group
<b>Plantation C</b>	Housing (purchase and improvement)
	Education (Per diems for members who study, computer training for children, training on the Fairtrade norm, educational aids and school kits, scholarships for higher education)
	Health
	Emergencies
	Environment
	Community support
	Loans for household appliances
	Health co-payment for elders
	Support to the FUNTRAJUSTO initiative (sponsoring other non-Fairtrade farms)
Sponsorship of entrepreneurial projects presented by hired workers	

## 7. Impact of Fairtrade on Plantations

### 7.1 Socioeconomic impact of Fairtrade on hired workers' households

#### Standard of living of hired workers

All hired workers indicated that their quality of life is better after their plantations joined Fairtrade, and 92% think the same about their economic situation. Workers perceive that the main Fairtrade benefits are: more access to credit (88%), home purchase and improvement (75%), increased access to education (71%), and more training (41%). Of these benefits, the most appreciated by workers were improved access to housing and to credit.

The average household income in 2012 for hired workers in the three Fairtrade plantations was USD 10,766, ranging from USD 6,971 to USD 18,958. The average household income for workers in the Control plantation in 2012 was the same (USD 10,767), ranging from USD 7,935 to USD 14,763. The average annual per capita income in 2012 for workers in the three Fairtrade plantations was USD 2,720 (ranging from USD 1,267 to USD 7,404), and USD 2,748 in the Control plantation. The average annual income obtained from jobs in the three Fairtrade plantations was USD 8,674 and USD 8,355 from jobs at the Control plantation. This income represents 81% of total household income, with a variation from 38% to 100%. 74% of workers believe that this income covers their basic needs (see **Table 12**).

91% of the workers affirmed that after joining Fairtrade, their household assets on average increased by 64%.<sup>74</sup> In the last three years, 53% of the workers improved their housing, mostly the kitchen (42%), walls (29%), WC (21%), roofing (21%), floors (21%), and 21% bought household assets. 52% and 48% of the houses have tile and cement floors, respectively. The average investment in housing in 2012 was USD 2,900. These positive trends are due to greater incomes and improved access to loans, the latter funded with the Fairtrade Premium.

All workers said that they did not have food security problems in their households, and 100% wear clothing in good conditions. 50% of the households have children aged 6-12 and all of them go to school. 65% of the households have other members aged 13-40 who are studying. 68% of the households have obtained at least one scholarship for education. 76% of the workers own a house. All of the households have electricity, use gas for cooking, dispose of garbage, and control insects. 98% of the households have drinking water and a WC, 97% have sewage, and 88% have access to piped water (see **Table 13**).

**Table 19** describes the ownership level of household assets among plantation workers. For comparison, related information for all Colombian households is included. When joining Fairtrade, all plantations created a special programme that offered credit for

<sup>74</sup> Workers were asked to calculate the percentage of household assets that were purchased after their plantation joined Fairtrade.

household appliances so that workers and their families could improve their standard of living. Ownership levels for these types of goods are higher among Fairtrade plantation workers than the Colombian national average. However, the Control plantation exhibits somewhat higher ownership levels than the average for Fairtrade plantations due to its effective policy that stimulates savings among its workers. It should be noted that in focus group sessions, family members emphasized the benefit of having a computer with access to the Internet.

In 2012, 59% of the workers saved an average of USD 429, ranging from USD 84 to USD 1,115. These savings represented an average of 4.6% of total income. 78% of savers incremented their savings level after joining Fairtrade by an average of 91%. It should be noted that the control plantation has developed a sound savings policy among its workers, since 83% of them saved an average of USD 1,171 in 2012.

**Table 19. Asset ownership for hired workers studied in the Urabá plantations (%)**

Assets	Plantation A	Plantation B	Plantation C	Average	Country average <sup>75</sup>	Control Plantation
% with cellphone <sup>76</sup>	100%	100%	100%	<b>100%</b>	<b>83.8</b>	<b>100%</b>
% with refrigerator	97.1%	100%	100%	<b>97.9%</b>	<b>78.7</b>	<b>100%</b>
% with TV	97.1%	100%	100%	<b>97.9%</b>	<b>91</b>	<b>100%</b>
% with fan	97.1%	100%	100%	<b>97.9%</b>	-	<b>100%</b>
% with computer	82.4%	100%	100%	<b>87.3%</b>	<b>38.5</b>	<b>100%</b>
% with bicycle	73.5%	100%	75%	<b>80%</b>	-	<b>100%</b>
% with radio or sound equipment	61.8%	25%	25%	<b>51.5%</b>	<b>47.9</b>	<b>50%</b>
% with motorcycle	23.5%	0%	75%	<b>19.2%</b>	<b>20.6</b>	<b>50%</b>
% with washing machine	20.6%	50%	100%	<b>30.5%</b>	<b>51.8</b>	<b>67%</b>

96% of the workers had access to a loan from at least one of the following sources: the plantation (66%), the Corporation (30%), informal (28%) and formal banks (22%). It should be underlined that 83% of the workers at the control plantation accessed credit through informal sources because the company does not offer this service. 15% of Fairtrade workers invested an average of USD 2,872 in 2012 for income generation.

In relation to goals and dreams, Fairtrade plantation workers think that Fairtrade can contribute, and has already done so, to: family education (79%), owning or improving housing (67%), own education (50%), stable incomes (19%) and income diversification (9%). 89% of workers believe that since joining Fairtrade, they have more influence on

<sup>75</sup> Source: DANE ECV 2011 – ECV 2012. Data expanded with population projections, based on results of the 2005 Census.

<sup>76</sup> DANE news bulletin: “Basic Indicators of Information and Communication Technologies TIC/Use and penetration of TIC in Households and persons 5 years old or more” Bogotá, D. C., 25 March 2009.

household decision-making and 73% believe the same with respect to community decision-making.

**Table 20** shows the proportion of banana boxes sold on Fairtrade terms in the certified plantations studied in the last three years. Although the total number of boxes sold decreased in this period, the percentage sold on Fairtrade terms actually increased. On average, the three plantations studied sold 78.3% of their bananas on Fairtrade terms.

**Table 20. Proportion of banana boxes sold on Fairtrade terms in the plantations studied (2010-2012)**

Plantation	2010	2011	2012
<b>Plantation A (18.14-kg boxes)</b>			
<b>Total boxes sold</b>	1,670,193	1,468,644	1,463,165
<b>FT boxes sold</b>	1,260,114	1,189,427	1,154,440
<b>%</b>	<b>75.4%</b>	<b>81.0%</b>	<b>78.9%</b>
<b>Plantation B (17, 18.14 and 20-kg boxes)</b>			
<b>Total boxes sold</b>	401,834	451,301	375,623
<b>FT boxes sold</b>	269,345	303,723	280,129
<b>%</b>	<b>67.0%</b>	<b>67.3%</b>	<b>74.6%</b>
<b>Plantation C (18.14-kg boxes)</b>			
<b>Total boxes sold</b>	78,669	78,622	68,292
<b>FT boxes sold</b>	54,838	64,279	59,215
<b>%</b>	<b>69.7%</b>	<b>81.8%</b>	<b>86.7%</b>

### Work and health conditions of hired workers

**Table 21** presents a summary of the monthly salary (including legal social benefits) for male and female workers in Fairtrade-linked plantations from 2010–2013, including fixed-term and permanent contracts. It should be noted that wage levels reached a peak in 2011 but were lowered in 2012 and remained the same for 2013. This suggests that private sector–labour union relations are mature because both parties are making objective decisions. For example, it seems that wage levels for hired workers are being correlated to international banana prices. Male workers receive on average a salary that is 12.8% higher than the salaries for women. However, the difference in male and female salaries is lower in Fairtrade-linked plantations than the average for the banana industry.

**Table 21. Monthly salary of plantation workers in two Fairtrade plantations, 2010-2013 (USD)**

Plantation	Gender	Type of contract	2010	2011	2012	2013
Plantation A	Women	Fixed term	497	538	502	506
		Indefinite term	668	726	655	649
	Men	Fixed term	561	607	567	571
		Indefinite term	680	737	715	720
Plantation C	Men and Women	Indefinite term	552	598	614	618

Salaries include a basic wage plus legal social benefits and other extra benefits. 39% of the workers think that the value of their wages is on average 56% above the average wage in the region, and 54% think it's the same. This is confirmed by **Table 21** that shows that indefinite-term workers are receiving a salary above the CMLS and fixed-term workers receive one that is similar to the CMLS.<sup>77</sup> 89% of workers agree on how their wages are calculated.

The composition of this salary is the basic salary plus 52.374% for legal social benefits. In addition, extralegal aids and premiums can range from 3–6%. The legal social benefits are distributed as follows:

- Severance pay: 8.33% (Company)
- Severance pay interest: 1% (Company)
- Service-related bonus: 8.33% (Company)
- Holidays: 4.17% (Company)
- Non-financial contributions: 9% (Company)
- SGSSS (General System of Social Security in Health) contributions: 21.544% (Company) plus 8% (Worker)

In the case of the control plantation, male workers receive a monthly salary of USD 462 plus 54% in the legal social benefits for a total of USD 711, while female workers receive USD 693, or 9.7% less. This salary is similar to the one paid by Plantation A and 15% higher than the monthly salary paid by Plantation C. Temporary workers obtain extra social benefits like support for housing, schooling, eyeglasses, maternity and transportation. The daily wage is slightly different for men and women; COP 4,812 (USD 2.69) per hour for men and COP 4,688 (USD 2.62) per hour for women. The reason for this difference is that male tasks demand more physical effort and are riskier.

Plantation workers believe that the greatest Fairtrade contributions to labour conditions are: workers are treated well in the workplace (53%), better sanitary services

<sup>77</sup> The CMLS in Colombia is COP 589,500 plus COP 400,200 in social benefits, for a total of COP 989,700, or USD 552.6 per month.

(44%), and labour stability (17%). In focus group sessions, workers repeatedly confirmed that labour conditions in Fairtrade plantations are better than in other plantations.

All workers surveyed responded that their labour stability is good. Most of them have signed an indefinite-term contract, with social security and 15–17 days of vacation, although a minority of workers has one-year contracts. 91% of the workers said that they are permanent workers. On average, they worked 9.3 hours daily and 4.93 days weekly. In contrast, only 16% of the Control workers have indefinite-term contracts and the remaining 84% have one-year contracts. All of the workers think that after joining Fairtrade, they now have greater capacity for controlling their and their family's future, which is not the case for workers at the Control plantation, who think that they lack sufficient labour stability for that. 93% of Fairtrade plantation workers and 83% of the Control workers want to continue working in their plantation.

All workers, including those in the control plantation, affirmed having access to a WC and drinking water in the workplace. The totality also affirmed that they have access to health services through EPS and that they have occupational health services at work. All of the workers use PPE in the workplace. 98% of the Fairtrade plantation workers and 83% of the workers in the Control plantation did not have to deprive themselves of medical care.

18% of workers were absent from work due to accidents, averaging absences of 41 days. 26% of workers were absent from work due to sickness, averaging 5.7 days of absence. 42% of workers lost an average of USD 123 due to absences from work caused by accidents or sickness. Despite these figures, managers said that Fairtrade has improved labour conditions thanks to the increased use of PPE and lesser use of agrochemicals because accidents and sickness levels in Fairtrade plantations decreased, and there was an important reduction in work absences. This was not the case for the Control plantation workers, because due to sickness, 37% of them had to leave work for an average of 37 days. 67% of the Control plantation workers lost an average of USD 201 in income due to work absences caused by accidents or sickness.

Workers are aware of the following workers' labour rights: salary according to collective bargaining (87%), non-discrimination (68%), non-harassment (61%), freedom of association (58%), access to PPE (51%), medical care in the workplace (49%), appropriate sanitary services in the workplace (17%) and sickness leaves (11%). No worker mentioned having suffered violation of any of their rights. On the other hand, the Control plantation workers are not unionized and said they were not interested in doing so. They argue that the owner is already offering them good legal and extra-legal social benefits. However, the study found out that the control plantation workers are hardly aware of their labour rights in contrast to Fairtrade-linked workers.

With respect to gender, the proportion of female workers in plantations is low (7.7%), which is reasonable due to the type of work in the banana plantations. At the Control plantation, 21% of the workers are female. Although the companies reported that the daily wage (USD 1.39 or COP 2,500 per hour) is the same for men and women, in reality, salaries are paid as a function of the type of activity conducted. Activities requiring greater physical effort, such as agricultural labour, are paid better and cannot be executed,

generally, by women. Thus, Plantation A pointed out that monthly income for men, including social benefits, is on average 12.8% higher than for women. However, Plantation C pays identical salaries to men and women (see **Table 21**).



**Workers' restaurant at the Los Cedros farm**



**Cableway carries bananas to the packing plant**

According to the Joint Bodies of the three Fairtrade plantations, women in households who benefit from Fairtrade include female workers, and female relatives such as wives, daughters, mothers and sisters.

Plantations have a maternity policy in accordance to Colombian law and offer services to women such as recreation and training in subjects like savings, agricultural activities, family relationships, food handling, etc. The Programme “Somos Familia”<sup>78</sup> in Plantation A targets women and its objective is to provide households with coaching during one year at least, to improve their standard of living. However, the study did not find evidence of strategies to encourage gender equity inside the plantations. As mentioned, the proportion of female workers in plantations is low (7.5%), which is reasonable because of the type of work in banana plantations. Therefore, the number of women in leadership positions in Joint Bodies and Worker Committees is also low, but it was pointed out that sometimes women do not show much interest in filling these positions.

<sup>78</sup> “We Are a Family” in English.

87% of workers' households have children and youngsters aged 0–17; this segment is supported with training, recreation, English scholarships, educational aids and Christmas gifts.

### **Income diversification**

Fairtrade facilitates income diversification by workers, and programmes are emerging that encourage and accompany the creation of microenterprises among workers' relatives, but the study did not detect a great dynamism in this sense. Workers are now more concentrated on their own and their children's education, and on improving their housing. Plantations have also prioritized the purchase of housing by their workers. 15% of the workers invested in income generation, with an average of USD 2,872. 35% of the households have diversified income and savings. The main sources of income are: plantation jobs (100%), other jobs (26%), rent (18%), and own business (13%).

### **Migration levels**

Urabá is a multicultural region with 600,000 inhabitants, mostly immigrants from neighboring areas who arrive in search of new opportunities. This is reflected in the composition of plantation workers. The study indicated that Fairtrade has contributed to job generation due to the stimulation of banana production and, in general, of the local economy, caused by the multiplier effect related to increased incomes derived from the Fairtrade Premium and increased banana exports. Furthermore, Fairtrade also facilitates increased training and education for youngsters, which can expand their working opportunities, especially in urban areas. The study indicates that in the last two years, 26% of the households have had relatives who have migrated from the rural areas, 47% due to lack of opportunities and 35% because of better opportunities elsewhere.<sup>79</sup>

## **7.2 Fairtrade impact on plantation profitability and investment**

In general, Fairtrade affiliation and the GlobalGap certification open preferential markets to plantations because of the resulting good quality of the fruit. However, according to Plantation A, Fairtrade affiliation resulted in a slight profitability reduction for the plantation. The manager also said that the company has been losing money in the last three years due to reduction in banana yields, higher cost of weeding, and the dollar devaluation.<sup>80</sup> In contrast, Plantations B and C said that their profitability in fact increased after joining Fairtrade, although the latter plantation explained that the increase was low but that, anyway, joining Fairtrade was justified because of the social benefits derived from the Fairtrade Premium. Profitability increases related to Fairtrade are due to the larger banana sales volume and to a slight yield increase. It should be highlighted that the managers of Plantation A (a large plantation) and Plantation C (a small plantation) coincide in asserting

<sup>79</sup> Colombia is a developing country where urbanization processes are considered to be normal. Migration rates were probably much higher in times of the armed conflict.

<sup>80</sup> The price of bananas in the international market is defined in US dollars. When the US dollar devaluates in relation to the Colombian peso, domestic banana producers receive less pesos when they sell their fruit.

that lowering agrochemical application for pest and disease control is more feasible in the smaller plantations.

Nevertheless, Fairtrade affiliation has also resulted in a notable reduction of direct investment in workers by the plantations, because services demanded by workers are now channeled through the Joint Body and financed with Fairtrade Premium funds. For example, before Fairtrade, when a worker had a health emergency in his household that he/she could not solve, the employer usually felt the obligation to collaborate. Also, sometimes workers requested loans from their employers for the purchase of household appliances but the employer was only able to provide credit to a minority of the workers. After joining Fairtrade, these worker-related costs in support of workers are not assumed now by the plantations because they are covered using Premium funds.

In 2012, due to Fairtrade Premiums, Plantation A received USD 1.318 million, Plantation B USD 252,000, and Plantation C USD 61,400, sums that are managed by their respective Joint Bodies (see **Figure 9**). Plantation A invests the Premium in the following services for its workers: credit by means of a revolving fund for housing, education, household appliances, and others; training, strengthening of collective action and social support through the Programme “Somos Familia”. At Plantation B, these funds are spent primarily in housing construction, purchase and improvement, scholarships, health aid for children and adults, training, sports, and loans for household goods. In Plantation C, the Premium is invested in education (scholarships, aids, school kits), computer courses for children and youngsters, housing, health co-payment for elders, training, and others (see **Table 18**).

In relation to community support, Plantation A invested in infrastructure (a bridge, parks, sports courts, and sidewalks) and donated funds to municipalities, indigenous groups (musical instruments) and elders, and for allocations to schools and hospitals. Additionally, together with the municipality, it is building a thematic library. Plantation B offers scholarships and medicine, and invests in a nursing home for elders as part of a project led by the Foundation of Fairtrade Workers (FUNTRAJUSTO). FUNTRAJUSTO was founded by the majority of Joint Bodies in Urabá with the objective of planning and executing community projects in collaboration with local municipalities and other development agencies. Plantation B also sponsors other non-Fairtrade farms that belong to the BANAFRUT Group, supported the construction of a church, improved a school’s infrastructure, and implemented agreements with Compensation Fund Agencies to offer courses and recreational activities to workers’ families. Plantation C offers health aid to sick people and elders, recreational and cultural activities, Christmas gifts for children, and is initiating a programme for microenterprise creation, in addition to supporting the FUNTRAJUSTO initiatives (see **Table 18**).

It highlights that workers consider that the main changes in plantations after Fairtrade certification were: all of them mentioned the reduction in the use of agrochemicals; 84% said they receive more training; 77% pointed out that there are less work-related accidents; 73% affirmed that workers are more empowered (participate in decision-making and are more motivated); 54% expressed improvement in agricultural technology; 41% mentioned

more permanent contracts, and 39% said that management–worker relations are much better.

### Additional expenditure made for certifications

Plantation A invested USD 98,000 and Plantations B and C USD 70,000<sup>81</sup> in the last three years to comply with Fairtrade requisites. The first plantation invested in improving the water-treatment plant, in chlorination and disinfection systems, in sink and drainage repair, in locative and structural adjustments, in waste water and waste solids management, in sanitary facilities, etc. Plantation C invested in maintenance of plantations and irrigation systems. Plantation B did not provide data on additional investments and expenditure made to comply with Fairtrade requirements.

In the last three years, the three plantations spent more than an additional USD 597,000 and 296,000 respectively<sup>82</sup> due to its Fairtrade affiliation. Plantation A spent on the following items: cost of the worker and employee time spent in administration of the Premium, implementation of the Quality Management System (QMS), strengthening of the human resources function by incorporating a medical doctor for Occupational Health and related programmes, labour costs related to extra meetings of representatives, increase in time span for workers' return after agrochemical application, mechanical weeding (85 workers), cost of kudzu seed for use as noble vegetable cover, PPE, and direct costs of Fairtrade certification. Plantation A also spent USD 5,179 annually in the last three years for GlobalGap certification. **Table 22** summarizes, for year 2012, investments and expenditures related to certifications, amount of Premium received, and gross income from banana sales.

**Table 22. Investment and expenses to comply with Fairtrade and GlobalGap standards, Premium value and gross income for Urabá plantations studied (USD), year 2012**

Plantation	Investment related to Fairtrade certification	Annual expenses related to Fairtrade certification	Annual expenses related to GlobalGap certification	Amount received in Fairtrade Premium	Gross income from banana sales
<b>Plantation A</b>	27,886	215,198	5,321	1,317,908	10,387,000
<b>Plantation B</b> <sup>83</sup>	–	–	–	252,091	2,593,419
<b>Plantation C</b>	12,270	29,838	–	61,350	506,492

<sup>81</sup> The amount for Plantation B is an estimate by the authors, since managers did not provide any financial data.

<sup>82</sup> The amount for Plantation B is an estimate by the authors, since managers did not provide any financial data.

<sup>83</sup> The plantation did not provide any financial data, except for the amounts received due to Fairtrade Premium and its distribution. Gross income from banana sales is an estimate by the authors.

### 7.3 Fairtrade impact on hired workers' organizations

Currently, all of the Fairtrade plantation workers surveyed belong to the labour union SINTRAINAGRO, and most attend its annual meetings and training sessions. These events take place in parallel when air fumigations are conducted to save time.<sup>84</sup> Workers were aware of the following labour rights: salary according to collective bargaining, non-discrimination, non-harassment, freedom of association, access to PPE, medical care in the workplace, appropriate sanitary facilities in the workplace, and sickness leave. No worker mentioned having suffered violation of any of their rights.

It is highlighted that in addition to the Labour Union and Joint Bodies, FUNTRAJUSTO was constituted, a collective initiative of most of the Joint Bodies in Urabá, which works together with municipalities and other local development agencies in the planning and execution of community projects. Other workers' organizations were not identified in this study. Additionally, it was detected that the participation of workers in other community organizations or in organizations with political incidence was low.

All of the workers surveyed trust that the organizations representing them are conducting proper negotiations with their respective plantations. Plantations offer appropriate conditions to develop and negotiate workers' concerns. Most workers declared that plantations have the capacity to listen to them and to respond adequately. It is underlined that all of the workers mentioned that they have a good relationship, involving respect and admiration, with the plantation owners. A few cases were reported where workers raised their concerns with management, but these were always resolved.

93% of the Fairtrade plantation workers trust their plantation's management, and 87% think that their wages were calculated transparently. In the Control plantation, all workers also trust their management and think their wages were calculated correctly. All of the Fairtrade plantation workers believe they now have a greater capacity for controlling their and their family's future.

#### **In relation to the Joint Body**

All of the workers consider that their influence in Joint Body decision-making has increased since their creation. Most affirm that their capacity for transmitting ideas and concerns to the Joint Body is high, as well as the ability of the Joint Body to listen and to address their needs. However, in a focus group session at one of the plantations, workers mentioned that their participation in the Joint Body's decision-making processes tends to be passive; furthermore, in this sense, workers' relatives expressed their wish that their opinions were taken more into account. 86% of the workers have little information in relation to community-level projects and training funded with the Fairtrade Premium.

By means of training and promoting exchanges with other worker organizations, Fairtrade has helped reinforce the capacity of worker representatives in the Joint Body and Labour Union. This has resulted in greater influence in decision-making. All of the

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<sup>84</sup> Workers are not allowed to work in the fields after air fumigation.

workers said that they completely trust the work of the Joint Bodies. Most workers affirmed that they know who the members of their Joint Body are, and rated their capacity for performing their work as 4.5 (where 5 is excellent and 1 is bad).

For all of the workers, the most important Premium project is “access to housing”, and in all of the Joint Bodies, this has become the project with the most funding. It is underlined that Joint Bodies have also assigned great importance to projects that benefit the community (see **Table 18**).

## 7.4 Fairtrade impact on local and regional development

### Fairtrade influence on employment and salaries in the region

Fairtrade has generated jobs in the region by contributing to the reactivation of banana exports, by the implementation of Fairtrade Standards and by Fairtrade Premium investment. All of the above factors result in higher, stable worker incomes and manual weeding also increases demand for unskilled labour. Premium investment in housing construction and improvement, household appliances, education and community assets raise the local demand for goods and services, which in turn stimulates employment in local commerce. All of the above has a multiplier effect that stimulates the regional economy in general and, indirectly, generates further employment.

Workers have also become minor job creators, since 15% of them have invested an average of USD 2,606 in income-generating initiatives. On the other hand, Fairtrade also favors increased education and training of youngsters, which can expand opportunities for them.

**Female worker at a packing plant in one of Bananeras de Urabá farms**



Labour conditions in the banana sector of Urabá are generally good. A paper presented by AUGURA in February 2012 indicates that there is uniformity in the Urabá work sector in terms of wage payments, because 98% of the workers are under the same Collective Bargaining Agreement led by AUGURA and SINTRAINAGRO. Salaries are

increased according to the consumer price index.<sup>85</sup> Therefore, although Fairtrade influence in salary levels and working conditions is positive, the difference in salary between Fairtrade and non-Fairtrade workers is minimal. **Table 12** confirms this statement because the average annual income in 2012 of workers in the Control plantation was USD 8,355 which is similar to the average annual income of the three Fairtrade plantations (USD 8,674). Fairtrade has contributed to the improvement of salary conditions because now more workers have labour contracts and are paid the legal social benefits.

As already mentioned, 39% of Fairtrade plantation workers think that their wage level is on average 56% above the regional average, and 54% believe it is the same. This perception is interesting but it seems to be exaggerated, because **Table 12** also shows that Plantation A and C have similar wage levels as the Control plantation. However, Plantation B does have higher average wage levels than the rest of the plantations, including the Control plantation. An explanation for this positive perception of their wage level by Fairtrade plantation workers can be that, as was expressed by the Control plantation workers, wage and labour conditions in the Control plantation are above average in the region. According to respondents, this was the plantation owner's approach to diminish workers' enthusiasm towards joining the labour union, SINTRAINAGRO. Although the legal and extra social benefits paid in Fairtrade are higher than those paid outside of Fairtrade, the unemployment level in the region tends to apply a downward pressure on wages for unskilled workers. It should be recalled that one of the plantations reduced its labour force because of profitability problems.

### **Access to services at the regional level**

As already mentioned, Fairtrade stimulated the local economy, and therefore raised the demand for goods and services such as household appliances, motorcycles, construction and education, in addition to public and community services in the region. Fairtrade has activated demand for services such as EPS (health), electricity, gas for cooking, piped water, sewage, garbage disposal and insect control. Demand has expanded for credit and financial services, and for primary, secondary and university education. The academic sector has grown rapidly in response to the booming demand for education, partly generated by Fairtrade, although many of the academic institutions that have emerged provide low-quality services. Additionally, Premium investment has favored the supply of new or improved services for the community, such as parks, schools, hospitals, sports courts, church, nursing homes for elders, etc.

FUNTRAJUSTO, the collective initiative of most of the Joint Bodies in Urabá, is a new provider of community services, since it works together with local governments and development agencies in the planning and execution of community projects. The study also evidenced that other agencies are supporting local activities and services. For example, Plantation A has an alliance with COMFENALCO (a family compensation fund) for the implementation of the Programme "Somos Familia", focusing on the improvement of the standard of living of the poorest families affiliated to the Corporation. Plantation C established an alliance with the Municipality of Chigorodó, and their Joint Bodies have

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<sup>85</sup> Quesada, V.H. What can we learn from the banana experience in Colombia? FLO. March, 2013

partnerships with foundations such as Compartir to finance and execute community-level projects. Plantation B also collaborated with COMFAMA (another family compensation fund) in a study on workers and their families.

Finally, Colombia tends to have a weak government presence and high informality levels in its rural areas. Small municipalities generally have scarce funds and tend to be inefficient and corrupt. In consequence, it is considered that most of the services would not exist without the Fairtrade Premium. However, the government is providing subsidies for construction of workers' housing, through the family compensation funds. SENA offers technical training services to rural workers, but this agency was scarcely mentioned in this study. Plantation A is joining forces with the Municipality to execute community programmes, and the management representative on the Joint Body indicated that progress has been made with respect to the lobbying capacity to obtain subsidies for workers from the local government.

### **Political influence of hired-worker organizations**

The most important achievement of the Joint Bodies of most Fairtrade-certified plantations was the creation of FUNTRAJUSTO, a foundation focused on developing and managing community projects. In 2012, Joint Bodies at Plantation B's business group designed common statutes and regulations. Additionally, Joint Body leaders meet in annual events encouraged by Fairtrade for the exchange of experiences.

Fairtrade has supported the strengthening of workers' leaders in the Joint Bodies and Worker Committees<sup>86</sup> so that they can adequately fulfill their mission of defending rural workers' interests. However, Worker Committees are only required when labour unions are not present, which is not the case in Colombia. All plantation workers surveyed are members of SINTRAINAGRO and the Corporations. Joint Bodies prepare annual investment plans and timetables. The Corporation finances the training of Joint Body members in pertinent topics like administration, accounting and project planning and management. Some leaders have conducted technical studies in the local universities. SINTRAINAGRO trains Worker Committee members on labour rights, labour union formation, leadership, labour legislation, and other subjects such as payroll management, occupational health, first aid, etc.

Plantation managers and Joint Body representatives declared that workers' representatives are now better trained, more dedicated, and have become more analytical and better managers and communicators. They now act as positive leaders who solve problems. The Corporation at Plantation C does have some experience in public support policy due to its alliance with the Chigorodó Municipality. It should be noted that, once the period of the trained worker representative ends, new representatives are elected with little training and experience, which affects the performance of the Joint Body. Additionally, the study did not evidence that Worker Committees or Joint Bodies have any international experience or at the public support policy level.

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<sup>86</sup> When there is no labour union in the plantation, Fairtrade certification requires the establishment of the Workers Committee to protect workers' rights and to provide a forum for workers to consult with management on a range of matters affecting them.

## **Relationship of plantations with the armed conflict**

The perception of plantation leaders is that the regional armed conflict does not exist anymore; 98% of workers believe that the conflict diminished and 2% consider that it's the same, because common delinquency has emerged and theft has increased. However, this situation is bearable and cannot be compared with the public situation that existed 12 years ago when they confronted theft, murders, extortions, threats, forced recruitment of workers and family members, and massive displacement. Plantation A suffered damages to their buildings, trucks and banana-packing plants were set on fire, and management had to suspend some of their activities and had to hire bodyguards to protect agricultural technicians during their visits to the plantations. This affected agricultural production, sales, and logistics. In the case of Plantation B, sometimes workers on their way to the plantation had to go back because they were threatened.

57% of the workers consider that there is no relationship between Fairtrade and the armed conflict. However, 43% believe that Fairtrade's social and economic impact favors peace in the region and consider that it is important for the plantations to continue their affiliation because Fairtrade stimulates job creation in the region.

## **7.5 Fairtrade impact on natural resource management**

### **Environmental policy**

Fairtrade has promoted the production of quality products, environmental protection and sustainable use of the natural resources. Plantation A has a soil protection programme that encourages the planting of noble vegetable covers which lowers soil erosion and protects the soil from chemical contamination after pesticide use. They have also decreased herbicide application to lower air pollution levels, and they also avoid the use of pesticides and nematicides. Plantation B boasts high-quality soil and conducts reforestation along the channels and internal areas such as the packing plant. Likewise, Plantation C implements an inorganic solids-recycling programme, ecological agriculture and soil conservation.

The Control plantation is aware of the need for environmental protection, but fights diseases with agrochemicals to avoid their propagation. The Control plantation applies 5.2 liters per hectare of pesticides to control diseases, an amount that is average for the region, but it tries to manage them carefully to minimize the damage to workers' health.

### **Use of agrochemical inputs**

Plantation A, because of banana diseases that resulted in financial loss and lower yields, was forced to use herbicides and fungicides once again to improve their fruit production. Similarly, Plantation B has used agrochemicals since 2010 when Fairtrade International removed restrictions on their use. Plantations are aware that the use of agrochemicals is not ideal, so they have the following strategy to mitigate negative impact:

- A rational use of agrochemicals, protecting water sources and biodiversity, and the health of workers involved in the activity.
- Workers have been trained in the use of pesticides and use PPE (overalls, gloves, masks and caps).
- Agrochemicals are deposited away from areas where bananas are stored and processed.
- Warehouses where pesticides are stored are kept shut and locked and access for unauthorized personnel is restricted.
- Agrochemical transportation is conducted with specialized vehicles.

Plantation B has implemented an Environmental Management Plan and Plantation C avoids herbicide use. The latter plantation considers that this strategy has favored a change in the workers' attitude towards the company, and labourers are more motivated because they perceive the company's interest in their welfare.

**Table 23** describes the amount of herbicide used per plantation in the last three years, after Fairtrade International authorized its use. As can be observed, while Plantation A is increasing consumption due to its earlier problems with weed control, Plantation B is lowering it, and Plantation C, a small plantation, does not use herbicides at all because it has been successful with mechanical weeding.

**Table 23. Herbicide consumption (cc/ha), years 2010-2012**

Herbicide consumption (cc/ha)			
Plantation	2010	2011	2012
<b>Plantation A</b>	707	2,804	3,498
<b>Plantation B</b>	1,700	1,000	800
<b>Plantation C</b>	0	0	0

Plantations conclude that Fairtrade has contributed to a more sustainable banana production. Workers have been trained in subjects like sustainable production, biodiversity conservation, and health and security in the workplace.

To comply with Fairtrade standards, plantations have adopted the following environmental conservation techniques: rational use of herbicides, maintenance of noble vegetable covers, planting of "bore"<sup>87</sup> in the main channels, biodiversity protection, drainage improvement for septic tanks, reforestation, improvement of sanitary units, and buffer strips along rivers. Plantation A is currently recycling the water used in the process for up to six months, and all of its farms are implementing the "Conservation Plan".

<sup>87</sup> *Alocasia macrorrhiza* (L) Schott. This is a large plant that captures solar energy efficiently under shaded conditions and converts it into starch. It is used to feed fish and pigs.

## 7.6 Conclusions and recommendations for plantations

### 7.6.1 Conclusions on Fairtrade impact

#### General

The study confirmed that Fairtrade has had a significant positive impact on hired workers in Fairtrade-certified banana plantations of Urabá in the last three years. This impact has taken place at the level of hired-worker households, plantations, hired-worker organizations and communities in the plantations' areas of influence. This favorable impact is the result of the implementation of Fairtrade instruments such as the Premium, the minimum price throughout the year, the promotion of democratic hired-worker organizations, and the several standards related to labour conditions, environmental protection, production infrastructure and traceability in plantations.

The Fairtrade Premium totaling USD 6.16 million for all affiliated plantations in Urabá was invested in 2011 as follows: 62% in workers' housing construction and improvement; 29% in recreational and cultural programmes, medical assistance, community assistance and response to natural disasters; and 9% in education and training programmes. In 2012, the three Joint Bodies studied invested the Fairtrade Premium mostly in services for workers such as loans for housing improvement, scholarships, health and academic aids, training, and reinforcement of collective action. Currently, the most important Premium-funded project for the hired workers and Joint Bodies studied is to achieve home ownership for all workers. 52% of workers improved their housing in the last three years, and most have basic services in their home.

Joint Bodies invested a relatively low Premium percentage on community projects, such as civil construction and donations. The study suggests that most investment in workers' and community well-being is funded by the Premium and in much lesser proportion by the plantation or private sector foundations.

#### Hired workers

Fairtrade impact at the hired-worker and household level includes better labour conditions such as higher salaries, payment of legal and extra social benefits, and greater job stability. Although control plantation workers exhibit higher salaries than workers in one of the Fairtrade plantations studied, only 16% of them have indefinite-term contracts compared to almost 100% in Fairtrade plantations.

All the workers think that their quality of life with Fairtrade is better and most think the same about their current economic situation. 74% of workers affirm that their per capita income is enough to cover their basic needs. No worker mentioned having food security problems. Wage levels of indefinite- and fixed-term contracts in the plantations studied reached a peak in 2011 but were lowered in 2012 and remained the same for 2013. This suggests that private sector-labour union relations are mature because both parties are making sound, objective decisions.

Fairtrade has also contributed to workers' health improvement by expanding access to PPE, occupational health, adequate sanitary services, and dining halls at the workplace. They also receive training on health-related topics and benefit from the lesser use of agrochemicals and reduction of work-related sickness and accidents. The percentage of Control plantation workers that missed work due to sickness were double the percentage of those working at Fairtrade plantations, and their leaves of absence were much longer.

Workers are also offered other services such as training, recreation, social support, and credit. 96% of workers obtained a loan, mostly from the plantation or the Corporation. In contrast, 83% of Control plantation workers received loans from informal sources. Hired workers have access to educational support and scholarships for family members, but only 33% of Control plantation workers received scholarships versus 68% Fairtrade workers. All Fairtrade workers also enjoy freedom of association (all are members of SINTRAINAGRO) and have increased their personal savings. However, Control plantation workers save on average almost three times as much as Fairtrade workers.

## **Plantations**

Fairtrade affiliation coupled with GlobalGap certification opens preferential markets for plantations because of the resulting good quality of the fruit. Fairtrade impact involved increased sales volumes and higher prices for Fairtrade-certified bananas. Although the total annual volume of banana boxes sold by the plantations studied decreased in the last three years, the percentage of boxes sold on Fairtrade terms actually increased, to an average of 78%. Managers interviewed lacked a consensus on the Fairtrade effects in plantation profitability; while one said that Fairtrade had slightly lowered it, the other two declared that Fairtrade had increased it. One of them indicated that the profitability increase had been small, but that joining Fairtrade was justified. However, managers agreed that the minimum price for Fairtrade-certified bananas was very similar to its production costs, so profitability levels are minimal for plantations.

In the last three years, the three companies invested around USD 167,400 to comply with Fairtrade requisites, in the improvement of plantation and water treatment infrastructure, among other items, and also spent almost an additional USD 891,000 to reinforce the business structure, expand services to workers, and to cover increased labour costs. Nevertheless, Fairtrade affiliation has also resulted in a notable reduction of direct investment in workers by the plantations, because services demanded by workers are now channeled through the Joint Body and covered with Premium funds.

Improved labour conditions for hired workers, like stable contracts and occupational health plus the creation and good functioning of Corporations and Joint Bodies, have improved relations and communications between management and workers, and worker motivation, participation and commitment have grown.

In plantations, Fairtrade has also supported improvement of banana-production technology, greater environmental protection and rational use of agrochemicals. However, annual average banana yields for all three cooperatives have been decreasing (43 tons/ha in 2010, 40 tons/ha in 2011, and 39 tons/ha in 2012) caused by climatic changes (periods of

drought and excessive rainfall), and in the case of the largest plantation, due to problems with manual weed control. Managers said that lowering agrochemical application for pest and disease control is more feasible in the smaller plantations. The Control plantation produces slightly higher yields.

### **Worker organizations**

Fairtrade impact on Joint Bodies has resulted in greater worker participation in decision-making and strengthening of leadership and human capital of worker representatives. An Annual Plan is prepared for the adequate administration of the Fairtrade Premium. Workers express a solid credibility of workers in the Joint Body, and finally the Joint Bodies have developed a service portfolio directed to workers, including credit, training and educational aid.

### **Region**

Fairtrade has generated jobs in the region by contributing to the reactivation of banana exports, by the implementation of Fairtrade standards and by Fairtrade Premium investment. All of the above factors result in higher, stable workers' incomes and manual weeding also increases demand for unskilled labour. Premium investment in housing construction and improvement, household appliances, education and community assets raise the local demand for goods and services, which in turn stimulates employment in local commerce. All of the above has a multiplier effect that stimulates the regional economy in general and, indirectly, generates further employment.

Labour conditions in the banana sector of Urabá are generally good. There is uniformity in terms of wage payments, because 98% of the workers are under the same Collective Bargaining Agreement led by AUGURA and SINTRAINAGRO. Salaries are increased according to the consumer price index. Therefore, although Fairtrade influence in salary levels and working conditions is positive, the difference in salary between Fairtrade and non-Fairtrade workers is minimal. Fairtrade has contributed to the improvement of salary conditions because now more workers have labour contracts and are paid the legal social benefits.

FUNTRAJUSTO, a collective initiative of most of the Joint Bodies in Urabá, was constituted to work together with municipalities and other local development agencies in the planning and execution of larger community projects. Other agencies are supporting local activities and services; one plantation has an alliance with COMFENALCO (a family compensation fund) for the implementation of the Programme "Somos Familia", focusing in the improvement of the standard of living of the poorest families affiliated to the Corporation. Another plantation established an alliance with the Municipality of Chigorodó, and their Joint Bodies have partnerships with foundations such as Compartir to finance and execute community-level projects. Another plantation also collaborated with COMFAMA (another family compensation fund) in a study on workers and their families.

Finally, Colombia tends to have a weak government presence and high informality levels in its rural areas, and small municipalities generally have scarce funds. Hence, it is

considered that most of the services would not exist without the Fairtrade Premium. However, the government is providing subsidies for construction of workers' housing, through the family compensation funds and a Joint Body management representative indicated that progress has been made in improving lobbying capacity to obtain subsidies for workers from the local government.

## 7.6.2 Recommendations

### Fairtrade System

It is recommended that Fairtrade International revise the banana sales price and adjust it to reflect realistic production costs according to Fairtrade principles.

It is also recommended that Fairtrade International carry out additional research as to whether services formerly financed by the plantations are now covered by Fairtrade Premium funds, which might suggest that Premium funds bring in less extra income for workers.

### Joint Bodies

It is suggested, as a strategy to stimulate household income diversification, that Joint Bodies establish "business incubators" to advice, coach and fund microenterprises with the participation of interested women and youngsters.

It is recommended that a greater percentage of the Fairtrade Premium be invested in community-level projects and that Joint Bodies and FUNTRAJUSTO continue to develop strategic alliances with public and private agencies to attract counterpart funding for these projects. It would be appropriate to explore possible counterpart funding by the banana plantations and their foundations for community projects.

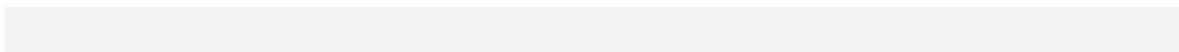
It is important to continue training programmes for Joint Body workers' representatives, to reinforce their participation and leadership in meetings, and to encourage them to take note of workers' household members' ideas on how to spend the Premium.

### Plantations

It is recommended that plantations request Fairtrade International to revise the banana sales price and adjust it to reflect realistic production costs according to the Fairtrade principle: "Fairtrade prices respond to the real production value". In addition, to determine precisely the effect of Fairtrade affiliation on plantation profitability, it is suggested that a cost/benefit analysis be conducted of the Fairtrade banana business of different plantations with different production scales.

It is important that plantations continue to fund projects to promote social well-being of hired workers, relatives, and the community in general. It is important that the direct investment by plantations be supplementary to Premium-funded investments.

It is suggested that the plantations or AUGURA approach the banana research institute, CENIBANANO, to request additional research on alternative ways to control banana weeds, pests and diseases in large banana plantations to reduce dependence on agrochemicals.



## **Annexes**

**Annex 1. Terms of Reference for Fairtrade Impact Study**

**Annex 2. Research Questions for the Fairtrade Impact Study**

**Annex 3. Inventory of Instruments used in Fairtrade Impact Study**

**Annex 4. List of Interviews to other Actors and Support Institutions**

## Annex 1. Terms of Reference for Fairtrade Impact Study

### Assessing the Impact of Fairtrade for Colombian Banana Farmers and Workers

#### 1. Introduction

This document is intended to outline the scope and objectives of a study, commissioned by Max Havelaar Netherlands in close cooperation with the Fairtrade Foundation UK and Fairtrade International<sup>88</sup>, on the impact of Fairtrade certification for banana smallholders and plantation workers in Colombia. The study should especially be considered as complementary to the banana sector study, commissioned by the Fairtrade Foundation in the UK and published in December 2011, and should be limited in terms of time and costs.

Fairtrade International and the Labelling Initiatives refer to impact assessment as describing an assessment at a specific point in time. It verifies whether the intended objectives are being achieved and what difference this is having for the people involved. Impact assessment studies are usually undertaken after a long enough period for the results of interventions to be evident – typically 3-5 years.

#### 2. Background

As the volume and value of Fairtrade sales grows across the world there is increasing demand to measure and demonstrate that engagement with Fairtrade has made a difference for anticipating plantations and workers (and their families) in developing countries, as well as the wider community – in other words the impact that Fairtrade has had. This demand comes from a variety of stakeholders including consumers, the media, political authorities, funding donors and supply chain actors (licensees and retailers) who have a legitimate interest in learning whether the Fairtrade labelling system is meeting its aims and objectives and improving the situation of plantation workers.

There is also a need to understand and communicate about the effectiveness of the tools and processes used to achieve the objectives of Fairtrade labelling. Impact assessment therefore also provides a useful and systematic way for producers to work in partnership with FI and share knowledge of what has gone right and wrong in the past and why, and to ensure that lessons are learnt and positive change is effected.

Fairtrade commissions a number of impact assessments annually, in order to deepen our understanding of the contribution that Fairtrade is making to poverty reduction and development. Within FI, the Strategy and Policy Unit (SPU) is responsible for creating and ensuring a sound strategy and policy framework for the work of Fairtrade International.

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<sup>88</sup> Max Havelaar Netherlands and the Fairtrade Foundation are two of in total more than twenty Fairtrade partner organizations called Labelling Initiatives (LIs). The LIs ensure that the Fairtrade certification mark is being used correctly in the different countries where Fairtrade products are being sold. Fairtrade International (FI) is the umbrella body of the national Fairtrade labelling initiatives. This body for Fairtrade globally provides standards setting, producer support and policy advice for the international Fairtrade system. Within FI the Strategy and Policy Unit (SPU) is a.o. responsible for the co-ordination of impact research and monitoring and evaluation for Fairtrade.

### 3. Relevance and current situation

#### 3.1. Relevance

In 2011 Fairtrade Foundation, in close cooperation with Fairtrade International, finalized a profound sector study on bananas, including research among Fairtrade partners in the Dominican Republic, Ecuador, Ghana and the Winward Islands<sup>89</sup>. Colombia was not included in that research, mainly because the role of Colombia in supply at that time was still limited and because of safety reasons. That situation has changed and nowadays Colombia is among the most important countries which supply bananas to the Fairtrade market. Though the former sector study is able to draw conclusions about the banana sector as a whole, some research in Colombia might still result in a useful addition to the former research results, while some specific impact issues in the particular Colombian context will be of interest as well.

Both in the UK and the Netherlands, Colombian smallholder organizations and plantations are nowadays one of the main suppliers, mainly through the companies of Uniban and Fyffes. Max Havelaar Netherlands therefore commissions this study, but in close cooperation with the SPU of FI and the Fairtrade Foundation in the UK.

The study could also act as a useful addition to the evaluation of a Public Private Partnership to improve the situation of the Colombian banana sector, enabled by the Dutch Ministry of Foreign Affairs. This is a joint project (2012-2014) of the Colombian banana sector, import company Fyffes, Max Havelaar Foundation and the Dutch Embassy in Colombia. Many involved groups of banana growers are at the same time Fairtrade certified and benefit from Fairtrade sales, while Fyffes is one of the most important importers of Colombian bananas selling to the Dutch and British Fairtrade market.

#### 3.2. Current situation

By the end of 2011 there were 29 Fairtrade International certified producers in Colombia. Six of them are small farmer cooperatives in the Magdalena region, while two are associated worker cooperatives in the region of Urabá. All the other partners are plantations with hired labour in the Urabá region. Most of the producers commercialize their Fairtrade bananas through the export company of Uniban, one of the biggest exporters in Colombia. Only eight plantations are associated to Banafрут, while one cooperative sells via Banasan. The impact research will cover both regions, different supply chains and both smallholders and hired labour plantations.

Colombia faces a specific situation, as the economic operations were affected by many years of conflicts between the government army, drug interests, guerilla and paramilitary groups. At this moment the country, including the banana sector, is recovering from this conflict period. But this political conflict situation might influence the results of this impact research in a special way. The conflicts are one of the reasons that Fairtrade sales of bananas from Colombia has come up strongly just recently.

### 4. Overall aim and objectives

Fairtrade's vision is of *'a world in which all producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future'*. Fairtrade's mission is *'To connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives.'*

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<sup>89</sup> Fairtrade bananas: A global Assessment of Impact, IDS of University of Sussex, 2010.

#### 4.1. Aim

This project will explore and assess the impact of being part of Fairtrade for banana farmers and their organizations and for banana workers in Colombia.

The impact assessment will test the following hypothesis: Fairtrade tools (producer and trade standards, Fairtrade prices and premiums, Fairtrade certification, Fairtrade producer support, Fairtrade market access) have had positive impacts on small-scale banana farmers and plantation workers in Colombia. We are interested in the following types of impacts:

- Economic, environmental and social development impacts for participating farmers and workers.
- Impacts on farmer and worker organization, organizational capacities and organizational strengthening.
- Development impacts at household and community level.
- Impacts on the position of small farmers in national banana supply chains.

We are particularly interested in understanding how these impacts are contributing in this context to the achievement of the Fairtrade development goals:

1. sustainable livelihoods,
2. collective and individual empowerment, and
3. making trade fair for poor farmers and workers.

Because of the available sector study about Fairtrade bananas and because of the special focus on one country, it is not considered urgent to do a full profound study in Colombia. The intended research will have to be a derivative version, including less topics and therefore less time- and cost-consuming. But as no earlier data are available, a stronger focus will be on the collection of baseline data, while also the specific context in Colombia has to be addressed. Despite the specific situation, specific aims and the limited scope, the Colombia research should, together with the former banana sector study, be able to draw comparable conclusions on the impact of Fairtrade among banana partners in Colombia.

#### 4.2. Objectives

This impact assessment has a focus on the Fairtrade impact of both smallholder organisations and plantation workers of the banana sector in Colombia. The **general objective** is to gain understanding of the benefits and challenges brought about for producers and workers, their organizations and their local community, due to participation in the Fairtrade system. More specified, the objectives of the study regarding the two categories of partners are different<sup>90</sup>.

##### ➤ Plantations or Hired Labour Organisations

- 1) Understand the aims and objectives of workers in terms of living and working conditions (also taking into account gender dimensions and seasonal workers), as well as personal development and empowerment.
- 2) Assess the role that Fairtrade has played in helping workers progress towards their development goals. Special attention will be paid upon the role of Fairtrade regarding the working conditions of female workers.

<sup>90</sup> For a further guiding of research questions: see annex 1 and 2.

- 3) Understand the aims and objectives of management in terms of sustainable development of the plantation and empowerment of the workers, and to assess the role that Fairtrade has played in helping them progress towards these goals.
- 4) Assess the role of Fairtrade in helping banana plantations' management to improve occupational health and safety conditions and to reduce the impact on the environment.
- 5) Understand the effects of a minimum price and in particular the use and effects of the premium, to analyse the development of the product price and to assess what effects a minimum price protection had/has on the wage level and the resources approved for Fairtrade activities during working hours.
- 6) Assess the impact that being part of Fairtrade (e.g. Joint Bodies, Workers Committees and Liaison Officers) further collaboration of workers within or between different plantations, on the role of trade unions within plantations and in the region, on Freedom of Association and on Collective Bargaining capacities and outcomes.
- 7) Assess the impact that being part of Fairtrade has had on the surrounding community.
- 8) Assess the extra expenses plantations had/have to made to meet the requirements of the different (Fairtrade and non-Fairtrade) certifications.
- 9) Assess the general benefits and extra income as a result of the different certifications.

➤ *Smallholder organizations*

- 1) Understand the aims and objectives of the smallholder organization and their farmer members in terms of living and working conditions, sustainable development and empowerment.
- 2) Assess the role that Fairtrade has played in helping organisations towards their business operations and their social and environmental development goals, with special attention for the ability of organisations to enter and compete in the external market.
- 3) Assess the role that Fairtrade has played in helping farmers progress towards their development goals.
- 4) Explore how the practices and behaviour of actors in Fairtrade supply chains (exporters, traders, processors, retailers, etc.) impact upon producers and assess the effectiveness of Fairtrade tools for strengthening the producer's position in the chain.
- 5) Understand the effects of a minimum price and the use and effects of the premium, to analyse the development of the product price and to assess what effects a minimum price protection had/has on the income level of the farmers and on the services provided by the organisation.
- 6) Assess the extra expenses associations as a whole and individual banana growers had/have to made to meet the requirements of the different (Fairtrade and non-Fairtrade) certifications.
- 7) Assess the general benefits and extra income as a result of the different certifications for smallholder associations and individual growers.

➤ *Context specific*

In addition, we want to be able to capture the context-specific impacts and effects. In the case of Colombia we refer specifically to the impacts of Fairtrade banana production in relation to the associated conflicts in this country:

- How do the Fairtrade organizations, farmers and workers relate to the ongoing conflict dynamics in the region and country?
- What are the current economic and social dynamics of this situation, and to what extent does Fairtrade bananas represent a viable improvement compared to the threats in the country?

## 5. Methodology

### 5.1. Research Approach

#### 5.1.1. Areas of impact

Fairtrade has developed a standard methodological approach for undertaking impact assessments. This will act as a guideline, as the methodology is currently under review. The full methodology will be made available to the research team. However, it should be noted that this study will be a limited version from the standard one as it will not research as many areas as normally defined in the full methodology.

The areas of impact that are of primary relevance in this study are:

1. Changes in the socio-economic situation of producers/workers and their households;
2. Changes in the organization of producers/workers;
3. Changes in local/regional development;
4. Changes in the management of natural resources.

For each area of relevance, the Fairtrade methodology has developed specific research questions for researching and establishing impacts at the individual, household, community and sectorial levels. The exact questions and indicators to be used will be developed in consultation with the project co-ordinator, the Impact Assessment Manager of FI and with the producer organizations concerned.

#### 5.1.2. Selection of producer groups and interviewees

In Colombia Fairtrade works with 29 banana partners (December 2011). Most of them are plantations with hired labour and less than one third smallholder organizations. For the study we have to make a cross-section of certified producers, that can represent all Colombian banana partners. However, because of the specific focus of the PPP-programmeme on smallholders, all smallholder organizations will be included. While the final selection of producers will depend on producer interest and the approach of the research partner, it is proposed that the selection takes into account:

- A representative section of both smallholders and plantations: To get fair results, smallholders have to be over-represented (because of the PPP focus even all smallholder organisations in the Magdalena region will be included). So the proposed selection is six smallholder organisations and three plantations.
- Coverage of different supply chains, so at least channelling through both Uniban and Banafrut have to be included. Proposed is to take two Uniban and one Banafrut related plantation and take five smallholder organisations related to Uniban and one related to Banasan (no smallholders are related to Banafrut).
- Duration of Fairtrade certification: It is assumed that it takes time for both smallholder organisations and their farmer members as plantations and their workers to see any significant impact of participation in Fairtrade. For these reasons only those producer partners that have been Fairtrade certified for three years or more will be invited to participate in this study (not applicable to smallholder organisations).
- The farm size and the volumes sold under Fairtrade: In order to compare, both partners with big and small volumes Fairtrade volume will be selected.

- The geographic location: partners have to be selected from both the region of Magdalena (mainly co-operatives) and Urabá (mainly plantations).
- The situation of workers on the plantation: both partners where workers live on the plantation and where workers come in from other regions/villages have to be selected.
- The degree of women participation/influence within the partner organization.

Through the adoption of participatory methodologies, we are interested in determining which impacts are of primary importance to farmers and workers, members of their households, and members of the community. The researchers should endeavour to sample a representative group of households, and to include men and women in the sample. A gender and diversity perspective cut across all levels of analysis and categories of impact would ensure that viewpoints from all socio-economic groups are investigated. The number of interviews can be increased when more financial resources might become available.

### 5.1.3. Recall method

The use of control groups for establishing the counterfactual, i.e. what would have happened without Fairtrade (and other certification schemes) is at least applicable to plantations in Urabá. For plantations the use of a control group will therefore be considered strongly.

As all smallholders in the Magdalena region are probably already involved in Fairtrade, a control group of smallholders might be difficult to determine. Either individual farmers which are not members of the organisations or an association that is only recently Fairtrade certified might be used as a reference. Besides, recall techniques will be used i.e. asking Fairtrade producers and workers (and others) to recall what changes have occurred since their involvement in Fairtrade and how they attribute these changes to Fairtrade and/or other actors such as NGOs, government and other certifications. As studies in the Colombian banana sector have hardly been undertaken, the alternative approach of measuring change over time by comparing the current situation of Fairtrade producers with their situation upon entry to Fairtrade is not feasible either. The collection of baseline data is therefore important.

### 5.1.4. Avenues of impact

There are six main strategies used to achieve the goals of Fairtrade. These strategies work in unison to create an enabling environment for small producers and workers to make progress towards their goals. The Fairtrade standards embody the principles of fair trade and set the ‘rules of the game’, while the other strategies set out to enable engagement among producers, consumers, businesses, civil society organizations and governments. Four of these strategies are relevant for this research. There are various potential channels through which Fairtrade impact for producers may develop. The study should consider the extent to which each of these strategies are relevant:

1. *Setting and verifying standards* for fair trading practices, good governance, empowerment, labour rights and environmental sustainability in Fairtrade supply chains.
2. *Building markets* for Fairtrade-certified goods through creating consumer awareness and demand and encouraging and enabling businesses and public sector organization’s to source from Fairtrade producers.
3. *Providing support* (organizational, technical and financial) to producers and workers and facilitating access to support from others.

4. *Forming networks and alliances* between small producers and workers for exchange, cooperation and influence, and with partner organizations to achieve common goals (also informal ad-hoc organization facilitated through participation in Fairtrade system).

The exploration of impact through these strategies is aimed at facilitating learning within the Fairtrade International system. An important part of this will be reviewing trading relations between producers and their buyers in the international trading chain, to establish the role they play in establishing impact. To this end, researchers should discuss the functioning of each tool with producers and other relevant stakeholders such as traders (including traders based outside of Colombia) and trade unions, and ask for their recommendations on potential improvements.

## 5.2. Background documentation

The research team will have access to various background documents, including:

- A Methodological Guide for Assessing the Impact of Fairtrade, prepared for Fairtrade International, Nicolas Eberhart and Sally Smith, August 2008.
- Fairtrade Bananas: A global assessment of Impact, Sally Smith/IDS Sussex, April 2010
- Impact of Fairtrade bananas - summary and management response, Fairtrade, December 2011
- Audit reports for the participating producer organizations. These reports are confidential, so they can only be used after approval by the participating producers.
- Fairtrade Small Producer Standards, Fairtrade Standards for Hired Labour, Fairtrade Trade Standards, Fairtrade Standard for Fresh Fruit for Small Producer Organizations and Fairtrade Standard for Fresh Fruit for Hired Labour.
- PPP Business Plan - Banana and Plantain in Colombia, 2012.
- Reports carried out by Producer Support Relations (PSR) of Fairtrade International in 2012. For this purpose, producers were visited and interviewed and the information can give an idea about the situation of the Colombian producers. The research can build upon the information in this assessment and the development goals identified by the producers (overlap with the PSR assessment should be avoided during the research).

## 5.3. Project outline

It is anticipated that the study will be delivered through three main phases of work:

### ➤ *Phase 1: Desk Research*

- Short literature review developing background information and analysis of the situation for banana producers in Colombia.
- Desk review of internal Fairtrade documentation about the participating Producer partners.

### ➤ *Phase 2: In-country field study*

It is anticipated that the case studies with each producer organisation will capture both quantitative and qualitative information, gathered from various sources, such as:

- Survey in the field of a sample of farmers and workers (including some non-Fairtrade farmers and workers), using a small set of key quantitative indicators. Case studies of Fairtrade individual farmers and workers and their households are expected to be included in order to

provide a greater insight into livelihoods and Fairtrade's impacts at the individual producer level.

- Semi-structured interviews, focus-group discussions and other participatory approaches with producers/workers, groups of producers/workers and their families (men, women and children).
- The producer organization leadership, agronomists and other technical assistants to the farmers and workers.
- Immediate buyers/exporters in Colombia, as well as a few in the Netherland and the UK, who are working with the producer organizations.
- Local Fairtrade International and FLO-Cert personnel.
- Local or regional unions, involved in the banana sector.
- Other key informants: possibly including but not limited to community leaders, NGO's, persons involved in training of farmers, workers and staff.
- For qualitative data, it is expected that triangulation will be used to ensure robustness of findings.
- Case studies of individuals and their households are expected to be included in order to provide a greater insight into livelihoods and Fairtrade's impacts at the individual producer level.
- Wherever possible the study should include direct quotes from informants to illustrate common findings and views. It should be clear to informants how the data they supply will be used and that the study will be published. Informants should be able to speak anonymously if they choose to.

The field research in Colombia should be complemented with telephone interviews with a few relevant staff in Labelling Initiatives and importers in consumer countries.

The research team should present and discuss the initial findings with a team of representatives of the producer organisations after the fieldwork phase (probably by e-mail).

➤ **Phase 3: Analysis, report writing, publication and dissemination**

Following the research, the researchers should prepare short reports of the findings for each producer organization studied (ideally in Spanish), a full overview report in English, and a summary report. The producer partners will give feedback to the draft of their individual report. The full draft report will be shared for comment (by e-mail) with a number of stakeholders, within an agreed timeline, prior to finalization of the deliverables.

The researchers are also requested to prepare a powerpoint presentation, in English, summarizing the research approach, key findings and recommendations. The researchers may be requested to present the findings of the report to Fairtrade stakeholders at an appropriate forum. The final report is expected to be made public (probably in November 2013).

#### **5.4. Expected outputs**

The researchers will be expected to deliver a range of specific outputs:

- In advance of the research, a detailed methodology for the research.
- Report of the findings, of which structure and format will be decided jointly by researchers and Max Havelaar Netherlands/FI. In our view this should cover:
  - Brief reports of the findings for each producer organization studied (ideally in Spanish), including processing context and all the basic data referring to the agreed indicators. The report should also include an organizational chart and understanding of the premium use as of date of certification.

- Final report in English, including the assembly of findings of each Producer Partner. The report should clearly describe the researchers' conclusions as to the impacts of Fairtrade and make recommendations to the Fairtrade labelling system and its stakeholders on how the Fairtrade system can be further improved in the Fairtrade banana sector. Structure and format of both the brief and the full report
- A summary report in English (4-6 pages).
- A powerpoint presentation, in English, summarising the research approach, key findings and recommendations.
- Underlying data of the research in an agreed format.
- Photographs.

## 5.5. Research ethics

*Methods: participation, gender, children*

Through the adoption of participatory methodologies, we are interested in determining which impacts are of primary importance to farmers and workers, members of their households, and members of the community. The researchers should endeavor to sample a representative group of households, and to include men, women, and children in the sample.

A gender and diversity perspective will cut across all levels of analysis and categories of impact to ensure that viewpoints from all socio-economic groups are investigated.

Researchers should pay special attention to 'atypical' workers, such as child workers, as well as migrant workers and subcontracted workers. Researchers should be able to assess if there are any 'atypical' workers working on the farm and plantation and should possess the appropriate research skills to interview these workers and to assess their situation.

If in the research-gathering process individuals under 18 years of age are found in ILO 182 specified definitions of the Worst Forms of Child Labour (trafficked, bonded, forced, slave-like, etc.), then information should be documented using the Fairtrade Child Protection policy and procedures. The researchers must ensure that the said individuals are not harmed in any way through either the research process or actions following the research process after the researchers have left.

Individual members of the research team will be required to sign a confidentiality agreement which determines how data and information shared and collected during the research may be used and communicated.

## 5.6 Timeline

This is a short-term project: the entire research, including report drafting and finalization, is expected to be accomplished in a total of (75 ?) working days, allocating at least (40 ?) days (incl. travelling) for the fieldwork phase.

The research project should take place in the 4<sup>th</sup> quarter of 2012 and the 1<sup>st</sup> quarter of 2013. The field research phase is supposed to take place in February 2013 (provided that timing suits producer organisations and workers). The first draft overview report of the study should be delivered by the end of March. All deliverables for the project should be finalized by 30<sup>st</sup> of April 2013.

## 6. Application information

### 6.1. Expertise required by the contractor

It is expected that the studies will be conducted by an appropriate research team, that should be able to demonstrate the following experience and capacities:

- Experience of conducting impact assessments or other types of programme evaluation or research (Essential);
- Experience within a relevant programme context, e.g. research into value chains, livelihoods, or other certification systems (Essential);
- Understanding of Fairtrade principles, key tools and approaches (Highly desirable);
- Understanding of banana sector, especially production and trade (Highly desirable);
- Experience of working in Colombia (Essential);
- Experience of implementing relevant research methodologies, including qualitative research techniques like interviews, focus group discussions and sampling (Essential);
- Language capabilities: fluency in Spanish and English, both in writing and verbal;
- Experience and understanding of research ethics, including confidential issues;
- Experience of participatory research techniques in a Latin American context (Desirable).

### 6.2. Terms of the contract

This is a short-term project: the entire research including report drafting and finalization is expected to be completed within a maximum of (75?) consultancy days. Max Havelaar Netherlands will provide all necessary information, background documents and guidance to the contractor.

Individual members of the research team will be required to sign a confidentiality agreement which determines how data and information shared and collected during the research may be used and communicated. Further details about Fairtrade's confidentiality policy are specified in the contract to be agreed between the researchers and Max Havelaar Netherlands.

### 6.3. Selection process

Interested parties are invited to submit tenders, including the following information:

- Curricula vitae of the proposed research team members and any organizational affiliation.
- Research proposal (project plan, timeline and methodology).
- Proposed contract value and detailed budget.
- Submission of two examples of recent relevant research (in English and Spanish), especially of the involved researchers (so not only from the research institute as a whole).
- References of two organizations for whom similar work has recently been carried out.

The selection process may include interviews, which will be held by telephone/skype.

**Applications** should be submitted to Jos Harmsen, [harmsen@maxhavelaar.nl](mailto:harmsen@maxhavelaar.nl)

Tel: +31-(0)30-2337083 or mobile: +31-(0)6-48505678

Deadline for applications: 30<sup>th</sup> of September 2012

*Max Havelaar Netherlands,  
August 30<sup>th</sup>, 2012*

## Annex 1: Guiding framework of research questions for Small Producer Organisations

Research Questions for Small Producer Organisations	Relevant data
<b>1. Changes in the socio-economic situation of farmers and their households</b>	
<ul style="list-style-type: none"> <li>• What is the supplement to farmer incomes generated by Fairtrade? Does this supplement enable the households to:               <ul style="list-style-type: none"> <li>– Meet their basic needs (food, clothing, housing, healthcare and education)?</li> <li>– Ensure a simple reproduction of the farm (maintain/replace the tools and means of production)?</li> <li>– Save money and make additional investments?</li> </ul> </li> </ul>	<b>Farmer incomes and standard of living</b>
<ul style="list-style-type: none"> <li>• When additional investments are possible, where do they go? Are they:               <ul style="list-style-type: none"> <li>– Investments related to the Fairtrade production?</li> <li>– Investments in other activities in the farming system?</li> <li>– Investments in other income generation activities and goods?</li> <li>– Does Fairtrade lead households to specialize in the product related to the Fairtrade market or does Fairtrade help to promote the diversification of production-related activities?</li> </ul> </li> </ul>	<b>Investment and agricultural diversification</b>
<ul style="list-style-type: none"> <li>• Does Fairtrade enable small producers to avoid getting caught in the circle of selling their products in advance for a low price in order to avoid cash flow problems?</li> <li>• Does Fairtrade stabilise the income of small producers or promote the creation of collective mechanisms which reduce cash flow problems (e.g. advance payments by producer organisations, provision of inputs etc.)?</li> </ul>	<b>Cash flow</b>
<ul style="list-style-type: none"> <li>• Does Fairtrade help to uphold small-scale farming and does it contribute to its potential?</li> <li>• Does Fairtrade make small-scale farming attractive to rural populations? Does it help to maintain rural young people in the region and avoid farm abandonment and long-term migration?</li> <li>• If migration occurs, is it linked to processes of capitalisation supported by Fairtrade (e.g. investments in education, savings etc.)</li> </ul>	<b>Upholding of small scale farming</b> <b>Levels of migration</b>
<ul style="list-style-type: none"> <li>• Is Fairtrade a threat to household food security and does it increase the risk of specialising in a product dependant on international markets?</li> </ul>	<b>Food security</b>
<b>2. Changes in the organisation of rural zones</b>	
<ul style="list-style-type: none"> <li>• How does Fairtrade have a structuring effect in rural zones?</li> <li>• How does it improve farmers' confidence and sense of self-worth?</li> <li>• How does it contribute to the development of producer organisations?</li> <li>• How does it help strengthen professional farming organisations at a local and national level?</li> </ul>	<b>Organisation of rural areas</b>
<ul style="list-style-type: none"> <li>• Does Fairtrade help strengthen/consolidate the legitimacy and credibility of organisations in the region?</li> </ul>	<b>Legitimacy of producer organisations</b>
<ul style="list-style-type: none"> <li>• Does Fairtrade contribute to reinforcing democracy and social control within the community?</li> <li>• Does it improve farmers' capability to manage their organisations in an efficient and transparent way?</li> </ul>	<b>Administration and management capabilities</b>

<ul style="list-style-type: none"> <li>• Does Fairtrade help strengthen capabilities to establish long-term and diversified trade relationships?</li> <li>• Does Fairtrade help the organisations to compete with other big suppliers in the country?</li> <li>• Does Fairtrade enable organisations to get higher prices and to be in a better position on the conventional and speciality markets other than Fairtrade?</li> <li>• Does Fairtrade put some organisations in danger by making them dependant on privileged markets?</li> </ul>	<p><b>Trading / commercial capabilities and bargaining capacity with exporters/ buyers</b></p> <p><b>Markets, sales, prices</b></p> <p><b>Consistency of Quality</b></p> <p><b>Productivity at farm-level and organisation-level</b></p> <p><b>Understanding of market needs</b></p>
<ul style="list-style-type: none"> <li>• Does Fairtrade increase farmers' possibilities of negotiation with other stakeholders in order to obtain the appropriate support, loan services and technical assistance, as well as local and national policies in support of local producers?</li> </ul>	<p><b>Negotiation capabilities (other than commercial)</b></p>
<ul style="list-style-type: none"> <li>• Does Fairtrade help finance appropriate non-commercial services (e.g. technical assistance, credit, transport, education etc.)?</li> </ul>	<p><b>Development of Services</b></p>
<p><b>3. Changes in local and regional development</b></p>	
<ul style="list-style-type: none"> <li>• Does Fairtrade help to uphold or even create new jobs in rural zones (temporary jobs, new services etc.)?</li> <li>• Is the socio-economic situation of permanent, temporary, seasonal or casual workers hired by small producers improved as a result of Fairtrade (e.g. through improvements in pay or working conditions)?</li> <li>• Does Fairtrade contribute to the development of new activities and economic initiatives at a local level?</li> <li>• Does Fairtrade play a role in regulating prices for farmers in the local market?</li> <li>• Does Fairtrade play a role in gender empowerment in the region?</li> </ul>	<p><b>Economic initiatives and returns at local and national levels</b></p>

## Annex 2: Guiding framework of research questions for Hired Labour Situations

Research Questions for Hired Labour situations	Relevant data
<b>1. Changes in the socio-economic situation of workers and their households</b>	
<ul style="list-style-type: none"> <li>Does the guaranteed minimum price (where it exists) and other Fairtrade trading standards permit a better profitability for the estate? Does Fairtrade guarantee access to preferential markets? What influence does this have on the motivation of owners to participate in Fairtrade?</li> </ul>	<b>Profitability / sustainability of estate</b>
<ul style="list-style-type: none"> <li>Does Fairtrade help improve the economic situation of workers through improved salaries and/or other financial work-related benefits (e.g. bonuses, maternity or sick pay, etc.)?</li> <li>Does the income earned by Fairtrade workers allow their households to:               <ul style="list-style-type: none"> <li>meet their basic needs (food, clothing, housing, healthcare and education)?</li> <li>save money and make additional investments?</li> </ul> </li> </ul>	<b>Worker income and change in income (increase / decrease since Fairtrade certification)</b>
<ul style="list-style-type: none"> <li>Does Fairtrade help improve working conditions (contracts, social security, working hours, fair treatment etc.)? Are female workers equally treated?</li> <li>Does Fairtrade improve the health of workers as a result of promoted occupational health and safety?</li> <li>Is Fairtrade beneficial for all social categories (e.g. men and women, young and old, ethnic minorities, etc.) equitably? Does Fairtrade reduce, replicate or increase social inequalities?</li> </ul>	<b>Working conditions</b> <b>Worker health</b>
<ul style="list-style-type: none"> <li>Do the Fairtrade standards and/or Premium use contribute to improvements in the standard of living of workers and their households (housing, health, education etc.)?</li> </ul>	<b>Standard of living</b>
<ul style="list-style-type: none"> <li>Does Fairtrade help stabilise workers' employment and income? As a result, does it allow greater investments in education, health and pensions for workers and their households?</li> <li>Does Fairtrade allow workers' households to make investments in other economic activities?</li> <li>Does Fairtrade help maintain young people in rural areas and avoid long-term migration? If migration occurs, is it linked to processes of capitalisation supported by Fairtrade (e.g. investments in education, savings etc.)?</li> </ul>	<b>Security and vulnerability</b>  <b>Levels of migration</b>
<b>2. Changes in the organisation of workers</b>	
<ul style="list-style-type: none"> <li>Does Fairtrade help to structure or strengthen trade unions?</li> <li>Does Fairtrade encourage the formation of alternative forms of worker organisation (i.e. parallel means), other than Joint Bodies? Does this support or undermine the position of trade unions in the region?</li> </ul>	<b>Structure and legitimacy of trade unions</b>
<ul style="list-style-type: none"> <li>Does Fairtrade help improve workers' negotiation power? With regards management? At a local level?</li> <li>Does Fairtrade contribute to strengthen workers' negotiation capacity for collective bargaining?</li> <li>Do workers have access to Fairtrade standards and inspection reports? Do they use them in their negotiations with management? Do they participate in addressing corrective actions?</li> <li>Is access to means of production (land, water etc.) part of worker demands in their negotiations with management?</li> </ul>	<b>Worker organisation negotiation capabilities</b>  <b>Wage negotiations</b>

<ul style="list-style-type: none"> <li>• Does Fairtrade improve the management capacity of worker representatives to be able to participate actively in a Joint Body? In other forms of worker organisation?</li> <li>• Does Fairtrade contribute to strengthen workers' ability to participate and request transparent decision-making processes from their representatives in the Joint Body and/or other forms of worker organisations?</li> </ul>	<b>Worker organisation management capabilities</b>
<ul style="list-style-type: none"> <li>• What legitimacy does the Joint Body have with workers?</li> <li>• Does Fairtrade help to develop a common perception among workers on priority needs of different social groups living in their area?</li> <li>• What legitimacy does the Joint Body have with the communities affected by expenditure of the Fairtrade Premium?</li> <li>• Does Fairtrade contribute to the active cooperation of worker representatives with other local stakeholders for the realisation of projects to improve community services?</li> </ul>	<b>Legitimacy of Joint Body</b>
<b>3. Changes in local and national development</b>	
<ul style="list-style-type: none"> <li>• Does Fairtrade contribute to maintaining or even creating jobs in the local area (temporary labour, new services etc.)? Are these jobs attractive for local residents?</li> <li>• Does Fairtrade influence wages paid by other employers in the region? Does it influence working conditions on other estates outside Fairtrade?</li> <li>• Is Fairtrade used as an income complement for smallholders in the area (as temporary or seasonal workers)?</li> </ul>	<b>Employment opportunities at local and national levels</b>  <b>Benefits from Fairtrade Premium to other members of the community (workers who work on non-certified farms)</b>
<ul style="list-style-type: none"> <li>• Does Fairtrade contribute to the creation, maintenance or strengthening of public and community services in the local or regional area? <ul style="list-style-type: none"> <li>– Does Fairtrade improve the participation of individual workers in the decision making processes in their villages and living area (as citizens, parents of students, members of churches etc.)?</li> <li>– Does Fairtrade encourage national or decentralized public institutions and private organisations to support local activities and services?</li> <li>– Are activities and services financed by Fairtrade supplementary or complementary to public sector support?</li> </ul> </li> </ul>	<b>Access to services at local and national levels</b>
<ul style="list-style-type: none"> <li>• Does Fairtrade contribute to the development of new economic activities and initiatives at the local level (individual or collective)?</li> </ul>	<b>Economic initiatives at local and national levels</b>
<ul style="list-style-type: none"> <li>• Are workers organisations in contact with others organisations? Does Fairtrade facilitate the exchange of experience and best practice among worker representatives (in trade unions and Joint Bodies)? Are networks developing?</li> <li>• Does Fairtrade help to strengthen trade unions and workers' leaders in their ability to defend the interests of the rural workers at national or even international levels and to influence public support policies?</li> </ul>	<b>Political influence of worker organisations</b>
<b>4. Changes in the management of natural resources</b>	
<ul style="list-style-type: none"> <li>• Does Fairtrade contribute to the production of high quality products, reflecting standards and norms for sustainable agriculture?</li> </ul>	<b>Quality and sustainable agriculture</b>
<ul style="list-style-type: none"> <li>• Does Fairtrade make more sustainable management of natural resources possible? Limiting soil erosion? Good management of soil fertility? Good management of water resources?</li> </ul>	<b>Soil and water management</b>

<ul style="list-style-type: none"> <li>• Does Fairtrade limit over-use of chemical products?</li> <li>• Does Fairtrade help promote the use of biological control mechanisms (e.g. farmer trials, best practice exchanges between producer organisations etc.)?</li> </ul>	<b>Fertiliser and pesticide use</b>
<ul style="list-style-type: none"> <li>• Does Fairtrade contribute to the development of more environmentally respectful and autonomous production methods?</li> </ul>	<b>Environmentally friendly management</b>

## Annex 2. Research Questions for Fairtrade Impact Study

### Preguntas de Investigación e Indicadores de Cooperativas de pequeños productores

Preguntas de Investigación	Indicadores	
<b>1. Cambios en la situación socio-económica de agricultores and sus hogares</b>		
<b>Ingresos and level de vida de PP</b>	<p>1.1. Cuál es el ingreso complementario de los PP generado por el Fairtrade and por otras certificaciones? Este ingreso adicional por el Fairtrade permite a los hogares:</p> <ul style="list-style-type: none"> <li>• Satisfacer sus necesidades básicas (alimentos, ropa, salud, and educación)?</li> <li>• Asegurar una sencilla reproducción de la farm (mantener/reemplazar las herramientas and medios de producción)?</li> <li>• Ahorrar dinero and realizar investments adicionales?</li> </ul>	% de PP que tienen otra certificación, además de Fairtrade
		<i>promedio anual estimado de ingresos adicionales para los PP generados por el FT</i>
		<i>promedio anual estimado de ingresos adicionales para los PP generados por cada otra certificación, además de FT</i>
		rubros en los que los PP gastan su ingreso adicional por FT
		rubros en los que los PP gastan sus ingresos adicionales por cada otra certificación, además de FT
		% de PP cuyos ingresos adicionales por Fairtrade les permite satisfacer las necesidades básicas de alimentos en el hogar
		% de PP cuyos ingresos adicionales por Fairtrade les permite satisfacer las necesidades básicas del household (ropa)
		% de PP cuyos ingresos adicionales por Fairtrade les permite satisfacer las necesidades de atención médica básica del hogar
		% de PP cuyos ingresos adicionales por Fairtrade les permite satisfacer las necesidades básicas de educación del hogar
% de PP cuyos ingresos adicionales por Fairtrade asegura una reproducción simple de la farm (mantener / reemplazar los instrumentos and medios de producción)		

Preguntas de Investigación		Indicadores
		% de PP cuyos ingresos adicionales por Fairtrade permite a sus households ahorrar dinero
		<i>promedio anual estimado de dinero ahorrado por los PP que fue generado por FT</i>
		% de PP cuyos ingresos adicionales por Fairtrade permite a sus households realizar investments adicionales
<b>Inversión and diversificación agrícola</b>	1.2. Cuando las investments adicionales son posibles, adónde van? Son inversiones: <ul style="list-style-type: none"> <li>• Relacionadas con la production de FT?</li> <li>• En otras actividades en el sistema agrícola?</li> <li>• En otras actividades and bienes de generación de ingresos?</li> <li>• El Fairtrade conduce a que los households se especialicen en el producto relacionado con el mercado de Fairtrade, o el Fairtrade ayuda a promover la diversificación de las actividades productivas?</li> </ul>	<i>promedio anual estimado destinado a investments adicionales</i>
		% de PP cuyas investments están relacionadas con la production FT
		% de PP cuyas investments están relacionadas con otras producciones no-FT
		% de PP que invierten en otras actividades en el sistema de producción
		% de PP que invierten en otras actividades and bienes de generación de ingresos
		% de households PP que, conducidos por Fairtrade, sólo producen bananos para el mercado FT
		% de households PP, ayudados por Fairtrade, que producen otros productos además de banano
<b>Gastos adicionales por certificaciones</b>	1.3.1. Qué gastos adicionales han tenido/tienen los PP individuales para poder lograr los requerimientos de las diferentes certificaciones de Fairtrade and otras?	<i>promedio anual estimado de gastos adicionales que los PP individuales hicieron/hacen para cumplir con los requisitos de la certification FT</i>
	1.3.2. Qué gastos adicionales han tenido/tienen	<i>promedio anual estimado de gastos adicionales que los PP individuales hicieron/hacen para cumplir con los requisitos de</i>

Preguntas de Investigación		Indicadores
	las cooperativas de PP para poder lograr los requerimientos de las diferentes certificaciones de Fairtrade and otras?	<i>otras certificaciones no FT</i>
		<i>promedio anual estimado de gastos adicionales que las cooperativas hicieron/hacen para cumplir con los requisitos de la certification FT</i>
		<i>promedio anual estimado de gastos adicionales que las cooperativas hicieron/hacen para cumplir con los requisitos de otras certificaciones no FT</i>
<b>Flujo de efectivo</b>	1.4.1. Permite el Fairtrade que los PP salgan del círculo vicioso en el cual venden sus productos por anticipado a bajo price para evitar problemas de falta de efectivo (iliquidez)?	% de PP, habilitado por Fairtrade, que no venden sus productos por anticipado, a menor precio
	1.4.2. Estabiliza el Fairtrade los ingresos de los PP o promueve la creación de mecanismos colectivos que disminuyan los problemas de falta de efectivo/iliquidez (pagos anticipados por parte las organizations de PP, suministro de insumos, etc.)?	% de PP, habilitado por Fairtrade, que han estabilizado sus ingresos.
		% de PP que tienen acceso a mecanismos colectivos, promovidos por Fairtrade (tales como pagos anticipados por las organizations de productores, entrega de insumos, etc.), para reducir problemas de flujo de caja
		lista de mecanismos colectivos, promovidos por Fairtrade, para reducir problemas de flujo de box a los PP
<b>Mantenimiento de la agricultura a pequeña escala</b>	1.5.1. Ayuda el Fairtrade a mantener la agricultura a pequeña escala and contribuye a su potencial?	% de PP que piensan que el Fairtrade hace que la agricultura a pequeña escala sea atractiva para las poblaciones rurales
	1.5.2. Hace el Fairtrade que la agricultura a	% de PP que tienen uno o más miembros de la familia que emigraron de la finca and de la región en los últimos 12 meses

Preguntas de Investigación		Indicadores
<b>Niveles de migración</b>	<p>pequeña escala sea atractiva para las poblaciones rurales?</p> <p>1.5.3. Ayuda el Fairtrade a que los jóvenes rurales se quedan en la región and a evitar el abandono de las fincas and la migración a largo plazo?</p> <p>1.5.4. Si la migración ocurre, está ligada con procesos de capitalización apoyados por el Fairtrade (inversiones en educación, ahorro, etc.)?</p>	% de PP que piensan que la migración está ligada a procesos de capitalización apoyados por Fairtrade (por ejemplo, investments en educación, ahorro, etc.)
<b>Seguridad alimentaria</b>	1.6. Es el Fairtrade una amenaza para la seguridad alimentaria del household e incrementa el riesgo de especializarse en un producto que depende de mercados internacionales?	% de households de PP que se han saltado una o más de las tres comidas diarias en los últimos seis meses, debido a problemas de seguridad alimentaria, causadas por el FT
		% de PP que, debido al Fairtrade, sólo producen bananos para los mercados internacionales
<b>2. Cambios en la organization de zonas rurales</b>		
<b>Organization de áreas rurales</b>	2.1.1. En qué invierte la asociación el ingreso complementario por el FT?	rubros en que la asociación gasta los ingresos adicionales por FT
	2.1.2. Cómo tiene el Fairtrade un efecto estructurador en las zonas rurales?	rubros en que la asociación gasta los ingresos adicionales por otras certificaciones no-FT
	2.1.3. Cómo mejora el Fairtrade la confianza and autoestima de los PP?	maneras en que Fairtrade tiene un efecto estructurante en zonas rurales
	2.1.4. Cómo contribuye el Fairtrade al desarrollo de las organizations de PP?	maneras en que Fairtrade mejora la confianza and autoestima de PP
	2.1.5. Cómo ayuda el Fairtrade a fortalecer a las organizations de PP a level local and	maneras en que Fairtrade contribuye al desarrollo de las organizations de PP
		maneras en que Fairtrade ayuda a fortalecer a las cooperatives de

Preguntas de Investigación		Indicadores
	nacional?	PP en el ámbito local and nacional
<b>Legitimidad de organizations de PP</b>	2.2. Ayuda el Fairtrade a fortalecer/consolidar la legitimidad and credibilidad de las organizations en la región?	% de encuestados que piensan que Fairtrade ayuda a fortalecer / consolidar la legitimidad and credibilidad de las cooperatives en la región
<b>Capacidades administrativas and gerenciales</b>	2.3.1. Contribuye el Fairtrade a reforzar la democracia and control social dentro de la comunidad?	% de encuestados que piensan que Fairtrade contribuye a la democracia and fortalecer el control social dentro de la comunidad
	2.3.2. Mejora el Fairtrade la capacidad de los PP de manejar sus organizations de manera eficiente and transparente?	% de encuestados que piensan que el Fairtrade mejora la capacidad de los PP para administrar sus organizations de manera eficiente and transparente
<b>Capacidades comerciales and de negociación Mercados, ventas and precios Calidad Productividad a level finca and organization</b>	2.4.1. Ayuda el Fairtrade a fortalecer las capacidades para establecer relaciones comerciales a largo plazo and diversificadas?	# de relaciones comerciales a largo plazo and diversificada establecidas por las organizations de PP debido al apoyo de FT
	2.4.2. Ayuda el Fairtrade a las organizations para competir con otros grandes proveedores en el país?	# de grandes proveedores en el país con el que las organizations de PP compiten, debido al apoyo FT
	2.4.3. Permite el Fairtrade que las organizations obtengan prices más altos and que estén en una mejor posición en los mercados convencionales and especializados afuera del FT?	% de encuestados que piensan que el Fairtrade permite a las organizations obtener prices más altos and tener una mejor posición en los mercados convencionales and especializados, distintos de FT
	2.4.4. Coloca el Fairtrade a algunas organizations en peligro al hacerlas que dependan de mercados privilegiados?	prima promedio estimada por box o kilo obtenida por las cooperatives debido a su participación en FT

Preguntas de Investigación		Indicadores
<b>Capacidades de negociación (que no sea comercial)</b>	2.5. Incrementa el Fairtrade las posibilidades de negociación con otros grupos de interés para obtener el apoyo apropiado, services de crédito and asistencia técnica, al igual que políticas locales and nacionales de apoyo para productores locales?	# de actores/grupos de interés con quienes las organizations de PP han negociado and obtenido al menos uno de los siguientes: apoyo adecuado, services de crédito, asistencia técnica, así como políticas locales and nacionales de apoyo a PP locales
<b>Desarrollo de servicios</b>	2.6. Ayuda el Fairtrade a financiar services no-comerciales apropiados (asistencia técnica, crédito, transporte, educación, etc.)?	# de services adecuados no comerciales (por ejemplo, asistencia técnica, crédito, transporte, educación, etc.) que Fairtrade ha ayudado a financiar
<b>3. Cambios en el desarrollo local and regional</b>		
<b>Iniciativas económicas and retornos a level local and nacional</b>	3.1.1. Ayuda el Fairtrade a mantener o incluso crear nuevos empleos en zonas rurales (empleos temporales, nuevos servicios, etc.)?	% de encuestados que piensan que el Fairtrade ayuda a mantener e incluso crear nuevos puestos de trabajo en las zonas rurales (empleos temporales, nuevos servicios, etc.)
	3.1.2. Ha mejorado la situación socio-económica de los workers permanentes, temporales, estacionales, o casuales hired por los PP como resulted del Fairtrade (mediante mejoras en las condiciones de pago o trabajo)?	% de PP que han contratado más workers en su granja que cuando no eran parte de FT
	3.1.3. Contribuye el Fairtrade al desarrollo de nuevas actividades e iniciativas económicas a level local?	% de encuestados que piensan que Fairtrade ha contribuido a la mejora de la situación socio-económica de los workers hired por las cooperatives o por PP
	3.1.4. Juega el Fairtrade un rol en la regulación de prices para los PP en el mercado local?	maneras en que Fairtrade ha mejorado la situación socio-económica de los workers hired por las cooperatives o por PP
		# de nuevas actividades e iniciativas económicas locales desarrolladas con la contribución de FT
	<i>diferencia de nivel and estabilidad de price en el mercado local antes and después del FT</i>	

Preguntas de Investigación		Indicadores
	3.1.5. Juega un rol el Fairtrade en el empoderamiento de género en la región?	% de encuestados que piensan que el Fairtrade ha promovido una mayor participación de la mujer en las actividades económicas en la región
		% de mujeres que afirman que el Fairtrade ha promovido una mayor participación de las mujeres en las actividades económicas en la región
		# de mujeres que forman parte de la Junta Directiva de las cooperativas PP
<b>4. Relación de los PP con el conflicto armado</b>		
Efectos del conflicto	4.1.1. Cómo ha afectado el conflicto armado de la región a los PP social and económicamente?	maneras en que el conflicto armado ha afectado a los PP social and económicamente
	4.1.2. La situación de violencia e inseguridad ha mejorado en los últimos seis meses?	% de PP que dicen que se han visto afectados por cada una de las maneras de la lista anterior
	4.1.3. Cree usted que, a pesar del conflicto armado, los PP podrán seguir vinculados al Fairtrade en el futuro?	% de encuestados que dicen que la situación ha mejorado en los últimos seis meses
		% de encuestados que piensan que la asociación pueda continuar con su vinculación al Fairtrade, a pesar del conflicto armado
<b>5. Costos de production de banano</b>		
Márgenes del PP	5.1.1. Cuánto cuesta producir actualmente una box de bananas destinada al FT?	<i>costo de production actual de una box de bananas con destino a FT</i>
	5.1.2. Cuánto cuesta producir actualmente una box de bananas destinada al mercado de exportación no Fairtrade?	<i>costo de production actual de una box de bananas con destino a otros mercados de exportación no Fairtrade</i>
	5.1.3. Cuál es el actual price de venta de una box	<i>precio de venta actual de la box de bananas para el mercado FT</i>
		<i>precio de venta actual de la box de bananas para otros mercados</i>

Preguntas de Investigación		Indicadores
	de bananas al FT? 5.1.4. Cuál es el actual price de venta de una box de bananas al mercado de exportación convencional?	<i>de exportación no FT</i>

### Preguntas de Investigación e Indicadores para plantations con workers contratados

Preguntas de Investigación		Indicadores
<b>1. Cambios en la situación socio-económica de los workers and sus hogares</b>		
<b>Rentabilidad / sostenibilidad de la plantación</b>	1.1.1. La plantation tiene otras certificaciones, además de FT?	lista de otras certificaciones, además de Fairtrade, mencionadas por los encuestados
	1.1.2. El price mínimo garantizado (si existe) and otras normas comerciales Fairtrade permiten una mejor profitability de la finca? Fairtrade garantiza el acceso a mercados preferenciales? Qué influencia tiene esto sobre la motivación de los propietarios a participar en FT?	<i>promedio de ingreso anual adicional para la plantation debido a FT</i>
		<i>promedio de ingreso anual adicional para la plantation debido a otras certificaciones, además de FT</i>
	1.1.3. Cómo invierte la plantation el ingreso adicional por la certification FT?	lista de mercados preferenciales accedidos por la plantation debido a FT
<b>Gastos adicionales incurridos por certificaciones</b>	1.2. Qué gastos adicionales ha realizado la plantation para cumplir con los requisitos de la certification FT? Para otras certificaciones?	respuesta de los gerentes/propietarios de las plantations sobre la influencia que estos beneficios tienen sobre su motivación para participar en FT
		rubros en que las plantations gastan su ingreso adicional por FT
		<i>promedio de gastos adicionales que la plantation hizo/hace para cumplir con los requisitos de certification FT</i>
		<i>promedio de gastos adicionales que la plantation hizo/hace para cumplir con las necesidades de otras certificaciones no-FT</i>

Preguntas de Investigación		Indicadores
<b>Condiciones de trabajo</b>  <b>Salud de trabajadores</b>	1.3.1. El Fairtrade ayuda a mejorar las condiciones de trabajo (contratos, seguridad social, horas de trabajo, trato justo, etc.)? Las mujeres trabajadoras reciben el mismo trato?	lista de mejoras, debido a Fairtrade, en las condiciones laborales de los workers de las plantations para cada uno de los siguientes aspectos en la plantación: contratos, seguridad social, horas de trabajo, trato justo, etc.)
	1.3.2. El Fairtrade mejora la salud de los workers como consecuencia de la promoción de la salud and seguridad ocupacional?	<i># de mujeres que trabajan en la plantación</i>
	1.3.3. El Fairtrade es beneficioso de manera equitativa para todas las categorías sociales (por ejemplo, hombres and mujeres, jóvenes and ancianos, minorías étnicas, etc.)? El Fairtrade reduce, replica o aumenta las desigualdades sociales?	<i>actual diferencia promedio mensual de salarios and beneficios entre hombres and mujeres trabajadores</i>
		% de encuestados que dicen que las mujeres trabajadoras reciben el mismo trato en la plantación
		% de workers que piensan que Fairtrade mejora la salud de los workers como consecuencia de la promoción de la salud and seguridad ocupacional
		% de workers que han utilizado/recibido services de salud ocupacional en los últimos seis meses
		% de encuestados que piensan que el Fairtrade es beneficioso para todas las categorías sociales de manera equitativa (por ejemplo, hombres and mujeres, jóvenes and ancianos, minorías étnicas, etc.)
		% de miembros de la familia que piensan que Fairtrade les ha beneficiado
<b>Nivel de vida</b>	1.4.1. Las normas de Fairtrade and / o el uso de la Premium contribuyen a mejorar el level de vida de los workers and sus households	% de workers que han mejorado su salud/acceso a la salud con contribuciones de las normas de Fairtrade y/o uso de la Prima
		% de workers que han mejorado su educación con contribuciones de

Preguntas de Investigación		Indicadores
	(vivienda, salud, educación, etc.)?	las normas de Fairtrade y/o uso de la Prima
		% de workers que han mejorado su vivienda con contribuciones de las normas de Fairtrade y/o uso de la Prima
<b>Seguridad and vulnerabilidad</b>  <b>Niveles de migración</b>	1.4.2. El Fairtrade ayuda a estabilizar el empleo e ingresos de los trabajadores? En consecuencia, permite mayor investment en educación, salud and pensiones para los workers and sus hogares?	% de encuestados que piensan que el Fairtrade ayuda a estabilizar el empleo e ingresos de los trabajadores
		% de workers que han invertido más en educación debido a FT
		% de workers que han invertido más en salud debido a FT
	1.4.3. El Fairtrade permite que los households de workers realicen investments en otras actividades económicas?.	% de workers que han invertido más en pensiones debido a FT
		% de workers que han invertido en otras actividades económicas debido a FT
	1.4.4. Ayuda el Fairtrade a mantener a los jóvenes en las zonas rurales and a evitar la migración a largo plazo? Si la migración ocurre, está vinculada a procesos de capitalización apoyados por Fairtrade (por ejemplo, investments en educación, ahorro, etc.)?	% de workers que saben de jóvenes que han abandonado la región en los últimos 12 meses
		% de encuestados que piensan que la migración está vinculada con procesos de capitalización apoyados por Fairtrade (por ejemplo, investments en educación, ahorro, etc.)
<b>2. Cambios en la organization de los trabajadores</b>		
<b>Estructura and legitimidad de los sindicatos</b>	2.1.1. El Fairtrade ayuda a estructurar o reforzar a los sindicatos?	% de encuestados que piensan que el Fairtrade ayuda a estructurar o reforzar a los sindicatos
	2.1.2. El Fairtrade fomenta la formación de formas alternativas de organization de los workers (es decir, medios paralelos) fuera de los Cuerpos Conjuntos? Esto apoya o menoscaba la posición de los Labour Unions en la región?	# de formas alternativas de organization de los trabajadores, además del Cuerpo Conjunto, cuya formación fue alentada por FT
		% de encuestados que dicen que Fairtrade apoya o debilita la posición de los Labour Unions en la región

Preguntas de Investigación		Indicadores
<b>Capacidades de negociación de las organizations de trabajadores</b>  <b>Negociaciones salariales</b>	2.2.1. El Fairtrade ayuda a mejorar el poder de negociación de los trabajadores? Respecto a la gerencia? A level local?	% de workers que piensan que la ayuda Fairtrade mejorar el poder de negociación de los workers con la gerencia o en el ámbito local
	2.2.2. El Fairtrade contribuye a fortalecer la capacidad de negociación de los workers para la negociación colectiva?	lista de ganancias obtenidas por los workers en los últimos dos years a través de negociaciones con la gerencia
	2.2.3. Tienen los workers acceso a las normas Fairtrade e informes de inspección? Los usan en sus negociaciones con la gerencia? Participan en la formulación de medidas correctivas?	lista de ganancias obtenidas en la negociación colectiva con la gerencia por los workers en los últimos dos years
	2.2.4. El acceso a los medios de production (tierra, agua, etc.) forma parte de las demandas de los workers en sus negociaciones con la gerencia?	% de encuestados que dicen que los workers tienen acceso a las normas de Fairtrade e informes de inspección
		% de encuestados que dicen que los workers utilizan las normas de Fairtrade e informes de inspección en sus negociaciones con la gerencia
		% de encuestados que dicen que los workers participan en la formulación de medidas correctivas
		% de encuestados que dicen que el acceso a los medios de production (tierra, agua, etc.) es parte de las demandas de los workers en sus negociaciones con la gerencia
<b>Capacidades de gerencia de las organizations de trabajadores</b>	2.3.1. El Fairtrade mejora la capacidad gerencial de los representantes de los workers para poder participar activamente en el Cuerpo Conjunto? En otras formas de organization de los trabajadores?	lista de maneras mencionadas por los encuestados utilizadas por Fairtrade para mejorar la capacidad gerencial de los representantes de los workers para poder participar activamente en un Cuerpo Conjunto
	2.3.2. El Fairtrade contribuye a fortalecer la capacidad de los workers para participar and solicitar procesos transparentes de toma de	lista de maneras mencionadas por los encuestados utilizadas por Fairtrade para mejorar la capacidad gerencial de los representantes de los workers para poder participar activamente en otras formas de organization de los trabajadores

Preguntas de Investigación		Indicadores
	decisiones a sus representantes en el Cuerpo Conjunto and / u otras formas de organizativas de los trabajadores?	% de encuestados que piensan que el Fairtrade contribuye al fortalecimiento de la capacidad de los workers para participar and solicitar procesos transparentes de toma de decisiones de sus representantes en el Joint Body y/u otras formas de organizations de trabajadores
<b>Legitimidad del Cuerpo Conjunto</b>	2.4.1. Qué legitimidad tiene el Joint Body con los trabajadores?	% de workers que piensan que el Joint Body es legítimo para los trabajadores
	2.4.2. El Fairtrade ayuda a desarrollar una percepción común entre los workers sobre las necesidades prioritarias de los distintos grupos sociales que viven en su área?	% de workers que tienen una percepción común sobre las necesidades prioritarias de los distintos grupos sociales que viven en su área
	2.4.3. Qué legitimidad tiene el Joint Body con las comunidades afectadas por el gasto de la Premium FT?	% de encuestados que piensan que el Joint Body es legítimo para las comunidades afectadas por el gasto de la Premium FT
	2.4.4. El Fairtrade contribuye a la cooperación activa de los representantes de los workers con otros actores/grupos de interés locales?	# de actores locales con los que representantes de los workers cooperan, con contribución de FT
<b>3. Cambios en el desarrollo local and nacional</b>		
<b>Oportunidades de empleo a level local and nacional</b>  <b>Beneficios de la Fairtrade Premium a otros miembros de la</b>	3.1.1. El Fairtrade contribuye a mantener o incluso a crear puestos de trabajo en el área local (mano de obra temporal, nuevos servicios, etc.)? Estos puestos de trabajo son atractivos para los residentes locales?	% de encuestados que piensan que el Fairtrade contribuye al mantenimiento o incluso creación de puestos de trabajo, en el ámbito local (mano de obra temporal, nuevos servicios, etc.)
	3.1.2. El Fairtrade influye en los salarios pagados por otros empleadores de la región? Influye en las condiciones de trabajo en otras plantations que no participan en FT?	% de workers que están al tanto de nuevos empleos creados en el área local con contribución FT
		% de encuestados que piensan que estos trabajos son atractivas para los residentes locales
		% de encuestados que dicen que Fairtrade influye en los salarios

Preguntas de Investigación		Indicadores
<b>comunidad (trabajadores que trabajan en fincas no-certificadas)</b>	3.1.3. Los PP de la zona usan el Fairtrade como un complemento de ingresos (como workers temporales o estacionales)?	pagados por otros empleadores en la región
		<i>diferencia estimada en salarios mensuales and beneficios con and sin Fairtrade en la región</i>
		% de encuestados que dicen que el Fairtrade también influye en las condiciones de trabajo en otras plantations que no participan en FT
		# de PP que están empleados como workers temporales o estacionales en la plantación
<b>Acceso a services a level local and nacional</b>	3.2. El Fairtrade contribuye a la creación, mantenimiento and fortalecimiento de los services públicos and comunitarios en el ámbito local o regional? - El Fairtrade mejora la participación de los workers individuales en la toma de decisiones en sus pueblos (como ciudadanos, padres de alumnos, miembros de iglesias, etc.)? - El Fairtrade alienta a que las instituciones públicas nacionales o descentralizados y organizations del sector privado apoyen las actividades and services locales?  - Las actividades and services financiados por Fairtrade suplementan o complementan el apoyo del sector público?	% de encuestados que piensan que el Fairtrade contribuye a la creación, mantenimiento and fortalecimiento de los services públicos and comunitarios en el ámbito local o regional
		# de services públicos and comunitarios en el ámbito local o regional creadas o apoyadas con contribución FT
		% de workers que ahora participan más en los procesos de toma de decisiones en sus pueblos, con la contribución de FT
		# de instituciones públicas nacionales o descentralizados and de organizations del sector privado que, alentadas por Fairtrade, apoyan actividades and services locales
		% de encuestados que piensan que las actividades and services financiados por Fairtrade son suplementarios o complementarios al apoyo del sector público
<b>Iniciativas económicas a level</b>	3.3. El Fairtrade contribuye al desarrollo de nuevas actividades e iniciativas económicas a level	% de encuestados que dicen que Fairtrade contribuye al desarrollo de nuevas actividades económicas and las iniciativas a level local

Preguntas de Investigación		Indicadores
<b>local and nacional</b>	local (individuales o colectivas)?	(individual o colectivo).
		# de nuevas actividades económicas e iniciativas desarrolladas a level local, con la contribución de FT.
<b>Influencia política de las organizations de trabajadores</b>	3.4.1. Están las organizations de workers en contacto con otras organizaciones? El Fairtrade facilita el intercambio de experiencias and buenas prácticas entre los representantes de los workers (en sindicatos and Cuerpos Conjuntos)? Se están desarrollando redes?	# de otras organizations que están en contacto con las organizations de trabajadores.
		% de encuestados que dicen que Fairtrade facilita el intercambio de experiencias and buenas prácticas entre los representantes de los workers (en los sindicatos and los organismos mixtos).
	3.4.2. El Fairtrade ayuda a fortalecer a los sindicatos and a líderes de los workers en su capacidad de defender los intereses de los workers rurales a level nacional o incluso internacional, e influir en las políticas públicas de apoyo?	# de redes de organizations de workers que se están desarrollando con el apoyo de FT.
		# de maneras en que Fairtrade ayuda a fortalecer los sindicatos and los líderes de los workers en su capacidad de defender los intereses de los workers rurales a level nacional o incluso internacional e influir en las políticas públicas de apoyo.
<b>4. Cambios en la gestión de los recursos naturales</b>		
<b>Calidad and agricultura sostenible</b>	4.1. El Fairtrade contribuye a la production de productos de alta calidad, que reflejan los estándares and normas para la agricultura sostenible?	lista de las formas en que Fairtrade contribuye a la production de productos de alta calidad, lo que refleja los estándares and normas para la agricultura sostenible.
<b>Manejo de suelo and agua</b>	4.2. El Fairtrade hace posible una gestión más sostenible de los recursos naturales? Limitando	% de encuestados que piensan que la gestión de los recursos naturales es ahora más sostenible debido al apoyo FT

Preguntas de Investigación		Indicadores
	la erosión del suelo? El buen manejo de la fertilidad del suelo? La buena gestión de los recursos hídricos?	% de encuestados que piensan que la erosión del suelo ha disminuido debido al apoyo FT
		% de encuestados que piensan que la fertilidad del suelo ha mejorado debido al apoyo FT
		% de encuestados que piensan que la gestión del agua ha mejorado debido al apoyo FT
<b>Uso de fertilizantes and plaguicidas</b>	4.3.1. El Fairtrade limita el uso excesivo de productos químicos?	% de encuestados que piensan que el uso excesivo de productos químicos ha disminuido debido al apoyo FT
	4.3.2. El Fairtrade ayuda a promover el uso de mecanismos de control biológico (por ejemplo, ensayos de agricultores, intercambio de mejores prácticas entre las organizations de productores, etc.)?	lista de productos agroquímicos cuyo uso se ha reducido o eliminado
		% de reducción promedio en el uso de agroquímicos
		# de mecanismos de control biológico desarrollado and utilizado con el apoyo de FT.
<b>Manejo ambientalmente amigable</b>	4.4. El Fairtrade contribuye al desarrollo de métodos de production más respetuosos con el medio ambiente and más autónomos?	# de métodos de production más respetuosos con el medio ambiente and más autónomas desarrolladas con el apoyo FT.
<b>5. Relación de las plantations con el conflicto armado</b>		
<b>Efectos del conflicto armado</b>	5.1.1. Cómo ha afectado a la plantation el conflicto armado en la región, en lo social and económico?	lista de las formas en que el conflicto armado ha afectado a la plantation, social and económicamente.
		% de encuestados que dicen que se han visto afectadas por el conflicto armado.
	5.1.2. La situación de violencia e inseguridad ha mejorado en los últimos seis meses?	% de encuestados que dicen que la situación ha mejorado en los últimos seis meses.
	5.1.3. Cree usted que, a pesar del conflicto armado, la plantation será capaz de continuar su	% de encuestados que piensan que la plantation puede continuar con

Preguntas de Investigación		Indicadores
	relación con Fairtrade en el futuro?	su vinculación con Fairtrade, a pesar del conflicto armado.
<b>6. Costos de producción del banano</b>		
<b>Márgenes comerciales de las plantaciones</b>	6.1.1. Cuáles son los costos de producción actuales de una box de bananos destinados a FT?	<i>costos actuales de producción de la box de bananos con destino a FT.</i>
	6.1.2. Cuáles son los costos de producción actuales de una box de bananos destinados al mercado de exportación convencional?	<i>costos actuales de producción de la box de bananos con destino a los mercados de exportación tradicionales.</i>
	6.1.3.Cuál es el price de venta actual de la box de bananas para el FT?	<i>precio de venta actual de la box de bananas en el mercado de FT.</i>
	6.1.4.Cuál es el price de venta actual de la box de bananas para el mercado de exportación convencional?	<i>precio de venta actual de la box de bananas en el mercado de exportación convencional.</i>

### Annex 3. Inventory of Instruments for Fairtrade Impact Study

Cooperative	Total encuestas	PP No FT	Entrevistas en sitio	Entrevistas	Sesiones de grupos focales
COOBAMAG	31	1	4	0	0
ASOPROBAN/FISA	57	1	4	1	2
EMPREBANCOOP	43	1	4	1	3
BANAFRUCOOP	26	0	4	0	2
ASOBANARCOOP	33	1	4	0	1
COOBAFRIO	33	1	4	1	1
<b>Total</b>	<b>223</b>	<b>5</b>	<b>24</b>	<b>3</b>	<b>9</b>

Plantación	Total encuestas	Entrevistas en sitio	Entrevistas	Sesiones de grupos focales
BANANERAS DE URABÁ	34	5	1	2
LOS CEDROS	8	5	1	2
MARTHA MARÍA	4	5	1	2
CONTROL PLANTATION (No FT)	6	5	1	2
<b>Total</b>	<b>52</b>	<b>20</b>	<b>4</b>	<b>8</b>

#### Annex 4. List of Interviews to Other Actors and Support Institutions

Entidad	Nombre de persona entrevistada	Cargo
<b>AUGURA</b>	Gabriel Elejalde	Director Regional Urabá
<b>FAIRTRADE</b>	Carla Veldhuyzen	Coordinador Regional Andina
<b>UNIBAN</b>	José Luis Pereira	Jefe de Logística and Ventas
<b>FUNDAUNIBAN</b>	Luis F. Baena	Director de Proyectos
<b>BANASAN</b>	Edgar Chalhoub	Presidente
<b>COOBAMAG</b>	Edison Rafael Martínez	Gerente COOBAMAG
	Marleni Mejía	Presidente Comité de Vigilancia
	Juan Bautista Pereira	Presidente de Junta Directiva
	Blas Antonio Pezzotti	Supervisor de campo
<b>ASOPROBAN</b>	José María Fragoso	Gerente
	Ricardo Charrys	Presidente del Consejo Directivo
	José Francisco Borja Díaz	Ingeniero Agrónomo
	Néstor Manuel de la Vega	Presidente del Comité de Vigilancia
<b>EMPREBANCOOP</b>	Anuar Cervantes	Gerente
	José Leone	Presidente de la Junta Directiva
	Elkin de la Rosa Martes	Supervisor de Agricultura
<b>EMPREBANCOOP</b>	José Gregorio Rodríguez	Presidente de la Junta de Vigilancia
<b>BANAFRUCOOP</b>	Alfredo Bolaños	Gerente
	Libia Betancourt	Presidente del Comité de Vigilancia
	Pedro Tobías	Coordinador Ambiental and Encargado de la Certificación
<b>BANAFRUCOOP</b>	Álvaro Martínez	Encargado de Producción and Calidad
	Mario Martínez	Vicepresidente
<b>ASOBANARCOOP</b>	Aimeth Fernández	Gerente
	Edgar Escobar	Presidente de la Junta Directiva
	Yeneris Steba	Técnico Agrícola
	Edgardo Alvarado	Técnico Agrícola
	Jorge Granados	Presidente del Comité de Vigilancia
<b>COOBAFRIO</b>	Fredys Pérez Mazeneth	Gerente
	Jesús Padilla	Presidente de la Junta Directiva

	Julián Coronel Polo	Técnico agrícola
	Zuria Ariza Camargo	Técnico agrícola
	Fernando Candanosa	Presidente del Comité de Vigilancia
<b>BANANERAS DE URABÁ</b>	Cristóbal German Jaramillo	Oficial Fairtrade, representative de la Gerencia en el Cuerpo Conjunto
	Jorge William Restrepo	Asistente de la Gerencia
	Luis Antonio Palacios	Titular Comité Obrero
	Rodrigo Cuadrado Ruiz	Representante de los workers en el Cuerpo Conjunto and Encargado de Créditos farm Tagua
<b>PLANTACIÓN AGRICOLA LOS AZORES (FINCA LOS CEDROS)</b>	Harrison Mosquera	Gerente
	Luis Fernando Isaza Giraldo	Representante de la Gerencia en el Cuerpo Conjunto
	Luis Felipe Palacios	Representante de los workers en el Cuerpo Conjunto
	Jhon Erlin Vejarano	Titular Comité Obrero
<b>PLANTACIÓN AGRICOLA LOS AZORES (FINCA LOS CEDROS)</b>	Roberto Antonio Castaño	Director de Agricultura
<b>PLANTACIÓN ANTONIO JAIRO JARAMILLO (FINCA MARTA MARÍA)</b>	Antonio Jairo Jaramillo	Gerente
	Lady Carolina Suaza	Auxiliar Administrativa (Representante de la Gerencia en el Cuerpo Conjunto)
<b>PLANTACIÓN ANTONIO JAIRO JARAMILLO (FINCA MARTA MARÍA)</b>	Widerson Valolles García	Presidente and representative Legal de la Corporación
	Juan Ramón Murillo	Titular Comité Obrero
<b>PLANTACIÓN (CONTROL)</b>	Miguel Ángel Galindo	Director Administrativo Grupo Montesol
	Robert Miguel Pedroza	Representante de los trabajadores
	Calixto Aguilino	Coordinador del Departamento Agrícola
	Casarrubia Warnes	Coordinador del Departamento Agrícola
<b>Total entrevistas y/o encuestas a otros actores e instituciones de apoyo</b>		<b>51</b>