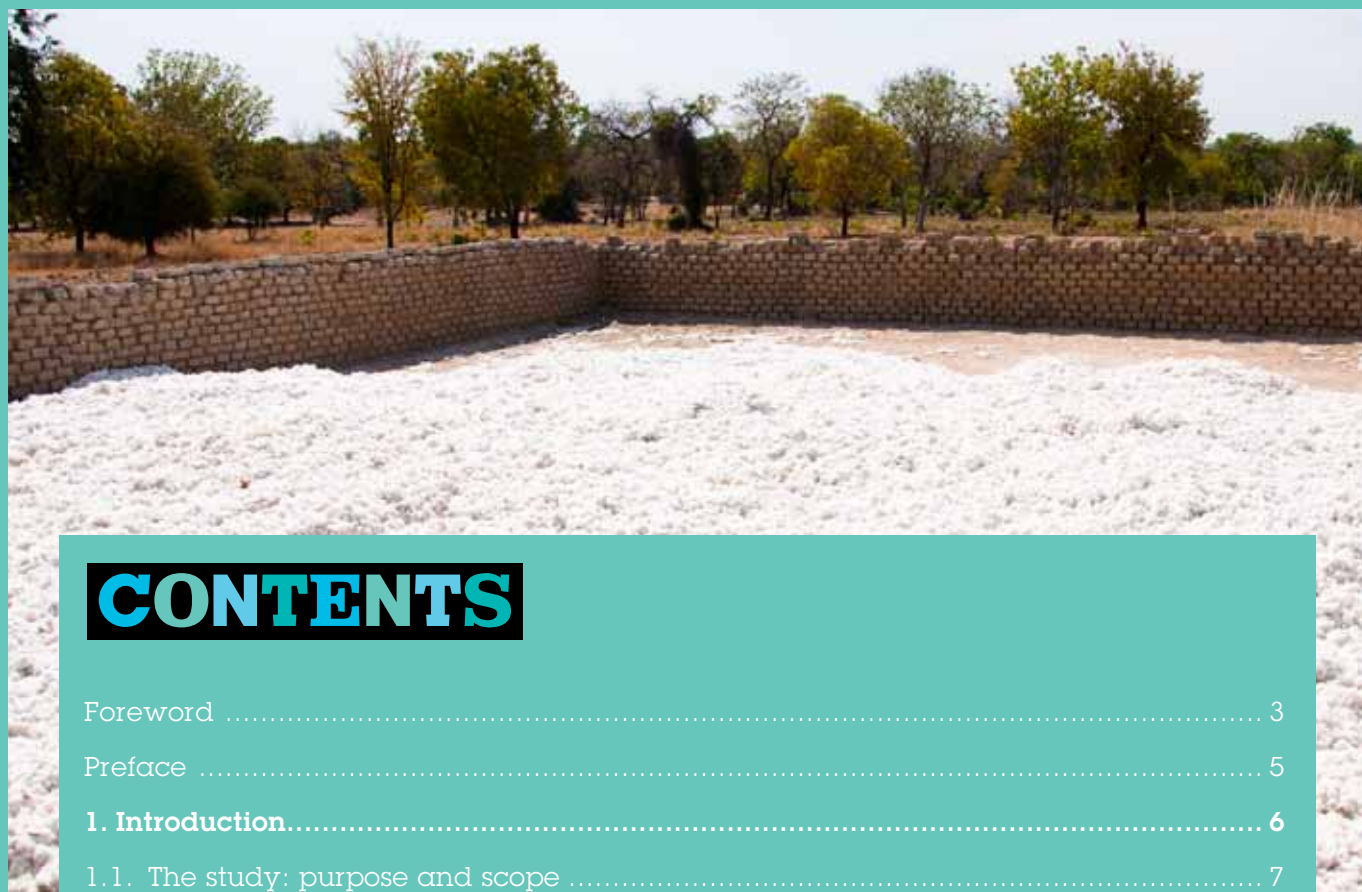


IMPACT OF FAIRTRADE COTTON

Summary and management response
to an independent impact study

May 2012





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Photography: Czech Conroy, Blane Harvey, Trevor Leighton

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FOREWORD



Much of the cotton produced in developing countries is grown on small, family-run farms, and is one of the main cash crops to contribute towards increased producer revenue. However, cotton growers from these countries typically produce small quantities of cotton by rudimentary means, putting them at a significant disadvantage on the global market. Moreover, while production costs rise each year, the price of cotton has been decreasing.

Fairtrade cotton was launched in 2004 with a view to solving these problems, and has consistently sought out more effective means to encourage positive and long-term changes in the lives of small producers, beginning with Central and Western Africa, and continuing on to India. The first Fairtrade certified cotton products were available in France and the UK as early as 2005.

Within the context of increased global cotton production, where small producers are often at a significant disadvantage vis-à-vis major producing countries with governmental subsidies (i.e. China, the US and India), the Fairtrade movement has had to consider important challenges in order to realise

its mission. The following questions have been raised: will the system work, given the complexity of the cotton value chain, and how will Fairtrade impact the living conditions of small producers?

Over the course of several years, Fairtrade has expanded in many directions. This growth has often come with the expected benefit of a positive impact on the lives of farmers. But despite the phenomenal growth and evolution of Fairtrade — from Fairtrade-specialised shops and Fairtrade markets to the major retail chains — no one has yet attempted to qualify and quantify the impact of the Fairtrade system on cotton farmers.

This study, commissioned by the Fairtrade Foundation and Max Havelaar France, and undertaken by two university-based research institutes (The Natural Resources Institute of Greenwich University and the Institute of Development Studies of the University of Sussex) is the first attempt at an in-depth evaluation. Targeting the main cotton-producing regions of Western Africa, Central Africa, and India, the study makes several important observations on the positive impact of Fairtrade for small producers and their communities. These vary from one country to another, but the overall positive impact is undeniable. The effects of Fairtrade on poverty reduction are particularly emphasised.

The study highlights several changes linked to small producers' participation in the Fairtrade system benefiting them, their families, their organisations, and their communities. The study also analyses the global impact of Fairtrade, identifying potential ways in which Fairtrade can make lasting contributions to its three-tiered ecological, economic, and social system.

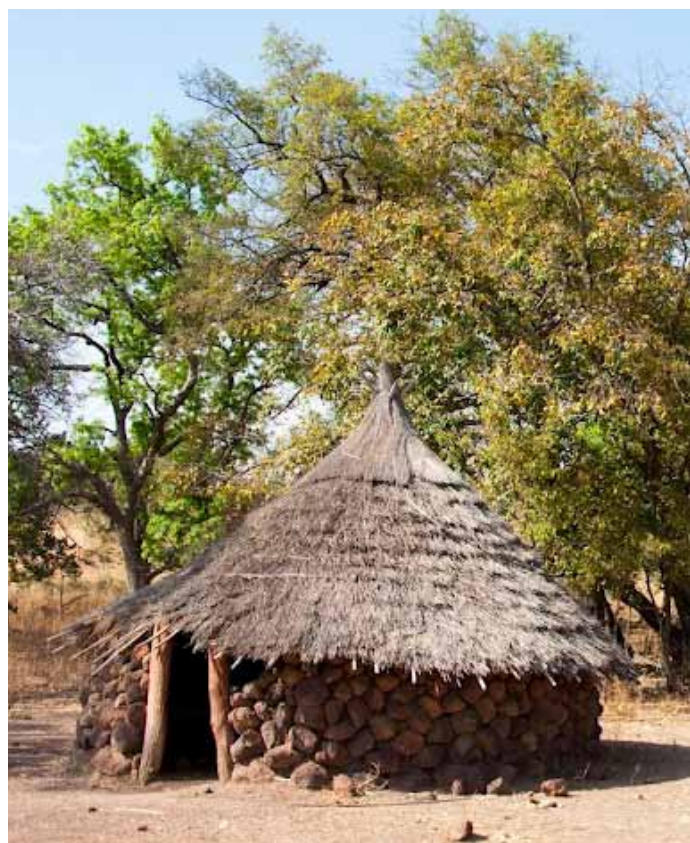
The study takes into account challenges faced by cotton farmers. However, it does not take into account the challenges of cohabitation with other initiatives (BCI, CMIA) or with GMOs, particularly for producers of organic cotton.

The study demonstrates how certain factors limit the scope of Fairtrade cotton's impact on poverty reduction. These factors include a high level of illiteracy amongst producers, landed properties, reduced power of influence and negotiation by producers within the chain, limited production volume, and restricted size of farms and market conditions.

This evaluation of the impact of Fairtrade also takes into account questions of access to the Fairtrade Premium, for the improvement of living conditions within producing communities and for capacity building within small producer organisations.

The study also considers two other important aspects: the positive impact of Fairtrade production on the environment and the role of Fairtrade in long-term natural resource management, and the empowerment of producing organisations.

To help steer Fairtrade through the main challenges that exist within the cotton sector, and to increase the impact on producers, the authors have made a series of recommendations relating to transparency throughout the value chain, use of the Fairtrade Premium by producing organisations, and the limits of the market for Fairtrade cotton within world trade. This list of recommendations is not exhaustive.



The solutions set forth by Fairtrade International and the Fairtrade Foundation in response to the authors' recommendations have been taken into account.

Indeed, the publication of this report will help raise questions and generate answers about a more positive impact of Fairtrade on producers and their communities, and an increased awareness of the benefits of Fairtrade by the general public. It will also contribute to the global search for a fair and durable price – a question of survival for the main actors in the Fairtrade cotton value chain.

The Fairtrade Foundation and Max Havelaar should be congratulated for this concerted effort to establish the positive impact of Fairtrade in the cotton value chain, while also recognising its limits.

A handwritten signature in black ink, appearing to read 'Massatoma Mounkoro'.

Massatoma Mounkoro
Competence Centre Manager,
Malian Organic Movement (MOBIOM), Mali

Translated from French



PREFACE

Over 60 per cent of the world's cotton is produced by an estimated 40 million small farmers who are some of the poorest in the world. Poor cotton producers face unrelenting challenges from the impact of climate change through to competition from highly subsidised producers in rich countries and poor terms of trade. Yet, in 2010, the estimated value of global cotton exports was over US\$ 10 billion. Clearly, global cotton trade is grossly unfair.

Fairtrade cotton was launched to put the spotlight on these farmers who are often left invisible, neglected and poor at the end of a long and complex cotton supply chain. Through tools like guaranteed prices, additional premiums and stronger, more democratic organisations, Fairtrade sought to provide these farmers an alternate route to development. Cotton is one of most challenging products in the Fairtrade system because of the complexity of its supply chain and the diversity of final products. Developing a workable model for Fairtrade certification was always going to be a challenge but one that was critically important.

In November 2005, the first garments made with Fairtrade cotton were sold in the UK. This was an exciting milestone and the culmination of a long process of establishing a ground-breaking cotton standard. Since then, Fairtrade has reached over 55,000 disadvantaged cotton farmers in West Africa and India. Sales from the UK alone have generated over £3.9 million in Fairtrade Premium for their communities. We want to understand what Fairtrade has delivered to farmers over this period. This study on the impact of Fairtrade cotton, by the Natural Resources Institute, University of Greenwich and the Institute of Development Studies, offers vital insights to this process.

The study provides clear evidence that Fairtrade can make a real, practical and lasting difference for poor cotton farmers. It highlights how the Fairtrade Premium paid to producer groups has been used to support health, education, environmental protection and food security. It shows how Fairtrade standards have improved incomes, encouraged more sustainable cotton cultivation and helped build stronger and more democratic producer institutions.

But it also presents some clear challenges and areas where we must do better. We need to see greater recognition, inclusion and empowerment of women. Farmer organisations need to continue to evolve in order to influence the economic and policy landscape at regional and national levels. These challenges reflect another finding, and a strong underlying theme of the report: the impact we can have for farmers is fundamentally dependent on the success we have in building demand for Fairtrade cotton in the UK and other markets. Clearly, farmers and their organisations need more sales and our model needs reworking to help deliver this.

We have recognised this and are committed to addressing these challenges in cotton, as our responses to the report reflect. We believe in the potential for Fairtrade to support millions of poor cotton farmers. We are confident that we can help them tackle poverty through enabling them to invest in their business, their families and their communities. We have responded to these challenges not just by reviewing Fairtrade's standards for cotton and supporting local groups but also by working hard to create demand for Fairtrade cotton in the UK and campaigning to end the scandal of EU and US cotton subsidies. There is much more to be done and we remain committed to improving the system. However, we cannot achieve these ambitions without the active support and collaboration of consumers, businesses, NGOs and governments. The fact that global cotton trade continues to be balanced so heavily against poor cotton farmers should motivate us all to come together and gradually tip this balance in their favour.

Harriet Lamb
Executive Director, Fairtrade Foundation

1. INTRODUCTION

This document is based on an independent study of the impact of Fairtrade cotton on farmers in West and Central Africa and India. It summarises the study's main findings on what difference Fairtrade is making to cotton farmers and their communities and the challenges that remain. It also includes a response by the Fairtrade Foundation to the main recommendations made by the researchers on how to strengthen positive impact for producers.

1.1 The study: purpose and scope

As part of our efforts to understand how Fairtrade is making a difference to cotton farmers in developing countries, the Fairtrade Foundation and our French counterpart, Max Havelaar France (MHF), agreed to commission an independent research study on the impact of Fairtrade cotton. The study was conducted by two research institutes – the Natural Resources Institute (NRI), University of Greenwich and the Institute of Development Studies (IDS) based at the University of Sussex. The aim was to develop a thorough understanding, at the global level, of how Fairtrade was making a difference to cotton producers amongst diverse kinds of organisations and national contexts. The study was commissioned in 2009, with field research conducted between January-March 2010, stakeholder comments obtained and the final report submitted in May 2011.

The geographic focus of the study was West and Central Africa and India as these are the main Fairtrade cotton producing regions. Within these regions, the following four organisations that are certified to sell cotton on Fairtrade terms were identified as case studies:

- a) In Senegal, the Union Sectorielle de Producteurs de Coton de Kédougou (US-GPC Kédougou) – a secondary-level collective of 117 village-level primary co-operatives called Groupements de Producteurs de coton (GPCs)
- b) In Mali, MOBIOM (Mouvement Biologique Malien or Malian Organic Movement) – a secondary level collective of 73 primary-level co-operatives called Co-operatives des Producteurs de Coton Biologique (CPCBs)
- c) In Cameroon, CNPCC (Confédération Nationale des Producteurs de Coton du Cameroun) – a secondary-level collective of over 198 primary-level co-operatives called Groupe d'Initiative Commune (GICs)
- d) In India, Agrocel Pure and Fair Cotton Growers' Association (APFCGA), a collective of several cotton-producing villages in the western part of the country



Within these case study organisations, in-depth research was carried out at the village level by local research partners. The study thus presents a picture of how Fairtrade has made a difference at the local level to cotton farmers, their families and their communities and at the sub-regional and national levels as well.

1.2. Fairtrade and producer impact: main strategies



The Fairtrade system aims at achieving greater impact for producers through a variety of ways. Fairtrade Standards – both generic and product-specific – are one of our primary and most visible tools. However, the Fairtrade system undertakes several other activities aimed at increasing producer benefit by providing direct and indirect support to them and their organisations. Consequently, any assessment of how Fairtrade impacts producers must take into account the following strategies:

- 1. Fairtrade Producer Standards:** benefits to producers and their organisations resulting from compliance with Fairtrade's producer standards
- 2. Fairtrade Trade Standards:** benefits to producers, their organisations and other value chain operators from compliance with Fairtrade's trade standards
- 3. Organisational support and business facilitation:** benefits to producers and their organisations from the direct and indirect support for organisational strengthening and business development provided by the Fairtrade system, business partners and other allies at the local level
- 4. Networking and advocacy:** benefits resulting from the development of networks within and outside the Fairtrade system that allow for sharing experiences and increasing political influence

Fairtrade standards for cotton

The Fairtrade Standards are one of the main tools through which the Fairtrade system provides farmers in developing countries a fairer trade deal. To better understand how Fairtrade has impacted on the lives of cotton producers, it is helpful to outline the Fairtrade Standards and guidelines that are specific to this product. Fairtrade cotton farmers are predominantly those who own small family farms and are organised into co-operatives or associations (also called small producer organisations) that are democratically governed. Such organisations are certified against the generic Fairtrade Producer Standards for Small Producer Organisations (SPOs). However, small cotton farmers who are not yet formally organised into co-operatives can also participate in Fairtrade, if they have the support of an intermediary organisation called a Promoting Body that is able and willing to assist them in forming a co-operative. As this is a different structure (to that of an SPO), it requires a different set of certification standards. The purpose of the generic Fairtrade Standard for Contract Production is to facilitate the participation of such farmers in the Fairtrade system. Under the 'contract production' system, individual cotton farmers who are interested in joining Fairtrade register themselves with the promoting body (that can be an exporter, processor, private enterprise or a non-governmental organisation) that supports them in complying with Fairtrade Standards and empowers them to gradually form a co-operative and become an SPO. It must be noted that the 'contract production' system in Fairtrade is only applicable to a small subset of farmers in select regions (India and Pakistan) and in certain products. In addition to these producer standards, Fairtrade also has a set of generic Trade Standards that apply to all those operators trading in the purchase and sale of Fairtrade cotton.

Generic Trade Standards

- Fairtrade Minimum Price: The producer organisation (SPO) is paid the set Fairtrade Minimum Price for seed cotton, or the relevant market price if higher, by those traders who directly buy from the SPO. For contract production, the promoting body is responsible for paying all registered cotton producers at least the Fairtrade Minimum Price, or the relevant market price, if higher.
- Fairtrade Premium: The producer organisation (SPO) receives an extra payment called the Fairtrade Premium, for farmers and workers to invest in their business or community, by those traders who buy directly from the SPO. For contract production, the promoting body is responsible for paying the correct premium amount to registered producers.
- Building long-term trading relations: The producer organisation (or promoting body under contract production) and buyer must work together to build long-term trading relationships that includes sharing sourcing plans and contracts. If requested by the producer, the Fairtrade buyer must also provide pre-financing i.e. financial payments made in advance to the producer to facilitate the purchase of their produce.

Generic Producer Standards

Standards for Small Producer Organisations (SPOs)

- Members must be small producers. The majority of the members of the organisation must be small-scale farmers who do not depend on hired workers all the time, but run their farm mainly by using their own and their family's labour
- Organisations must be democratically and transparently run, with all members having a voice and vote in the decision-making process of the organisation, including on the use of Fairtrade Premiums
- Organisations must comply with environmental management practices, including waste and water management, reduction in chemical usage, conserving biodiversity and avoidance of banned pesticides
- Where the organisation (or individual producer) hires workers on a temporary or permanent basis, organisations must comply with labour standards as per the International Labour Organisation's (ILO) conventions to uphold workers' rights

Standards for contract production

- At least half of the producers registered must be small producers and at least half of the volume sold as Fairtrade must be produced by small producers
- The promoting body must have at least one year of practical experience in supporting the registered producers to meet volume and quality requirements as well as experience of selling products to international markets
- The promoting body must include the Fairtrade concept in its policy or mission statement. It support registered producers in becoming a producer organisation and must work towards strengthening the development impact of Fairtrade for registered producers
- The promoting body must help set up the producer executive body (PEB) that acts as a representative intermediary between the registered producers and itself. The PEB must work to ensure that all decisions on Fairtrade issues, including use of the Premium, are taken in a democratic and transparent manner. Until such time that the producer organisation organises itself, the promoting body must stand as a trustee of premium funds, set up a separate bank account for this purpose and must have at least one member of the PEB as joint signatory of this account
- Registered producers must have basic knowledge of Fairtrade and commit to participating in it
- Registered producers must comply with environmental management practices, including waste and water management, reduction in chemical usage, conserving biodiversity and avoidance of banned pesticides. They must also comply with labour standards as per ILO conventions to uphold workers' rights, if hiring workers

For the latest on Standards, Minimum Price and Premium for Fairtrade cotton please refer to Fairtrade International's website www.fairtrade.net/our_standards.html

1.3. Structure of this document

The rest of this document is divided into two broad sections. Section 2, written by the researchers, summarises the main findings of the study. It outlines the context and methodology of the study and summarises key findings of the impact of Fairtrade on cotton producers, their households and their organisations as well as the impact of Fairtrade on the cotton market and value chain. Section 3 focuses on the main recommendations put forward by the researchers on steps that Fairtrade could take to increase impact for producers, and the response of the Fairtrade Foundation to each of these.





2. SUMMARY OF FINDINGS FROM THE REPORT

By Valerie Nelson (NRI, University of Greenwich) and Sally Smith (IDS)

This section briefly describes the context for the study, the methodology used, and the main findings. For a complete summary and the full research report, please see:

www.nri.org/projects/fairtradecotton

2.1. Context of Fairtrade cotton production

Millions of small-scale farmers in developing countries are dependent on their income from growing cotton but have faced steadily increasing costs while the prices they are paid are volatile and on a downward trend. They are also exposed to health and environmental risks from heavy use of agro-chemicals in conventional cotton production.

The value chain from cotton producers to end consumers is long and complex. Seed cotton is grown in more than 100 countries, with China, India, the US and Pakistan dominating production. It is then processed into lint and traded on commodity markets, after which it is spun, woven or knitted, dyed and manufactured into a range of textile products. Asia is the largest buyer of cotton lint, feeding the vast textile processing and manufacturing industry in the region.



Underlying causes of the long-term decline in seed cotton prices include:

- Trade-distorting subsidies paid to cotton farmers in major cotton producing countries such as the US and China
- Technology-driven productivity gains boosting supply while synthetic fibres have reduced demand
- Increased competition at retail level driving cost-cutting measures throughout cotton value chains
- Currency fluctuations affecting cotton prices in West and Central Africa as local currencies are pegged to the Euro, but cotton is traded globally in US dollars

Speculative trading on commodity markets contributes to price volatility, while prices for cotton from Africa and India are also affected by lack of quality control when cotton is harvested, which results in cotton being graded as poor quality. In this context, the newly privatised cotton sectors of West and Central Africa have struggled to achieve competitiveness on global markets, leaving millions of farmers in the region at risk of losing their livelihoods. In India, the cotton sector is very competitive, but small farmers lack access to affordable inputs, finance and other resources and have little influence and bargaining power in cotton value chains.

Fairtrade certified cotton was launched in 2004 to try and address these issues, first with producers in West and Central Africa, and shortly after in India, with the first Fairtrade-labelled cotton products available in France and the UK in 2005. By 2011, there were approximately 55,000 small farmers in seven countries involved in Fairtrade cotton production.

2.2. Methodology

The study was jointly undertaken by the NRI, University of Greenwich, and IDS with data collection carried out by research partners located in each case study country. The local research partners were Laura Brun, Malick Ndiaye and Mamadou Amadou Sow (ENDA Pronat, Senegal) and Blane Harvey (IDS) for the Malian and Senegalese case studies; Lalitha Narayanan with Ila Mehta and Rutwik Gandhe (Gujarat Institute of Development Research) and Czech Conroy (NRI, University of Greenwich) for the Indian case study and Marthe Wandou and Cathy Mackenzie for the Cameroonian case study. For each of the four secondary-level producer organisations, the research team identified a small number of primary-level groups to participate in the study – four CPCBs in Mali, four GICs in Cameroon, five GPCs in Senegal and eight village-based groups of cotton producers in India. The identification of these groups was based on pre-defined criteria such as geographical spread, length of time within the Fairtrade system and representation of different social groups within these regions. To protect the anonymity of the participants no data or statement has been attributed to the specific primary-level producer groups. It is hoped this has allowed interviewees to be more frank in discussing their views on how Fairtrade has affected their lives. The research report was finalised after receiving feedback on a draft from participating producer organisations and other key stakeholders.



The research methodology was qualitative and participatory, i.e. the findings are based on case studies and in-depth, face-to-face interviews with individuals and groups, and did not involve large-scale household questionnaire surveys. In total, approximately 135 individual interviews and 40 group interviews were carried out with Fairtrade and (to a lesser degree) with non-Fairtrade cotton farmers and their households, community leaders, producer organisation officials and staff (local and national levels), cotton ginning companies and support organisations, and Fairtrade bodies (national and international levels). A limited number of interviews were also conducted with traders, spinners, weavers and manufacturers that operate in Fairtrade cotton value chains (Fairtrade ‘operators’), although the study did not include a full value chain analysis.

The study design was based on the Fairtrade International’s methodological guidelines (Eberhart and Smith, 2008) and focused on five main types of impact that Fairtrade has on producers, their households and organisations, and the wider community.

Types of impact explored	Examples of indicators used
Changes in social inequality	Degree of economic inequality between members of society; status of women, migrants and other vulnerable groups
Changes in the socio-economic situation of producers and their households	Individual and household income; standard of living; ability to save and invest
Changes in producer organisations	Democracy and transparency; management and commercial capabilities; access to markets; political influence
Changes in local, regional and national development	Community infrastructure and services; development of local and national economies; value distribution in global trade
Changes in the management of natural resources	Use of agrochemicals; soil and water management; environment-friendly management practices

2.3. Impact of Fairtrade on cotton producers, their households and organisations

2.3.1 Impact of Fairtrade on gender equality and the socio-economic situation of producers and their households

Development Indicator	Positive impact	Challenges for greater impact
Income from cotton	<ol style="list-style-type: none"> 1. The Fairtrade Minimum Price for cotton is significantly higher than the national base prices in all three West and Central African countries: up to 49% higher in Senegal and Cameroon, and up to 78% higher in Mali (including a premium for organic production). This equated to additional annual income of between US\$ 40 and US\$ 133, based on 2008-09 prices and average production among case study producers 2. The Fairtrade Minimum Price has had less impact in India as market prices have generally been higher, but the Fairtrade promoting body (PB) has consistently paid above market prices. Producers also appreciate the timeliness of payments from the PB 3. Fairtrade price incentives and technical assistance linked to Fairtrade status have brought improvements in quality in all four case studies, which has enabled producers to sell more of their cotton at premium prices 	<ol style="list-style-type: none"> 1. A drop-off in sales in Fairtrade retail markets combined with a backlog of stock from previous years has resulted in less and delayed payment of the Fairtrade price differential and premium to producers from 2008 onwards 2. The impact of price benefits from Fairtrade has been lessened by steady increases in the price of agricultural inputs 3. The complexity of the cotton value chain makes it difficult for producers to keep track of how much additional income they do earn, or should earn, through Fairtrade
Household standard of living	<ol style="list-style-type: none"> 1. Prior to the drop-off in sales in 2008, income benefits from Fairtrade accounted for a significant share of household income in most cotton-producing households in West and Central Africa. The additional income better enabled participating households to cover basic needs (including health care and children's education) 2. Some farmers in all four countries reported being able to use surplus income from cotton for investments in income-generating activities and assets, and/or to save. This evidence of more secure livelihoods was less often found for farmers with small plots of cotton or low yields 	<ol style="list-style-type: none"> 1. Since 2008 producers in West and Central Africa have not been receiving the Fairtrade price and this has significantly reduced their household income. It has also reduced the incentive to grow cotton with some producers reporting they are now focusing more on other crops and alternative livelihood activities 2. In India a new seed variety is promoted by the promoting body to meet the quality requirements of Fairtrade buyers. This variety is higher yielding and can raise household incomes in good years, but it is less drought-tolerant and represents a risk in drought-prone areas and for farmers without irrigation (who may be the poorest) who may lose income in a bad year

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Gender equality	<ol style="list-style-type: none"> 1. The Fairtrade Producer Standards for cotton (requiring direct payment to women producers) have encouraged more women in West and Central Africa to cultivate cotton and given them more control and influence over household resources, although not all women in the region have benefitted in this way 2. Fairtrade has led to increased membership of women in West and Central African cotton producers' organisations. In 2008-09, 37% of Fairtrade cotton producers in Senegal and 31% in Mali were women 3. In all four countries Fairtrade has encouraged women to play a more active role and to take on key positions within their organisations, including at Board level 	<ol style="list-style-type: none"> 1. In the Indian case study area women are rarely able to cultivate cotton separately from men and cotton income is still controlled by men. Women's membership in the producer co-operative remains stagnant at 4%, although they can and do participate in meetings on behalf of their husbands 2. Women in all four countries continue to be disadvantaged by their lack of access to productive resources (e.g. land, credit, and equipment), low levels of literacy, and social and cultural conventions and attitudes related to women's role in the household and society. In some cases women's representation in producer organisations is largely symbolic
Working conditions	<ol style="list-style-type: none"> 1. There was anecdotal evidence of some improvements in working conditions for hired labour in Mali, Cameroon and India (e.g. shorter working day, higher wages), but further research is needed to verify these findings and the extent to which they are linked to Fairtrade 	<ol style="list-style-type: none"> 1. There is limited awareness of Fairtrade standards for hired labour among cotton producers and their organisations. This is most relevant in India, where use of hired labour in cotton is more common

2.3.2. Impact of Fairtrade on cotton producer organisations

Development Indicator	Positive impact	Challenges for greater impact
Opportunities to organise	<ol style="list-style-type: none"> 1. In India Fairtrade has been instrumental in formally organising cotton producers in the region for the first time. Producers value the opportunities this has given them to meet and exchange information 2. Across all four countries, Fairtrade has made producer organisations more accessible to women cotton producers 	<ol style="list-style-type: none"> 1. The number of Fairtrade producers in West and Central Africa grew rapidly in the early years but has fallen back with the slump in sales since 2008, as this has reduced incentives to invest in Fairtrade production

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Organisational capacity	<ol style="list-style-type: none"> 1. In all four countries Fairtrade, in association with support organisations, has brought improvements in the management, capacity and transparency of producer organisations (at primary and secondary levels) 2. The Fairtrade Premium has supported organisational development through investments in training and assets (e.g. land and a pick-up truck in Cameroon), as well helping to cover operational costs. 3. In general, farmers reported a high degree of satisfaction with the manner in which the Fairtrade Premium was managed and used by their organisations 	<ol style="list-style-type: none"> 1. Fairtrade has not been able to reduce high levels of dependence that producer organisations have on the national cotton companies in West and Central Africa (and an NGO in the case of Mali), and on the promoting body in India 2. Producer knowledge of Fairtrade values, ethical basis or the value chain is extremely limited. Illiteracy among farmers remains a significant impediment to more empowered participation in the Fairtrade system 3. Over-reliance on premium money to pay for operational costs and to fund social projects raises concerns over the long-term sustainability of producer organisations and community development initiatives, given fluctuations in Fairtrade sales
Access to high value cotton markets	<ol style="list-style-type: none"> 1. In the initial years (2004-2007) the West and Central African producer organisations were able to sell almost all their certified cotton on Fairtrade markets. This access to a high value market was a significant advance for the organisations in Senegal and Cameroon. In Mali and India producers were already selling organic certified cotton, but participation in Fairtrade increased the size of high value markets available to them 2. In general, access to high value markets of all types has been enhanced by quality improvements brought about by Fairtrade 	<ol style="list-style-type: none"> 1. Access to high value markets is dependent on sustained demand for Fairtrade cotton products (lint and manufactured goods). Demand has been significantly affected by broader economic conditions, including recession in consumer markets and currency fluctuations 2. West and Central African Fairtrade producers face tough competition from Fairtrade producers in India and elsewhere, as lint from Africa tends to be more expensive (particularly when the Euro is strong compared to the US dollar) and buyers in Asia have a preference for Indian cotton 3. In general, producers are unable to access new markets provided through Fairtrade independently due to their reliance on cotton companies/ the PB for exports. While improvements in organisational capacity could in the longer-term lead to greater autonomy, the ability of producer organisations to absorb the risks involved in cotton marketing is questionable

2.3.3. Impact of Fairtrade cotton at local and national levels

Development Indicator	Positive impact	Challenges for greater impact
Community infrastructure and services	<ol style="list-style-type: none"> 1. The Fairtrade Premium has been used for a range of projects to support local community development, as illustrated by the examples on the next page. These investments are greatly appreciated by producers and their communities, with a number of projects benefitting women in particular 2. Fairtrade has positively contributed to community unity and solidarity in cotton-producing communities. In Senegal, for instance, 90% of interviewed producers cited reinforced solidarity between and within villages as one of the positive impacts of Fairtrade 	<ol style="list-style-type: none"> 1. In India, with a recent increase in membership in the producer organisation, some producers fear that the premium benefit is spread too thinly 2. In Cameroon Fairtrade producer communities are disadvantaged when there are no sales on Fairtrade markets, as they receive neither premium funds nor community development funds from the cotton company (which non-Fairtrade communities receive)
National economic development	<ol style="list-style-type: none"> 1. Fairtrade presents a potential route for revitalising the West and Central African cotton sector through offering higher and more stable prices to both producer organisations and cotton companies, and incentives to improve quality. However this can only be achieved if sales on Fairtrade markets are sustained 2. In West and Central Africa, Fairtrade has contributed to institutional strengthening of producer organisations, although there is some way to go before they can play a significant role influencing policy-making in national cotton sectors. The producer organisation in Mali has made most progress forming strategic relations and engaging in lobbying, largely due to support from NGOs 	<ol style="list-style-type: none"> 1. Numerous factors undermine the ability of the West and Central African cotton sector to deliver sustainable livelihoods to producers, including limited land holdings, illiteracy, lack of a textile industry infrastructure, currency fluctuations, and climatic and natural resource endowments. The extent to which Fairtrade can tackle structural issues such as these is unclear, although a more strategic approach is possible (e.g. through advocacy activities) 2. National level cotton companies in West and Central Africa are making losses on account of market volatility and a lack of competitiveness thereby threatening their own financial stability and that of the Fairtrade cotton co-operatives 3. In India, sales of Fairtrade cotton are not sufficiently large to give Fairtrade producers influence with key institutional bodies

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Sustainable agriculture practices

1. Fairtrade standards provide a framework for environmentally friendly production and in all countries the Fairtrade Premium has been used for investments in more sustainable agricultural practices. However, external support has been of critical importance for delivering positive impacts from Fairtrade
 2. In Mali and India Fairtrade has complemented the effects of organic certification in support of environmentally sustainable cotton production
 3. Fairtrade (and organic) Standards have resulted in switches to less toxic pesticides, which, as well as being better for the environment, has a positive impact on producers' health and enables women to increase their involvement in cotton cultivation
1. The benefits of pesticide switches on health and the environment need to be weighed against the additional costs to farmers, including higher input costs and, possibly, reduced effectiveness in combating pests (the latter is contested by the cotton companies)
 2. Farmers in Senegal, Mali and India reported increasingly irregular and late rains. Salinity ingress into groundwater is also a serious issue in India. These problems are likely to be exacerbated by climate change and it is not clear how far Fairtrade can help producers in these regions to adapt



Use of the Fairtrade Premium for community development

In Cameroon, the 197 Fairtrade-certified GICs have carried out numerous social projects in their communities through investment of the Fairtrade Premium, as reflected in the table below.

Community projects executed in Cameroon	Year			
	2006	2007	2008	Total
Health centre	01	06	23	30
Mill	01	10	18	29
Classroom	01	15	65	81
Storehouse	01	10	12	23
Water supply	04	17	75	96
Rural electrification	00	02	07	9
Total	08	60	200	268

Source: Study report

Construction of a village storehouse

Cotton producers from three villages in Cameroon have used the Fairtrade premium to construct this storehouse for inputs and foodstuff. The storehouse was a priority considering the high levels of insecurity in the region on account of banditry. The storehouse is independently managed by the GIC that pays for the salaries of a technician, storekeeper, manager and guard.



In Senegal, income from the Fairtrade Premium has been invested in the following projects:

- **Water:** New wells have been dug and former wells restored; boreholes have been sunk and/or equipped with manual pumps. This has significantly improved household water supplies and, as a result, hygiene whilst also reducing women's workload
- **Health:** Community Health Officers (CHOs) have been trained to provide on-site primary health-care. This reduces the need to transport the sick over long distances along bumpy tracks using unsuitable means of transport
- **Agricultural services:** Millet mills have been bought, relieving women from the time-consuming and exhausting household chore of grinding grain. Also, secure storehouses for cotton inputs have been built to reduce exposure to and the risks of contamination by pesticides

In Mali a total of 25 community projects in 20 CPCBs were funded by the Premium in 2009, including:

- **Food and water security:** Two cereal banks were built to store cereals, and three large-diameter wells have been dug to provide drinking water
- **Education:** Tables, benches and school stationery have been purchased for primary schools and repairs made to school equipment
- **Health:** A maternity ward has been built. This is highly valued by local people because pregnant women with complications no longer need to travel long distances to other maternity hospitals

In India, the cotton farmers' association has used its Fairtrade Premium for the following community investments:

- **Education:** Buying stationery and school uniforms for children, funding scholarships and educational tours, installing drinking water filters and smokeless kitchens at schools, purchasing books for school libraries
- **Miscellaneous:** Construction/deepening of village ponds, provision of solar powered street lights, medical assistance and house renovations for the poor

2.4 Impact of Fairtrade on the cotton market and value chain

This section summarises the study's findings on the impact of Fairtrade on the cotton market and value chain dynamics, although it should be noted that only a limited number of interviews were undertaken with value chain operators.

Indicator	Positive impact	Challenges for greater impact
Fairtrade cotton sales	<ol style="list-style-type: none"> 1. Fairtrade cotton retail sales grew rapidly from 2004 to 2009, especially in the UK and France, with nearly 30 million products sold in 2009. Although growth has slowed, there are good prospects for continued growth in most European markets 	<ol style="list-style-type: none"> 1. Growth in retail sales has not been sustained in the UK, which is the biggest market for Fairtrade cotton, due to onset of a recession at the end of 2008. To address this, major retailers have begun selling less price-sensitive Fairtrade cotton products, with aim of reducing volatility in Fairtrade cotton markets 2. Supply and demand for Fairtrade cotton is not well balanced. Supply exceeded demand from 2008-2010, but there were predictions of demand exceeding supply in 2011, as Fairtrade production in West and Central Africa has decreased
Sourcing of Fairtrade cotton	<ol style="list-style-type: none"> 1. In a relatively short time, conventional companies supplying mainstream markets through long and complex chains have been able to adapt to Fairtrade sourcing 	<ol style="list-style-type: none"> 1. Price remains a key factor guiding sourcing decisions that places West and Central African Fairtrade cotton lint at a disadvantage when compared to Indian lint 2. The lack of a well-developed textile sector in West and Central Africa compared to the existence of a structured, vertically integrated sector in India is a further disadvantage for the region's producers 3. Even in India a lack of security in Fairtrade markets and competition with other operators is undermining the ability of the PB to sustain its trading relationships with producers
Structure and relationships in value chains	<ol style="list-style-type: none"> 1. Fairtrade has opened up avenues for innovation, collaboration and partnership directly between various actors in the cotton value chain 2. Some operators continue to be strongly committed to the ethical value basis of Fairtrade cotton 	<ol style="list-style-type: none"> 1. There is a fear that with an increase in number of registered operators, there remains little difference between Fairtrade and conventional value chains, with commercial decisions based primarily on price 2. More needs to be done to involve producers in adding value to achieve greater benefit from the value chain

2.5. Fairtrade impact across each of the main strategies

The introductory section of this document outlined how the Fairtrade system employs various strategies to increase impact for producers. This section summarises the findings from the study in relation to the four main strategies used in Fairtrade to enable comparison across them and evaluate the relative impact that each has had for cotton farmers.

Strategy	Positive impact	Challenges for greater impact
Fairtrade Producer Standards	<ol style="list-style-type: none"> Standards and auditing, in combination with capacity building support from external organisations, have led to increased democracy and transparency in producer organisations The Contract Production Standard provides a framework for a buying company to engage in capacity-building support with newly organised producers In general, women and other disadvantaged groups are better represented in producer organisations as a result of non-discrimination requirements. In West and Central Africa direct payments to women have contributed to economic empowerment The standards have raised awareness around issues related to child labour There is less use of harmful agrochemicals and some more environmentally sustainable practices as result of Fairtrade standards, external support and (in Mali and India) organic certification 	<ol style="list-style-type: none"> There is relatively little awareness of the Fairtrade standards, and how Fairtrade works, among producers, particularly at lower levels of the organisations. This has caused confusion in the context of a drop in sales The standards are unable to address root causes of gender inequality (e.g. in India most women are prevented from being members of the producer organisation because they do not hold land titles) It is unclear whether any real progress has been made in addressing hired labour issues
Fairtrade Trade Standards	<ol style="list-style-type: none"> When cotton is sold on Fairtrade markets, the Fairtrade Minimum Price significantly increases income from cotton in West and Central Africa The premium has enabled a range of investments in organisational strengthening, sustainable production and community development Long-term relationships between producers and operators have been developed or strengthened in some Fairtrade cotton supply chains 	<ol style="list-style-type: none"> The income stabilising effect of the Fairtrade Minimum Price has not been sustained, because of volatility in Fairtrade sales Requirements for buyers to build long-term trading relations with producers have not been sufficient to offset price-based competition with other Fairtrade producers Use of the premium to cover operational costs leaves producer organisations vulnerable given volatility in Fairtrade sales

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Organisational strengthening and business development	<ol style="list-style-type: none"> 1. Direct support from Fairtrade bodies has been important for bringing key players together to build both supply and demand for Fairtrade cotton 2. External support from cotton companies, NGOs and the PB has been critical in delivering positive impacts from Fairtrade 	<ol style="list-style-type: none"> 1. Higher levels of support are required to enable producer organisations to take on more roles in value chains and gradually reduce their dependence on others
Networking	<ol style="list-style-type: none"> 1. Fairtrade has supported the development of regional networks of producers in Africa, Asia, Latin America and the Caribbean 2. In India the PB is representing producers in the Fairtrade Network of Asian Producers, but producers are not yet directly involved 	<ol style="list-style-type: none"> 1. West and Central African cotton producers in the case study organisations are not active in Fairtrade or other types of networks and have very limited opportunities to meet, exchange information, build alliances and influence policy-making





3. KEY RECOMMENDATIONS AND FAIRTRADE FOUNDATION'S RESPONSE

Based on the findings from the study, the research team was asked to provide a list of recommendations that would enable Fairtrade organisations to address the key challenges that prevail in the cotton sector and deepen impact for producers. We welcome these recommendations as they are integral to our commitment of continually reviewing and adapting Fairtrade's diverse strategies to strengthen producer impact.



As this is the first comprehensive assessment of the impact of Fairtrade cotton, the recommendations provided are extensive and include those specific to our work on cotton and those that apply more generally across the Fairtrade system (see chapter 12 of the study report for a full list of recommendations). We have carefully gone through all recommendations and this section provides our responses to specific issues raised within each. The authors have also provided a set of recommendations that pertain specifically to Fairtrade International's methodological guidelines for impact assessment. These have been carefully considered and will contribute to a review of our impact assessment guidelines and indicators that is already underway within the system.

It is also important to note that separate to this impact assessment study, Fairtrade International initiated in 2009 an extensive internal review of the Fairtrade cotton model i.e. the range of activities undertaken across the Fairtrade system to bring greater benefit to Fairtrade cotton producers and grow the market for them. This included a comprehensive review in 2011 of the Fairtrade Cotton Standard and Minimum Prices, in consultation with producers from Africa and India (for more on this read 'Outcomes of the Cotton Standards and Minimum Price Review' documents from the Fairtrade International website, available in English and French). As an outcome of this internal review, several new initiatives are underway across the Fairtrade system that complement the recommendations made here specific to our work in cotton and serve, in part, to address them.

Recommendation 1 Reduce the volatility of Fairtrade markets

Maintain a careful balance between supply and demand of Fairtrade cotton

The report makes a series of recommendations relating to the need to reduce the volatility of Fairtrade markets for cotton. The first of these is to maintain a careful balance between the supply and demand of Fairtrade cotton in an effort to guarantee producers stable and long-term trading relations. We agree with this recommendation wholeheartedly and the creation of the global role of GPM (Global Product Manager) for Fairtrade cotton in 2009 within Fairtrade International was a specific response to this need. One of the main activities of the GPM is to analyse the cotton market and production projection in order to better balance supply and demand of Fairtrade cotton and address issues of volumes, quality, and timing of procurement. This is challenging given the long lead-times for cotton (it takes roughly 8-12 months for seed cotton produced to become finished cotton products for retail) and complexity of the supply chain. As a result, market intelligence is now fed regularly to producers and production information to the market. The Fairtrade system is also educating business partners and supply chain actors about best practices for the timing of procurement of Fairtrade cotton to ensure demand meets supply and vice versa. We are also fostering direct partnerships between major clothing brands and cotton farmers to improve cotton production planning. This is a major shift from conventional business practices in the clothing industry. In addition to these efforts, the Fairtrade system is, nationally and internationally, working with commercial partners to understand their requirements with regard to Fairtrade cotton and find ways to increase their commitment.

The study also highlights the lack of sustained demand for Fairtrade cotton products in major markets as a significant reason for the slump in sales post 2008-09 and subsequent loss of income and premium to producers. In order to effectively respond to this, the Fairtrade system has invested a significant amount of time and effort to raise the profile of Fairtrade cotton in major retail markets. Specifically in 2010, which marked the fifth anniversary of the introduction of Fairtrade cotton in the UK, the Fairtrade Foundation co-ordinated a year of cotton-focused activities. These included a massive marketing campaign of engaging with

photographers, celebrities, journalists, designers and the trade to raise the profile and awareness of Fairtrade cotton (for more details about our campaign visit our website www.fairtrade.org.uk/products/cotton/default.aspx). Our activities culminated in the Fairtrade Fortnight 2011 'Show Off Your Label' campaign with a specific appeal to supporters and campaigners to raise awareness of the injustices faced by cotton producers in West Africa and India that make Fairtrade and other alternative trade models so necessary.

Reconsider the appropriateness of ISO-65 rules on non-discrimination for the Fairtrade model to consider giving priority to producers identified as having most need and closing the system to new producers until markets have demonstrated sustained growth

The report recommends that the Fairtrade system 'reconsider the appropriateness of ISO-65 rules on non-discrimination for the Fairtrade model' so as to give priority to Fairtrade cotton farmers from West and Central Africa over Fairtrade cotton farmers from other parts of the world. Before we respond to this specific recommendation, it is important to explain what the ISO-65 rules relating to non-discrimination are.

ISO-65 (or EN 45011 as it is known in Europe) is one of the many guidelines issued by the International Organisation for Standardization (ISO) and is the internationally accepted norm for certification bodies operating a product certification system. FLO-CERT, the independent body that is responsible for certification and auditing processes relating to Fairtrade, is ISO-65 accredited – meaning that all its systems and operations are bound by these norms. A core principle of these norms is independence and non-discrimination in certification i.e. that the certifying body (FLO-CERT) takes certification decisions in an independent, transparent and non-discriminatory manner and treats all current and potential Fairtrade clients equally.

Against this context, the report recommends that the Fairtrade system reconsiders the appropriateness of this rule on non-discrimination so as to enable it to give preference to those producers within the system who are in most need (give preference to cotton producers from West and Central Africa over those from India). There are several issues raised in this recommendation that need to be addressed separately. At the outset, adherence to ISO-65 norms is an important part of Fairtrade's accountability to

all its stakeholders – producers, consumers and businesses – and ensures that our operations are conducted in a transparent, non-discriminatory manner subject to regular and independent quality checks. These are standards that are set by an independent body (ISO) for us to follow and are vital to maintaining the integrity of our system. Diluting any of these principles will amount to diluting the standards the ISO requires of us and risks damaging the integrity of the Fairtrade certification system. We therefore disagree with the report's recommendation that the Fairtrade system discriminate in its certification decisions between different cotton producers.

However, there are other avenues through which the Fairtrade system targets additional support to those producers within the system who are more distinctly disadvantaged than others. In this light, we acknowledge the particularly disadvantaged position of West African cotton farmers in comparison to those from India and are undertaking a range of activities to address the root causes of this disadvantage. First, unlike in India, the lack of a robust, indigenous textile industry in Africa is a significant reason for this disadvantage as less than 2 per cent of cotton grown in the region is processed locally and dependence on exports is high. This means that companies prefer to buy Fairtrade cotton from India where it can be directly processed. To address this, research is underway to explore alternative credible and feasible supply chains for West African Fairtrade cotton in high-demand regions. Fairtrade International has also put in place, with support from the French Agency for Development (AFD), a major project to address the particular challenges that African cotton farmers are facing and improve their market access. As part of the AFD project, Fairtrade will develop and promote more appropriate supply chain routes for African cotton, including exploring the possibility of processing in northern and southern Africa and the feasibility of processing within the region itself in the long-term.

Further, it is important to recognise that despite rising competition from India and China, other problems besieging West African cotton are a weak dollar, low world prices and damaging US and EU cotton subsidies. Recognising this, in 2010 the Fairtrade Foundation, with others, led an international campaign, The Great Cotton Stitch-Up, exposing the damage caused by the EU's cotton subsidies and

called for an immediate end to them. Despite our collective efforts, while there is more awareness of the adverse impact of cotton subsidies, the EU cotton reform has not gone far enough and subsidies remain.

Ensure that all actors in the Fairtrade cotton value chain are committed to underlying principles of Fairtrade.

We support this recommendation that engagement with suppliers and other operators in the cotton value chain are vital to build effective partnerships for the Fairtrade cotton sector. Towards this, supplier engagement has been a key strategic focus area of the work on cotton within the Fairtrade system. In July 2011, Fairtrade International hosted the first Fairtrade Cotton Supplier Conference in Bangalore, India as a forum to bring together supply chain operators to meet and discuss their experiences with Fairtrade and thereby develop closer connections and a level of mutual understanding. The conference brought together producers, spinners, garment manufacturers and representatives from the UK retail market and explored different aspects of the Fairtrade cotton model. As part of the recommendations from this conference, training workshops are planned in the main garment manufacturing hubs of India, Bangladesh, Sri Lanka and Mauritius as part of increasing awareness of and commitment to Fairtrade. Finally, Fairtrade International is also putting in place a global supply chain engagement and support capacity, with several planned activities and the recruitment of a 'supply chain manager' precisely for this purpose.



engagement for a product like cotton with a complex, multi-layered supply chain is a long-term process that requires sustained levels of strategic engagement with different kinds of operators in different ways. So, for instance, with our larger partners, the effort will be to continue to push for greater commitment to Fairtrade cotton through regular meetings and presentations and facilitate a bi-annual roundtable to strengthen the partnership. To unlock the potential offered by small and medium-sized partners, the effort is to build their skills and training to enable better compliance with the standards and help them with stronger business development models. Fairtrade International has also set up an international Product Advisory Council (PAC) for cotton to provide targeted advice on our model and strategy which includes key representatives from the producer networks and the industry. The Fairtrade system is thus exploring all feasible and innovative ways of working with various value chain actors – ginner, spinners, garment manufacturers, exporters and retailers – to increase their commitment to Fairtrade. However, this is an enormous challenge and while we are committed to bringing change, more collaboration and support from all stakeholders is needed to transform how the textile and clothing industry functions in the long term.

Identify and support the development of Fairtrade cotton value chains which best fit with Fairtrade principles and objectives; avoid creating dependence on high-volume buyers or single markets (like the UK) which can have disastrous effects on levels of sourcing from particular origins.

We support the recommendations to build more feasible and sustainable supply chains for Fairtrade cotton and aim to achieve this through diversification of markets for Fairtrade cotton. This includes combining the high-volume, high-turnover ‘high street’ retailers in the fashion sector with smaller volume but more stable specialised brands in the home ware sector. The Fairtrade system is currently exploring two other markets for Fairtrade cotton. The first is the hospitality sector which presents enormous potential as an industry that consumes high volumes of cotton. Our partner organisation – Max Havelaar Netherlands – has encouragingly led the way with a number of hotels and holiday parks signing up to procure Fairtrade cotton on a regular basis. The second sector with potential is public procurement, where large volumes of cotton are

sourced through long-term contracts thus providing more security to producers. The Fairtrade Foundation has systematically engaged with campaigners at the grassroots level and with public bodies to push the cause for more public procurement of Fairtrade cotton. We have also secured, along with our partners, funding from the European Commission for a project that specifically aims at increasing public awareness, understanding and support for Fairtrade cotton and encouraging procurement by public bodies, educational and health establishments across Europe. The project will also help share best practice on procurement across Europe and recognise significant contributions through the Fair Procurement Awards. However, the challenge of convincing governments to commit to relatively higher-cost options in an age of austerity must be recognised.



Introduce a mechanism which protects cotton producers from currency fluctuations

We acknowledge the added disadvantage that West African cotton producers face in comparison to Indian producers in 2007-08 on account of currency fluctuations and specifically the exchange rate between the Euro and the dollar that favoured the latter. Since 2008, as the report itself acknowledges, Fairtrade Minimum Prices for cotton are set only in Euros to create a level playing field for all producers within the system from a market-access point of view. However, it must be recognised that this is an issue that Fairtrade has limited ability to influence.

Recommendation 2 Improve awareness and understanding throughout the value chain

Support producer organisations to improve education and awareness-raising among their membership base with regard to basic Fairtrade principles and market trends; support learning through networking between Fairtrade groups.

The report's recommendation on improving communication and awareness is acknowledged and accepted. Fairtrade International recently produced a new range of literature – 'Fairtrade and You' – specifically aimed at improving understanding of key Fairtrade principles and mechanisms amongst producers, including simplified pictorial brochures in commonly understood languages. We are also improving our information systems to be able to report more regularly on sales, premiums and producer impact.

With regard to networking, Fairtrade International has supported the development of three independent Fairtrade Producer Networks in Latin America (CLAC), Africa (Fairtrade Africa) and Asia (Network of Asian Producers) as platforms for producers within and across regions to share their experiences with Fairtrade. Producer networks engage in a variety of activities to strengthen regional and local ties among Fairtrade producers and workers including organising conferences and workshops (on key products and issues), engaging in joint planning and strategising, pooling resources to respond more effectively to local support requirements by farmers and jointly working with governments, donors and other development agencies on how to strengthen the position of farmers and workers within and outside the Fairtrade network. The recent Africa Fairtrade Convention (<http://africafairtradeconvention.net/index.php>) organised by Fairtrade Africa in Accra, Ghana in November 2011 is a good example of the growth that these networks are making as regional movements to protect and support small farmers and advocate on their behalf in the global trade system.

Improve data-gathering on costs of production and returns to Fairtrade production by FLO and producer organisations, including carrying out full comparative studies of Fairtrade and non-Fairtrade production.

Fairtrade International's regular reviews of Fairtrade Minimum Prices for all products, including cotton,

are based on thorough country-level calculations of sustainable costs of production and returns to producers. In 2011, as part of the review of the Cotton Standard and Minimum Prices referred to earlier, detailed consultations were undertaken with cotton farmers from Africa and India to gather data on current costs of production. An important outcome of this process was an increase in the Fairtrade Minimum Price for Seed Cotton (conventional and organic) – both for India and for West and Central Africa to better reflect the true costs of production in these regions (for more on the Cotton Review read Outcomes of the Cotton Standards and Minimum Price Review documents from Fairtrade International, available in English and French). However, in addition to these specific reviews, we accept that improved and regular data-gathering on costs of production is crucial to ensure that producers get a fair return from Fairtrade and we are working towards a review of our monitoring and evaluation systems to enable this. Studies that compare the benefits that Fairtrade provides in relation to those producers who are not part of Fairtrade are planned.

Increase transparency in Fairtrade cotton value chains and develop full visibility and traceability of margins and premium use. Conduct further analysis on the reasons for higher price of Fairtrade cotton products and take steps to minimise costs and prevent the compounding of costs in the value chain.

We would support the recommendation made by the authors to improve transparency in Fairtrade cotton supply chains. However, as noted earlier, this is a challenge given the inherent complexities in the clothing and textile industry that include short product lifecycles, volatile and unpredictable demand patterns, a huge variety of products and long supply chains. We hope that many of the activities detailed previously including supplier engagement and fostering direct partnerships between brands and producers will serve to improve transparency through the system.

The report also makes a specific recommendation on greater traceability of Fairtrade Premium usage. In early 2011, Fairtrade International carried out a comprehensive review of the Fairtrade cotton standard and Minimum Prices as part of the global work on the cotton model. One of the outcomes of this review, specific to premium usage, is that requirements are now placed on all operators and support organisations to ensure direct premium

payment to producers (proportionate to the seed supplied by them), and no later than one month after the end of each quarter. As part of the review, it was also decided to undertake a project to define a reference price for cotton lint to improve transparency and serve as a guidance mechanism for sellers and buyers of lint as it is an internationally traded commodity. Fairtrade International's Standards Unit will investigate what such a reference price would mean and methods of calculating it, after which a process of integrating this into the standards will be explored.

In order to avoid the compounding of costs within the clothing value chain, Fairtrade International explored the feasibility of a 'direct premium payment' model through which business partners can pay the Fairtrade Premium directly to cotton farmers, thus avoiding potential amplification of the costs associated with paying the premium all through the value chain. This is proving to deliver tangible cost savings and therefore Fairtrade International will now consider appropriate policy changes to the payment options for business partners (retailers and brand owners) to implement this 'direct premium payment' model.

Build consumer awareness through new campaigns on the difficulties faced by cotton producers and the potential benefits of Fairtrade

We already recognise the need for greater awareness among consumers and supporters about the problems faced by cotton producers. The Fairtrade Foundation's 'Great Cotton Stitch-Up' campaign in 2011 was aimed at doing precisely this. The Great Cotton Stitch-Up report launched in November 2010 revealed the billions of dollars creating the wall of subsidies West African cotton farmers face when exporting to the global cotton market. As part of the campaign, thousands of campaigners decorated Fairtrade cotton bunting, wrote to UK Agriculture Minister Caroline Spelman and lobbied MEPs at the European Parliament to raise awareness of the issue of cotton subsidies and demand that action be taken to end them as part of the reform of the EU's Common Agricultural Policy (CAP). Collective campaigning efforts led the UK government to put a commitment to eliminating trade distorting cotton subsidies into its Trade and Investment White Paper in February 2011. Engaging consumers and supporters to increase their commitment to Fairtrade cotton remains an integral part of the work undertaken by the Foundation in the UK and other Fairtrade organisations across the world.

Recommendation 3 Increase returns and promote income diversification for Fairtrade producers

Provide or facilitate support to producers to increase productivity, reduce costs, improve quality and produce more sustainably; seek ways to enable Producer Organisations to develop their businesses, such as getting involved in input supply, transportation and processing; promote and facilitate product diversification to reduce the dependence on cotton.

We acknowledge that in most cotton producing regions, especially in Africa, the challenging context in which farmers are engaged in cotton production means that Fairtrade needs to invest substantially more in providing adequate support for them at the local level. As a first step, Fairtrade International is exploring the possibility of executing a 'Farm Improvement Programme' specifically for cotton farmers, as a partnership between the Fairtrade system, cotton producers and our business partners. A key pillar of this programme will be to ensure that Fairtrade provides targeted support to cotton producers on key technical areas like productivity, quality and sustainable agricultural practices at the farm-level. Business development at the producer-organisation level through skills training and moving up the cotton value chain could be the next phase of such an improvement programme. Lastly, product diversification is actively encouraged within Fairtrade at the local level and it is encouraging to note that cotton producers within the system are diversifying into growing vegetables and fruit, some of which are also traded on Fairtrade terms.

Promote links with organic cotton production and find ways to reduce the costs of dual certification for producers. Streamline certification for multiple products by the same producer organisation.

We support the report's recommendation to promote links between the Fairtrade and organic certification movements for cotton. We are exploring partnerships with relevant institutions to realise this goal at the international level. We share the report's desire to drive down the cost of compliance with the Fairtrade system and find ways to recognise rather than duplicate other certifications, thus ensuring maximum benefit is returned to the producer.

Recommendation 4 Tackle gender equality and the empowerment of women

Give a higher priority within FLO to take action on gender issues, improve the collection of gender-disaggregated data; draw on existing guidance on gender empowerment to develop coherent strategies for tackling inequality in the cotton sector.

The issue of gender inequality or the 'gender gap' in agriculture, as the UN's Food and Agriculture Organisation (FAO, 2011) puts it, is not specific to Fairtrade but present across the globe as a key development issue. The Fairtrade system is aware of this and is exploring the best ways in which its processes, certification and partnerships can provide opportunities to strengthen the position of women in those regions and countries where we work. Towards this, Fairtrade International has set up an international working group comprising representatives from across the system including the three regional producer networks and external specialists to review the extent, and ways, in which Fairtrade can promote greater gender equality in agriculture. The group is in the process of drafting a gender strategy for the Fairtrade system that covers data collection, further targeted research and exploring pathways to empowerment for women through Fairtrade. However, given that gender inequality in agriculture is the outcome of complex socio-cultural processes that differ greatly across societies, addressing the issue requires co-ordination with other developmental and governmental actors and will take time.



Recommendation 5 Strengthen actions on hired labour and child labour

Raise awareness (especially in India) amongst cotton producers of Fairtrade requirements on conditions for hired labourers and support SPOs to deliver improvements to workers

We acknowledge and accept that there is much to be done to improve the ability of workers to participate fully in Fairtrade processes and benefit from them. Fairtrade International has begun a review of its Hired Labour Strategy with new standards and pilots envisaged for the start of 2012. However, the first stage of this process is to work specifically with hired labour organisations and improve conditions for the workers there. Working with smallholders, like cotton farmers, who also sometimes rely on hired labour for work will be the next phase of this work. The report's recommendations for improving the conditions of hired labour in this context will be fed into this review process.

Gather more evidence on child labour through a dedicated study, ensuring that researchers are able to gain the trust of producers and their households, in order to determine whether children's involvement in cotton production interferes with their education and/or health.

It is well recognised that in both West Africa and India, there is high prevalence of the use of child labour for many activities in the cotton industry. Fairtrade Standards prohibit child labour as defined by the International Labour Organisation (ILO) and we guarantee to take immediate action when provided with evidence of breach of our child labour requirements (read more about our child labour policy on the Fairtrade International website). Fairtrade International has focused on strengthening our work in this area including hiring of a full-time staff member to work on child labour and related child protection issues. The main highlights of this work include training of Fairtrade staff and liaison officers in producer countries on child labour and child protection issues; engagement with child rights experts to develop a rights-based strategy and framework of action for eliminating child labour in West Africa cocoa production and organising focus group discussions with children in communities where Fairtrade is operational about their education, work, future aspirations and the impact of Fairtrade

on their lives. The main principle guiding our work is to tackle the root causes of child labour which is a problem perpetuated by poverty (in part due to low prices paid for crops like cotton) but also by social exploitation, discrimination, conflict and lack of access to quality education and health services. Our strategy therefore is also to work with communities to enable them to proactively monitor child labour. We are working with international child rights NGOs to produce a training manual on this community-based approach to eliminating child labour and will pilot this in cotton-producing communities.



We wholeheartedly support the call for more targeted research on the use of child labour in cotton production in regions where Fairtrade operates. Interim studies carried out by Fairtrade International on child labour in recent years have triggered an immediate response in terms of factoring in more targeted training for cotton producers and their communities. For instance, in mid 2011, Fairtrade International carried out an intensive workshop with cotton-producing communities in India to understand the issue. The workshop included focus group discussions with approximately 50 children (from 6-18 years of age) to learn about their activities in cotton-producing communities including their school attendance, work (before and after school, during weekends and on holidays) as well as their aspirations for increased well being and future livelihoods. Based on the findings of these studies and workshops, we acknowledge that a more detailed and targeted study on child labour is required in Fairtrade cotton production in India, which focuses equally on men, women and children in these communities and includes non-cotton producing areas where child labour recruitment reportedly occurs. Fairtrade International is in the process of pursuing partnerships with funders and international NGOs to undertake this research.

Recommendation 6 Support sustainable production and environmental stewardship

Seek partnerships with external organisations which can fund improved natural resources management and sustainable production methods

We support the recommendations made that Fairtrade continues to be a useful tool in promoting environmentally sustainable agricultural practices and natural resources management. The study's findings, that Fairtrade Standards relating to environmentally sensitive production have encouraged cotton producers to reduce the use of harmful pesticides and so improved their own health and that of the environment, is encouraging. However, we recognise that our efforts need to go beyond standards and strengthen partnerships with relevant institutional bodies to ensure sustained results on the ground. The planned Farm Improvement Programme for cotton producers detailed earlier will address some of these needs by creating the right incentives and support structure to help farmers engage in good production practices that improve sustainability and productivity through strategic investment of Fairtrade Premium funds. These will include building on activities like investing in drip irrigation that, as the study reveals, some producer organisations have already prioritised for premium income investment, resulting in economic and environmental gains.

Seek value chain partnerships with retailers to pilot climate change adaptation and sustainable production, particularly in areas of potentially increasing climate variability and ensure that adequate attention is paid by producers to the varieties grown to achieve a balance between quality and risk/resilience.

Fairtrade is aware and concerned about the potential impact of climate change on producers within, and outside, the system. The Fairtrade Foundation and Fairtrade International have begun a process to pilot various options for using the Fairtrade system to facilitate greater investment by retailers and brands into actions to increase climate resilience for communities that form part of their supply chains. It is expected that a number of pilots will be launched within the next year, although it is not envisaged that any of the early pilots will work with cotton supply chains.

In addition, the Fairtrade Foundation commissioned the Natural Resources Institute, University of Greenwich to conduct a separate, thorough assessment using available evidence, of the likely climate challenges facing the main commodities being traded within the Fairtrade system. The results of this review are available on the NRI website. The Fairtrade Foundation also commissioned the International Institute for Environment and Development (IIED) to help develop an internal paper, exploring the overlaps between Fairtrade Standards, Fairtrade impacts and accepted best practice in climate change adaptation. Based on these studies, in 2011, Fairtrade International has developed a plan for a phased 'producer support' programme in relation to climate change. At the core of this plan is the intention to take a product-specific approach, acknowledging that technical requirements and approaches will vary significantly from product to product. Implementation of the producer support programme document relies on resource availability and active fundraising is underway for this.

Finally, Fairtrade Africa is leading a climate change advocacy programme with a strong focus on increasing the availability of appropriate funding for small scale producers in adapting to climate change in the region. An early focus for this programme was the United Nations' climate talks in Durban, South Africa at the end of 2011, where Fairtrade producers from Africa, Asia and Latin America were able to lobby policy makers on their experience and needs.



Recommendation 7 Use of the Fairtrade Premium

Ensure timely payment of the premium and greater transparency and communication with farmers about Fairtrade transactions made by cotton companies and promoting bodies, including calculation of premium amounts.

We recognise, as the study findings indicate, that there are some reported cases of delays in payment of Fairtrade Premium to producers. In order to address this, one of the outcomes of Fairtrade International's cotton standard review last year has been a change to the Trade Standards on premium payment. The new standard now requires all supply chain operators to pay the relevant Fairtrade Premium amounts to relevant producer organisations no later than one month after the end of each quarter. Operators will be assessed against this data and this will ensure more timely premium payments. Additionally, the direct premium payment method detailed earlier will also help in increasing the levels of transparency and timeliness of premium payment to producers.

Encourage strategic use of the premium through improved training and capacity building for producer organisations; support learning between Fairtrade producers and organisations about good practice in managing and implementing premium-funded community projects.

The recommendations encourage more strategic use of the premium by producer organisations. While it is Fairtrade policy not to dictate premium use (other than provide guidelines to prevent its misuse), we accept that there is potential for improvements in the advice and support provided to relevant bodies for premium spending to ensure they leverage the best returns for their communities. We already provide support for this within the Fairtrade system through our liaison officers in the field and hope that through the establishment of stronger and more organised producer networks there can be more exchange of best practice, as well as development of effective partnerships to learn from the wider NGO and business sector. Specifically on cotton, a strategic goal of the planned Farm Improvement Programme is to provide targeted local support to farmers and their organisations in encouraging strategic investment of premium funds in productivity and quality improvements.

Recommendation 8 Support organisational development and networking

Provide capacity-building support to continue to improve democratic decision-making, professionalisation, and transparency within Fairtrade farmer organisations at local and umbrella levels

As stated earlier, providing effective local support to enable producer organisations to function more professionally and transparently is an ongoing area of activity within the Fairtrade system. While liaison officers and other staff at the local level work consistently to provide this support, it must be recognised that developing these capacities locally in an empowering manner is a long-term process and cannot produce immediate results. We must also recognise that in many of the countries where we work, the institutional structures surrounding cotton production and export are complicated and change can be brought about only by building long-term partnerships with agencies at national, sub-national and local levels that are based on trust and collaboration.

Support the development of national platforms for local groups of Fairtrade producers; improve engagement between producers and the regional Fairtrade networks; consider how best to build the advocacy skills and capacity of producer groups and representatives, including through training and use of internet-based communication tools

Fairtrade International has supported the development of three independent Fairtrade Producer Networks in Latin America (CLAC), Africa (Fairtrade Africa) and Asia (Network of Asian Producers). The Fairtrade Foundation, with support from Comic Relief, has particularly supported the development of Fairtrade Africa. These networks provide a central point for producers to advocate for shared objectives within the Fairtrade movement and, externally, via product specific or regional groupings. As these organisations continue to grow and gain political strength and recognition, producers will have a better platform to raise issues and concerns. However, Fairtrade Producer Networks are still in relatively early stages of development and have not yet been effective in representing the interests of all producer groups. We will continue to seek funding partnerships, in both North and South, to enable these platforms to grow and develop in the future.

Fairtrade is an evolving system committed to learning how the movement and the system, including its standards and certification are making a difference to producers and workers in developing countries. This study on the impact of Fairtrade cotton is an important contribution to this learning process. We have welcomed its findings and recommendations and ensured that both are fed back into the wider Fairtrade system that includes other producers, value chain operators, relevant development organisations and other Fairtrade Labelling Initiatives. We hope that our responses to the report's recommendations serve as a starting point for further dialogue among all stakeholders on how Fairtrade can contribute to making trade genuinely fairer.



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