



Assessing the Benefits
of Fairtrade Orange Juice for
Brazilian Small Farmers

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BSD
CONSULTING



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List of abbreviations used

BSD	Business Sustainability Development
Citrus BR	Association of Brazilian Orange Processing Industries
FCOJ	Frozen Concentrated Orange Juice
FI	Fairtrade International
FLO Cert	Organization responsible for monitoring Fairtrade certification
FT	Fairtrade
FTMP	Fairtrade Minimum Price
IBGE	Instituto Brasileiro de Geografia e Estatística
IBOPE	Instituto Brasileiro de Opinião Pública e Estatística
R\$	Brazilian Reais

Acknowledgements

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We are especially grateful for the contributions and validation by the producer groups that were led by Reginaldo Vicentim, General Manager of Coagrosol.

São Paulo, April 2014, BSD Consulting (Brazil)

Summary

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

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

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

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

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

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

The conclusions in the study reflect the situation of the three analyzed groups and show the different benefits that could be identified. However, there is a

limitation in attributing all mentioned benefits exclusively to Fairtrade, as no control groups have been included in the methodology.

Impacts and challenges on farm and organizational level

The quantitative data collected in the survey confirmed a series of positive developments that can to a great extent be attributed to Fairtrade¹. On the level of producers and their organizations the research data showed that Fairtrade:

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

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

- ✓ Helped to reduce use of pesticides in the properties and increased environmental and occupational health and safety.

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

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

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

Benefits on community and supply chain level

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

Two of the assessed cooperatives also achieved a major breakthrough as supply chain actors, as they gained influence on the processing and independent

control over the sale of their orange concentrate, a singular fact in a supply chain where few strong industries are controlling the processing assets.

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

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

São Paulo, December 12, 2013/BSD Consulting (Brazil)

1. Introduction

Fairtrade certified Orange juice is offered to consumers since nearly 15 years. The product has permanently won importance over the years. The size of the producers and structure of the supply chain vary strongly between different countries, but the major part of the product is sourced in Brazil, where the story of Fairtrade certified orange juice started in the late nineties. So far, no impact study has been realized for Fairtrade Orange Juice. In order to assess the benefits that the certification had for small size orange producers, Max Havelaar Netherlands and Max Havelaar Switzerland have mandated BSD Consulting to undertake an impact study, based on an in depth data collection in three selected producer groups in Brazil: Coagrosol, Coopealnor and Coopersanta.

The overall approach of this study has been guided by Fairtrade International's "Theory of Change"² and its methodological framework for impact assessment. The objective was to assess and evaluate to what extent Fairtrade International has achieved its three main goals for producers:

- ✓ Make trade fair
- ✓ Empower small producers and workers
- ✓ Foster sustainable livelihoods

Guided by the methodological framework, the study intends to provide insight into the particular kinds of change and the principal areas of benefit that Fairtrade had for producers, their organizations and their communities, based on the analysis of three Brazilian producer groups. In addition to the discussion on the quantitative and qualitative analysis, six producer and worker stories are attached to this report. They serve to illustrate, in a complementary way, the study results.

² Based on an internal draft of Fairtrade International.

2. Methodology

Our research was designed to assess the benefits that Fairtrade certification had for orange farmers in three selected producer organizations in Brazil. The criteria for the selection of the groups have been the following:

- The small producer organizations should be continuously certified for at least three years.
- The groups represent large and small organizations
- The groups represent different geographic locations: research partners should be selected from the region of São Paulo and from the more remote orange production areas such as the Northeast or South of Brazil.

Based on these criteria, Fairtrade International selected three cooperatives in Brazil to be assessed against its standard impact evaluation methodology.

In the first phase of our work, the methodology used for the study was validated by Max Havelaar Netherlands, Max Havelaar Switzerland, Fairtrade International, and the producer groups themselves. It relied on the following elements:

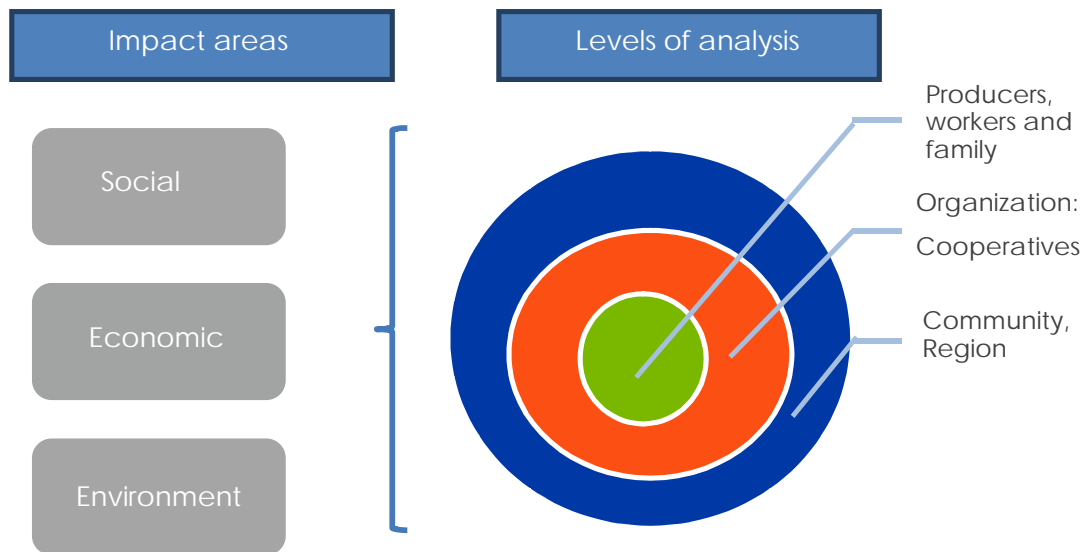
1. Case study approach:
 - ✓ Three Brazilian certified organizations are to be analyzed – Coagrosol, Coopealnor and Coopersanta. Due to the limited scope of the research, there was no control group. In this research we offer an assessment of the benefits of Fairtrade for orange producers in the specific circumstances of Brazil.
2. Research techniques involving:
 - ✓ Desk research
 - ✓ Producer focus groups using the timeline technique³;
 - ✓ Interviews with stakeholders to capture external perspectives;
 - ✓ Individual interviews with almost 50% of producers and workers;
 - ✓ Short stories of individual producers and workers.
3. Data analysis:
 - ✓ Triangulation of information desk research, interviews and observation.

³ The timeline technique asks a group of targeted producers to recall the milestones and major challenges and draw a timeline in a consensual way.

A strong emphasis was put on defining the main indicators reflecting the major expected benefits. Indicators have been agreed between BSD, Max Havelaar Netherlands, Max Havelaar Switzerland and Fairtrade International.

The study aimed to collect and analyze quantitative and qualitative data in order to describe results and effects in the three impact areas of social, economic and environmental impacts and on three different levels of impact (producers, organization and community), as the figure below illustrates. To a lesser extent, benefits in the supply chain have been subject to analysis.

Fig. 1: Impact areas and levels of analysis



The research work was conducted in 4 major phases:

1. Desk Research: Short literature research about the general global orange juice supply chain in the world, the market in Brazil (changes in prices and volumes, analysis of the situation in the last 15 years) relation to certified orange juice (sold volumes, prices).
2. Field research: Field research with the three producer organizations was conducted in April and May 2013. The research team conducted focus group discussions with producers (with average participation of 15 members in each cooperative), interviews with producers, workers and stakeholders. Each research trip was realized by teams of two researchers with the local support of two or three assistants who undertook interviews

and sent data to the digital database set-up for the study. Overall, 94 interviews with producers, 21 interviews with workers and seven interviews with local stakeholders have been done. More details are available in the section “Results of the field study”. For the interviews with producers and workers, a standard questionnaire (for the producers with 51 questions and for workers with 37 questions) was used.

3. Stakeholder Consultations: Interviews face-to-face and by telephone with stakeholders⁴ have been held to get additional input, to confirm evidence of the data collection and gather an external perspective⁵ on the development of the groups.
4. Validation of results: Individual research results reports for each producer organization were developed in Portuguese and sent for validation to the producer groups. One group gave additional input on the producer data and the supply chain analysis which has been incorporated in this final report. In general, the reports have been well accepted by the groups and no further claims have been brought to our attention.

The results presented in this report are based on a broad data basis and can be considered – for the scope of the three producer groups analyzed - statistically relevant, as the sample⁶ used represents nearly 50% of the producers and workers in each cooperative and represents the overall member structure in terms of age, gender and years of membership.

Nevertheless it must be observed that for many impact areas, the political and economic progress in Brazil has influenced the life of small producers positively and the benefits cannot always be clearly attributed to Fairtrade, although Fairtrade has contributed to catalyze certain developments. Whenever possible, we tried to identify if results were more evident in the certified groups than in other producer associations or groups without certification.

It is worthwhile to observe that in this report, we present the results of all three cooperatives analyzed. BSD has produced three individual reports in Portuguese for each producer group, which show in a clearer way the development of each single group in the local geographical context. Whenever useful, we tried to integrate findings of the individual reports in this overall report.

⁴ A list of consulted stakeholders can be found in the attachment.

⁵ Processors, exporters/importers, trade union and Fairtrade organizations have been engaged in interviews.

⁶ The sample has been selected to represent geographical clusters and gender proportions in the groups.

3. Orange juice: Overview of market trends

3.1 Orange juice: World market and trade data

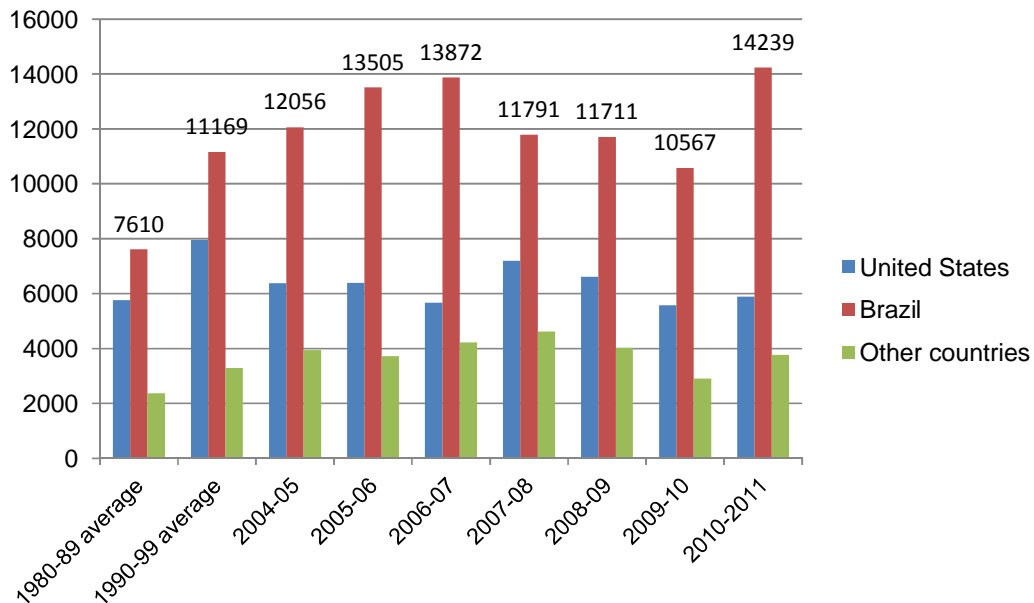
The production of citrus fruit for industrial processing accounts for approximately one third of the total global citrus fruit production. More than 80% of citrus processing is orange processing, mostly for orange juice production. The international trade in orange juice started to increase in the 1940s, after World War II, when citrus processing technologies were invented and developed.

The major feature of the world market for orange juice is the geographical concentration of the fruit production. There are clearly two main players: the United States and Brazil.

The following chart shows the evolution of total world production of oranges for processing, evidencing the dominance of the two origins Brazil and USA:

Fig. 2: Worldwide production of oranges for processing 1980-2011

World orange production for processing – in thousands of tons

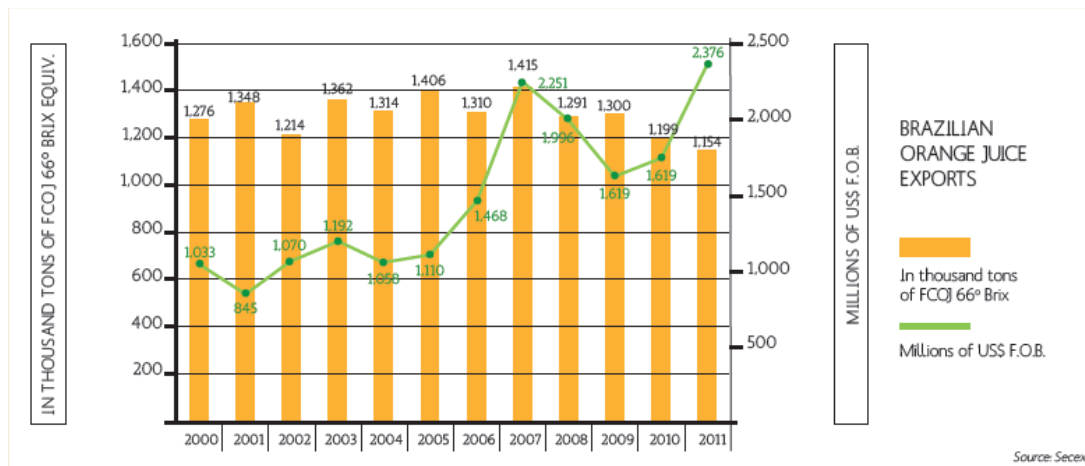


Source: FAO Annual Statistics 2012

The states of Florida and São Paulo are the main orange juice production regions. They are responsible for 70-80% of world production each year. São Paulo alone was responsible for more than 53% of the total global orange production (Citrus BR, 2009) and out of this production, 86% was supplied for processing. The harvest of the world's leading producers of citrus fruits has different destinations: industrial processing (juice production), domestic consumption of fresh fruit and fresh fruit export.

In 2011, global exports of citrus totaled 159 million tons or US\$ 272 billion in revenues. Brazil exports an average of 1,2 million tons of orange juice per year (tons equal to Frozen Concentrated Orange Juice (FCOJ) at 66° Brix⁷). The European Union is the largest importer of orange juice, responsible for over 80% of the global orange juice imports. Most of the imports realized by the EU and Japan come from Brazil, while the processing of fruit in the United States mainly serves national consumption.

Fig. 3: Brazilian Orange Juice Exports 2000-2011



Source: Secex, Brazilian Secretariat of External Trade, 2012

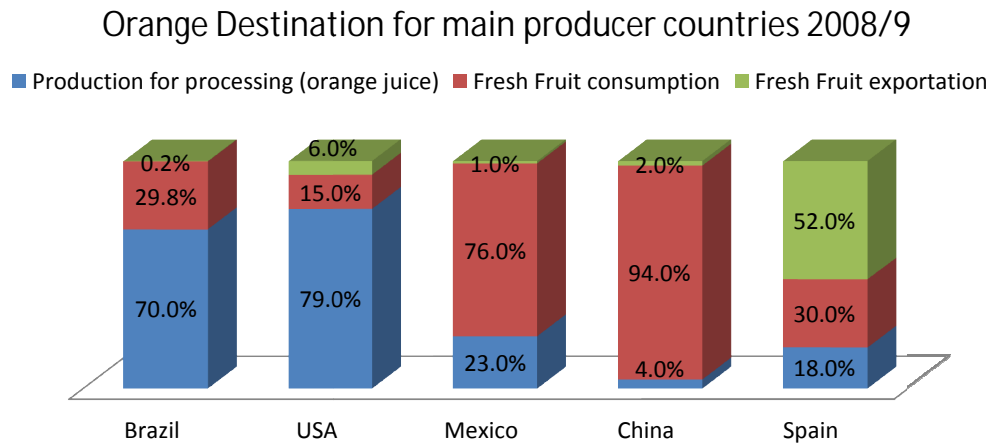
Concerning the projections for the 2013/14 orange harvest in Brazil, the studies led by Citrus BR have shown that the estimated productivity of the trees will drop approximately 25% due to the stress of the previous harvests, which represented a sequence of two large crops, in addition to adverse climatic conditions. Furthermore, the study also alerts to a reduction of 13.1 million orange plants,

⁷ Degrees Brix (symbol °Bx) is the sugar content of an aqueous solution. One degree Brix is 1 gram of sucrose in 100 grams of solution and represents the strength of the solution as percentage by weight (% w/w).

which will represent a decline of 19% of the total crop. In total, the production estimated in São Paulo and “Triangulo Mineiro”, the southwest corner of the state of Minas Gerais, will be 30.4% less than the crop of 2011/2012. These data underpin that the sector in Brazil is suffering a major crisis. Many producers have given up their orange plantations, substituting the tree with sugar cane or other crops that cause less work and provide them with a regular income.

The crisis has several reasons. A strong depression affects the orange sector in Brazil since the financial crisis in 2008. With restricted financial resources, traders were not able to forward products to final buyers and large stocks of juice concentrate accumulated in the ports and created additional costs to the exporting industry. Additionally, the consumption of orange juice has not developed further. Other naturally flavored drinks compete with orange juice and caused a backlash in the sales development. The depression has affected the commitment of the processing industries to purchase raw material from individual orange farmers. Their supplies come from their own big plantations in the first place. The crisis has lingered until today and left a situation in which many producers had to walk away from orange production, looking for other income sources such as sugar cane, vegetables or other activities.

Fig. 4: Destination of fruit in orange export countries



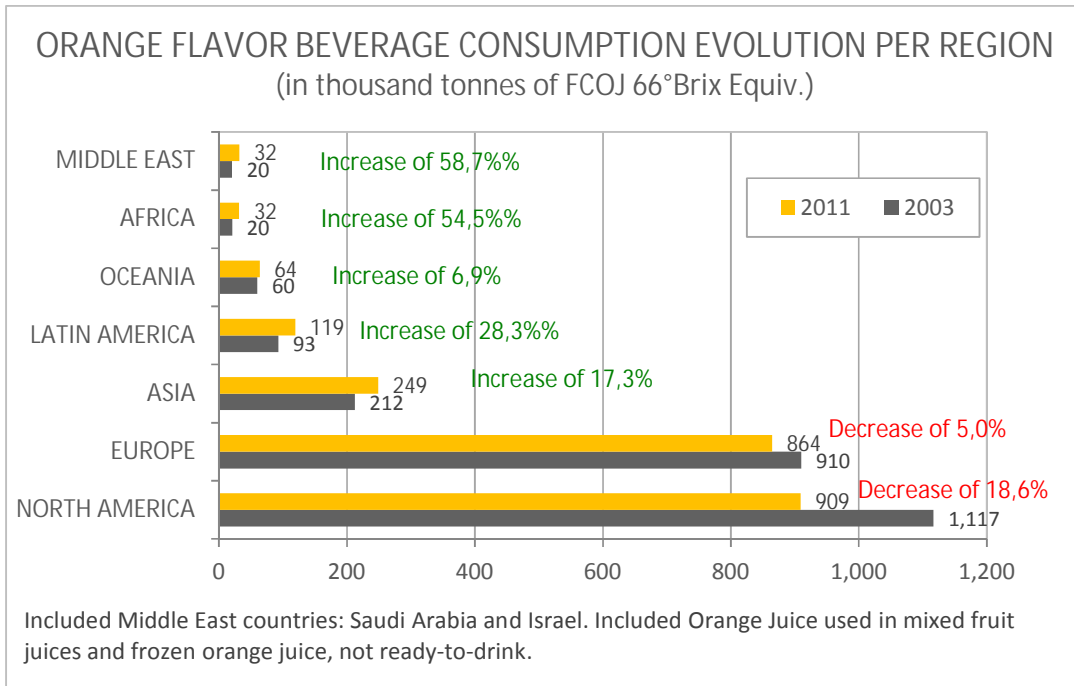
Source: Elaborated by BSD based on Markestrat⁸ (FAO, USDA and IBGE)

⁸ Fava Neves, Marcos (2010)

3.2 Orange juice consumption

Orange juice is the most consumed fruit-based beverage in the world. It represents 34% of the juice market and in the global beverage market, orange juice represents 0.91%.

Fig. 5: Orange beverage consumption 2003 and 2011



Source: Markestrat

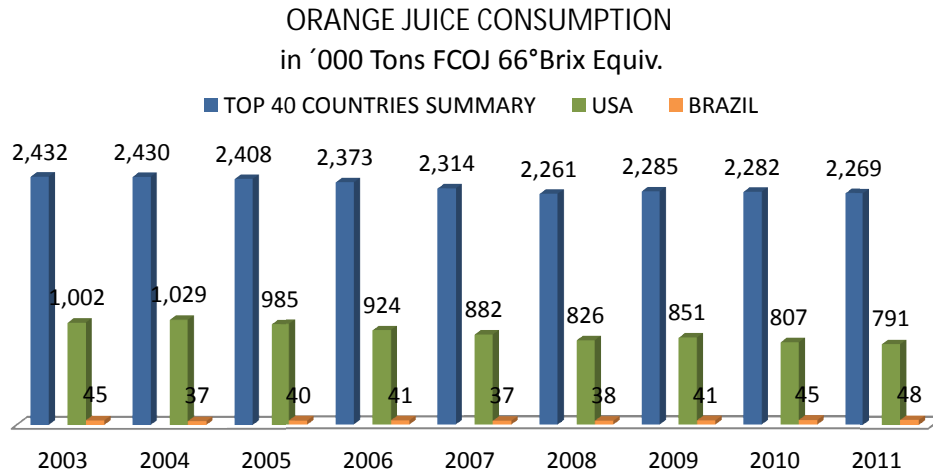
Regarding the consumption of orange juice per person, the European Union is only surpassed by North America with the rest of the world's regions following far behind these two. But recently the EU fruit juice and nectar consumption has decreased. Industry representatives have linked the reduction to the launch of alternative beverages with juice flavors that are often sold at lower prices than juices.⁹

Another reason for the contraction of juice consumption is the fact that commodity prices including concentrate have increased and – together with

⁹ Personal information sources of BSD at juice industries.

more expensive logistic costs – have led to increased prices that consumers are not prepared to follow.¹⁰

Fig. 6: Decrease of total orange beverage consumption



Source: Elaborated by Markestrat from Tetra Pak Compass and Euromonitor International

3.3 Context of orange production in Brazil

Brazil, the biggest orange producer, uses 70% of its production for industrial processing. São Paulo and “Triângulo Mineiro” being responsible for 86% of this production, the rest of the production is divided between the states of Bahia, Paraná and Rio Grande do Sul.

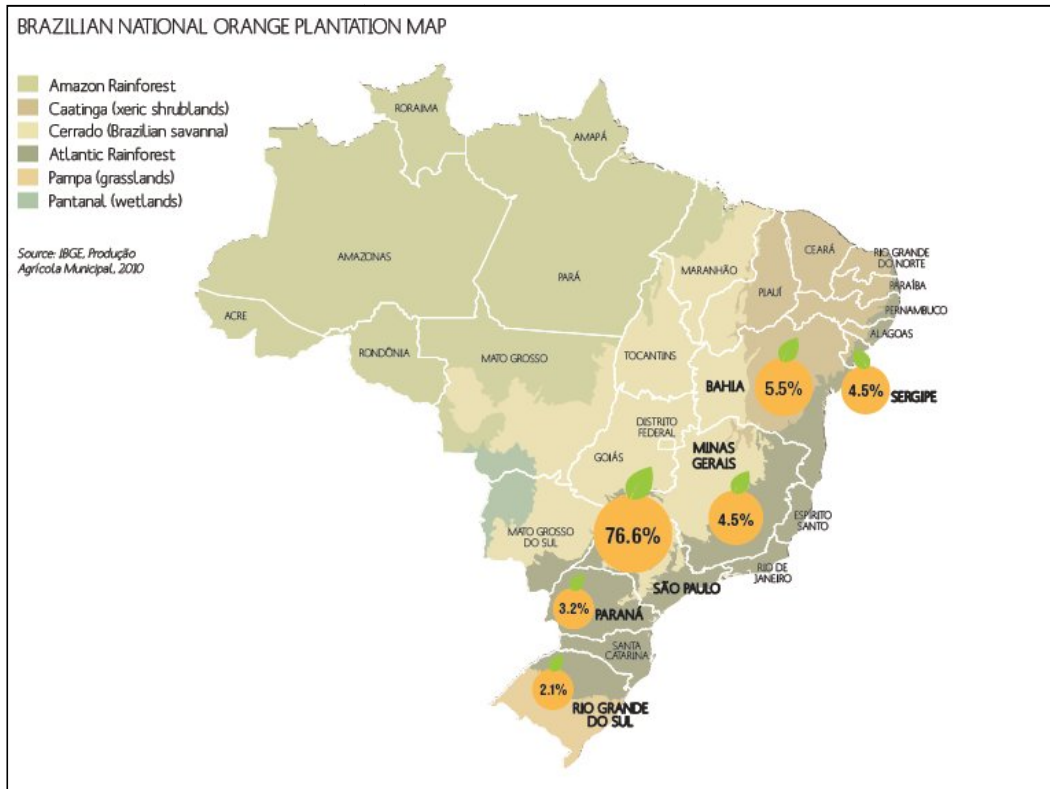
A study led by Citrus BR, the association of the big orange industries (Citrosuco, Louis Dreyfus and Cutrale) shows that the operational cost of producing oranges in 2010 was R\$ 7.26 per box for the big industrial plantations. For small producers the average cost per box in 2010 was R\$ 9.76, according to studies of Scot Consulting.¹¹ Among the costs, labour is the most expensive one. Between 1994 and 2010 labour costs have increased by 628%.

¹⁰ See AJIN Market report 2012, page 6, download at:

<http://www.ajin.org/pages/main/file.handler?f=AJINMarketReport2012.pdf>

¹¹ See: http://www.agroanalysis.com.br/materia_detalhe.php?idMateria=997

Fig. 7: Orange production regions in Brazil. The groups analyzed in this report represent the regions of the Northeast (Bahia, Sergipe), Southeast (São Paulo) and South (Paraná) -



Source: Instituto Brasileiro de Geografia e Estatística (IBGE), 2010

According to Citrus BR, 87% of all orange producers are small farmers that each own less than 20,000 trees which corresponds to 21% of the total number of existing trees in the citrus belt of São Paulo and “Triângulo Mineiro”. The medium producers with farms that contain between 20,000 and 199,000 plants hold 32% of the total of producing trees. The remaining 47% is in the hands of big farmers or industries that own properties with more than 200,000 plants. Assuming an average of 400 plants per hectare, this corresponds to more than 500 hectares.

The number of small farmers has decreased enormously during the last decade. In the last ten years, the total number of individual small and medium size farmers has been reduced from 29,000 to 17,000 according to Associtrus, the Brazilian association of citrus farmer¹². Small farmers have continuously left the production.

¹² http://www.associtrus.com.br/informativos/47_junho_julho_2013.pdf

They were marginalized by the industries which source most of their raw material from their own plantations and some selected bigger producers.

The value chain of oranges comprehends more than just the production of oranges consumed directly or juice sold overseas. It also includes the logistics, and it generates wealth for the fertilizer industry. Furthermore, the sector directly employs about 230,000 people in more than 300 Brazilian municipalities. In 2009 the citrus sector was responsible for a GDP of US\$ 6,5 billion, of which US\$ 2,15 billion was generated by sales in the foreign market.

The value creation can basically be divided in three phases: before, during and after production at the farm. In the first phase, the inputs include everything that is needed for the agricultural production, such as fertilizers, seeds, machines, mechanical irrigation, pesticides and soil correction substances. After that, significant value is added by planting and harvesting, which demands the employment of labour. Over US\$2 billion is generated in this phase. The value addition is higher in this phase than in the industrial one which squeezes the fruits, in order to sell the juice to the retail markets. The industry is responsible for processing and packing the juice. The main industry players in Brazil are Cutrale, Citrosuco¹³ and Louis Dreyfus. They concentrate nearly all industrial assets in their hands, while smaller industries such as Tropfruit or Citri, that have been engaged with the Fairtrade groups for years, only play a marginal role.

3.4 Orange market price and Fairtrade price

The most important factor determining the price of a box¹⁴ of oranges and consequently that of the orange juice, is the supply of the fruit by the two major production regions in the citrus world, São Paulo (Brazil) and Florida (USA). There are two different prices: one for the fruit used for consumption as fresh fruit and another for the fruit that is sold to the processing industry. The main reason for the decision to sell to one of these buyer markets is the price that the producers receive per box. The local price paid for fresh fruit for consumption can strongly influence the development of the juice market, as producers tend to sell their fruits to the market that guarantees the better return. On the other hand, there is more work and more quality selection needed for the fresh fruit market.

¹³ Citrosuco is a joint venture of former Citrosuco, owned by Fischer Group, and Citrovita, owned by the Votorantim Industrial Group.

¹⁴ A common volume measure for the volume

As for the Fairtrade market, the minimum price sets the floor price for oranges for processing. During the start of the crisis in 2008 and 2009 it was clearly above the market price. However, in periods when the market prices are above the minimum price, the market prices prevail. Irrespective of the market price, there is always a Fairtrade premium to be paid. Currently, this premium is set at US\$ 200 per MT juice equivalent for conventional and US\$ 300 per MT juice equivalent for organic oranges

The minimum price for oranges is set in relation to the price for FCOJ. Depending on the processing method, the minimum price for juice equivalent is between 65 and 74% of the FCOJ price for non-organic orange juice (US\$ 2,300 per MT). Based on the assumption that between 250 and 280 boxes are needed to make 1 MT of FCOJ, this translates to a minimum price per box of oranges between US\$ 5.34 and 6.80. This price rule however only applies since June 2013. A project conducted between June and August 2012 had previously led to a minimum price of US\$ 5 EXW per box of oranges (complementing the price for FCOJ, that was US\$ 2,200 per MT FOB since 2010).¹⁵

Before that there was no fixed minimum price for oranges for processing, but only one for FCOJ, set at US\$ 1,700 since December 2008.¹⁶ Compared to FCOJ level, this price was approximately 23% lower than the price between 2010 and 2013. Translated to oranges for processing, this would imply a minimum price for oranges at around 3.86 US\$ per box or 8.03 R\$¹⁷.

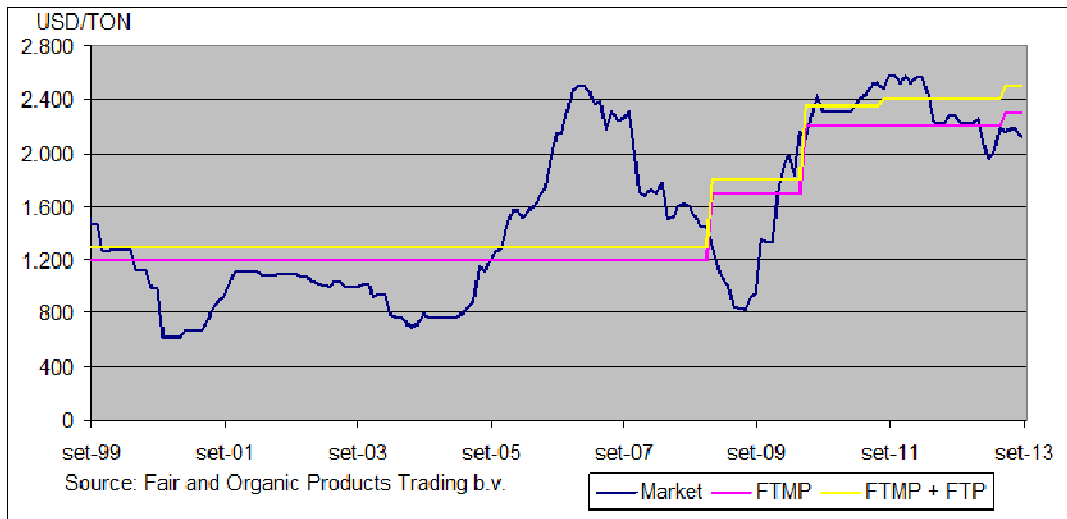
Below we present the graphs for the FCOJ-minimum price as well as the graph of the local box prices in order to illustrate the price dynamics to which producers are exposed year to year.

¹⁵ For more information, please check the guiding document of the Fairtrade Pricing Unit: http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/2013-6-13_EN_OrangeJuicePricing_ExplanatoryDocument.pdf

¹⁶ And before that it was 1200 US\$/ MT for conventional FCOJ, since May 2005.

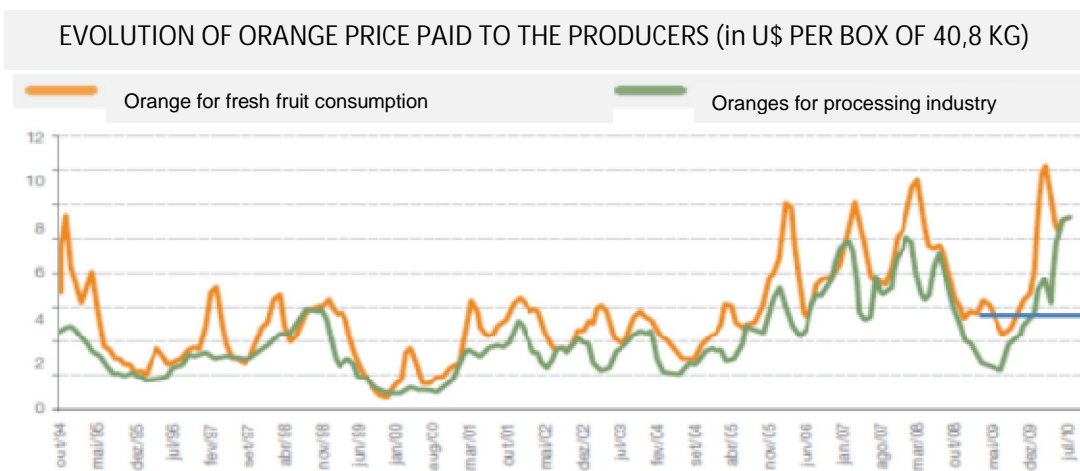
¹⁷ Average exchange rate in 2012 used along this study: 1 US\$ corresponded to 2.08 Brazilian Reals

Fig. 8: FCOJ market prices and Fairtrade floor price.



Source: Elaborated by Fair and Organic Trading. In blue the world market price per ton of concentrated orange juice. The Fairtrade Minimum price (FTMP) is a floor price which means that buyers use market prices in their day to day-transactions, adding the Fairtrade Premium, when those prices are above the floor price. The yellow line shows the Fairtrade Minimum Price plus the Fairtrade Premium.

Fig. 9: Orange market prices per box (October 1994 to July 2010).



Source: Elaborated by Markestrat from Cepea. In blue the estimated orange box price when the Fairtrade minimum price applies has been included.

As the orange price for juice production sometimes falls below the fresh fruit prices, this remains a constant threat for the development of the juice market. It can also affect the Fairtrade market, when the farm gate price for fresh fruit is extremely high. The following observations show that local market factors can affect the competitiveness of the Fairtrade price:

- o Sometimes, the producers get a higher price on the local fresh fruit market and decide not to supply oranges to the industry.
- o There were some years when the Fairtrade floor price was not so competitive due to the exchange rate (2007, 2008, 2010), which was around R\$ 1,6 or 1,7 per US\$. As local buyers offered the market price, the Fairtrade market had to compete directly with the domestic market that offered similar prices.

On the other hand, there are factors that can significantly favor the certified producers:

In 2011 and 2012 the prices in the local market were very low, which showed acceleration of the sector crisis in Brazil. It was exactly during these two years that the assessed Fairtrade cooperatives saw major successes to which the floor price of Fairtrade was supportive.

- o With the current price definition Fairtrade is very competitive for the producers. Even after, in 2011, the Brazilian Government established a minimum price per box of R\$ 10.50 in 2011, Fairtrade is today more competitive. This was due to the US\$-exchange rate, which was in 2013 on average 2.2. The Brazilian floor price would therefore correspond to US\$ 4.7, while the box price for Fairtrade oranges is between US\$ 5.34 and 6.80.

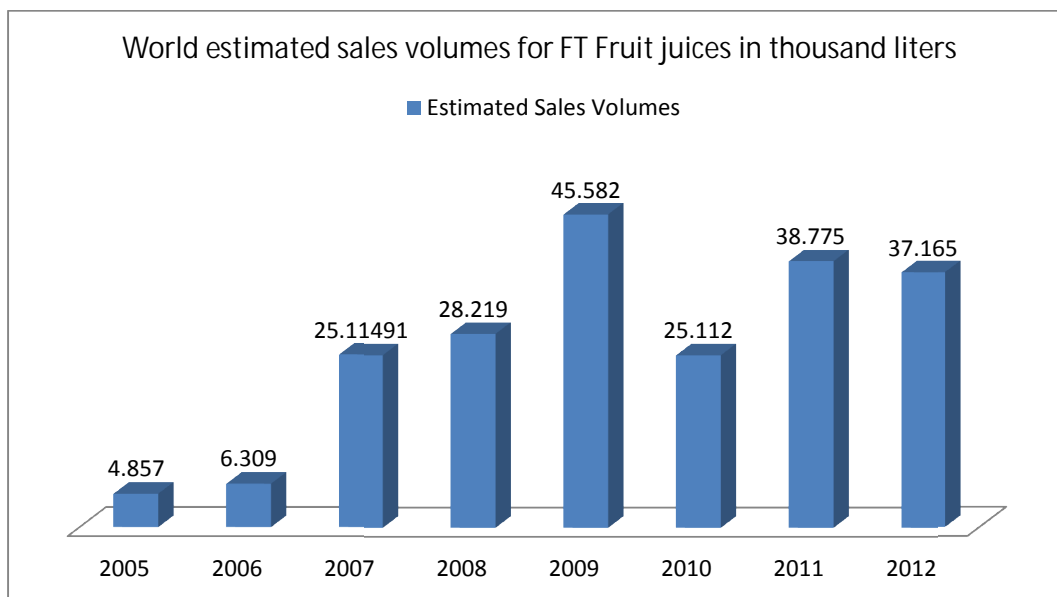
The level of the Fairtrade Minimum Price has been one of the major issues for discussion amongst producers over the last years. Fairtrade International has re-evaluated the minimum price and its definition in collaboration with the producer groups and other Fairtrade stakeholders. The current pricing model seems more adequate and assures added value for the groups and their producers.

3.5 Fairtrade certified orange juice

In 2011 there were, according to data from FLO-Cert, a total of 538 certified producer organizations in Latin America and the Caribbean region:

cooperatives and plantations using hired labour. Of a total of 37 Fairtrade certified producer organizations in Brazil, 8 small producer groups sell fruit juices (orange, guava, lemon, and mango pulp). The total sale of Fairtrade certified fruit juices has recovered in the last two years, after a significant reduction in 2010 due to shrinking markets.

Fig. 10: World estimated retail sales volumes of Fairtrade fruit juices in thousand liters.



Source: FI Annual Reports

In Brazil a common distinction between industrialized farming (agribusiness) and family farming is made. Fairtrade recognizes family farming in Brazil as small scale production, be it that the respective farms are normally of a bigger size than those of the small producers in other countries where Fairtrade works. In order to classify family farmers as small producers, Fairtrade uses the following criteria:

- They hire a maximum of two permanent workers
- The land they cultivate is equal to or below 4 “módulos fiscais”¹⁸
- They spend most of their working time doing agricultural work on their farm.
- Most of their income comes from their farm.

¹⁸ “Módulos fiscais” can vary between 4 and 30 hectares, depending on the region. For an overview please consult the document published by INCRA in Brazil:
http://www.incra.gov.br/portal/index.php?option=com_docman&task=cat_view&gid=296&Itemid=136&limitstart=7

The indicators on workers and farm size apply to the entire farm and the total number of permanent workers hired by the small producer, even if the land is used or the workforce employed for other, non-Fairtrade crops.

An organization qualifies for certification if at least half of the members are small producers and at least half of the volume of the Fairtrade product is produced by small producers.

The eight Fairtrade certified Brazilian operators that are producing oranges are listed below:

Cooperative	Date of certification	State	Region
Coacipar	July 2002	Paraná	South
Coagrosol	June 2002	São Paulo	Southeast
Ecocitrus	March 2005	Rio Grande do Sul	South
Coopealnor	March 2008	Bahia	Northeast
Coopersanta	August 2009	Paraná	South
Ass. Citricultores			
Liberato Salzano	January 2012	Rio Grande do Sul	South
Cocamar	April 2012	Paraná	South
Coofrutaf	July 2012	Rio Grande do Sul	South

The Fairtrade certified orange producer groups are located in all major producer regions and the analyzed groups represent them all: Southeast (Coagrosol, state of São Paulo), South (Coopersanta, state of Paraná) and Northeast (Coopealnor in the state of Bahia). In terms of numbers most groups are located in the South of Brazil, where the cooperative movement of small farmers has traditionally been stronger than in other regions.

Fairtrade certified orange juice had its origin in a campaign in 1999/2000 that aimed to create awareness among German and Austrian consumers on the working conditions in the orange harvests of Brazil. A group of German NGOs campaigned to eliminate child labor in orange plantations, together with a group of members of the Itápolis workers' union in the interior of the state of São Paulo. A platform of Brazilian NGOs (TIE, Amencar, Capina) tried to raise the interest of local citrus producers for the concept of Fairtrade, but did not manage to involve an industry prepared to enter into a partnership with small producers and process the fruit for the European consumers.¹⁹

¹⁹ The three major industries in the São Paulo region were not willing to open the door for a small producer movement that was looking for more independence.

The search for a qualified producer was only successful at the end of 1998. A Fairtrade delegation then found the producers associated with Acipar (Associação dos Citricultores do Paraná) in Paranavaí, in the northeast of Paraná and the orange juice factory Paraná Citrus S/A²⁰ capable to offer the needed volumes and willing to become Fairtrade certified. Contracts were signed arranging the sale of oranges from Acipar to Paraná Citrus for processing and exportation to Europe under Fairtrade rules. The beneficiaries were the Acipar producers, together with the orange pickers working on their farms as migrant workers. The first contracts in the consumer market were signed with a large Swiss retailer and included a project fund financed with Fairtrade premium that was paid on top of the sales price. This money was used to the benefit of the orange pickers. One of the cooperatives assessed today, Coopersanta, was formed by a group of pickers that was initially assisted by the Fairtrade Premium Fund.²¹

3.6 Characteristics of the Fairtrade supply chain

The supply chain of Fairtrade certified orange juice shows particular features which differentiate the product from other commodities. In order to process high volumes of oranges and produce frozen concentrate, a capital intensive technology is necessary which is in the hands of only a few companies. This reduces the possibilities for the producers to choose with whom they want to work to process their oranges and export the juice concentrate.

In order to be able to export their own FCOJ, cooperatives need collaborations with processing industries in their region. Having a good relationship with these industries is crucial. In Brazil, most of the processing plants are owned by one of the big three orange juice companies.²² There are some smaller independent factories that have been partners of the Fairtrade cooperatives over the years. But today big factories are also part of Fairtrade supply chains, as interest in sustainable sourcing has grown on the consumer side and the industry recognizes that Fairtrade has become more than a market niche.

The following figure shows one of two possible Fairtrade supply chains. All actors in the supply chain need an official registration or Fairtrade certification and are controlled by FLO Cert auditors. Important is to understand that the criteria of

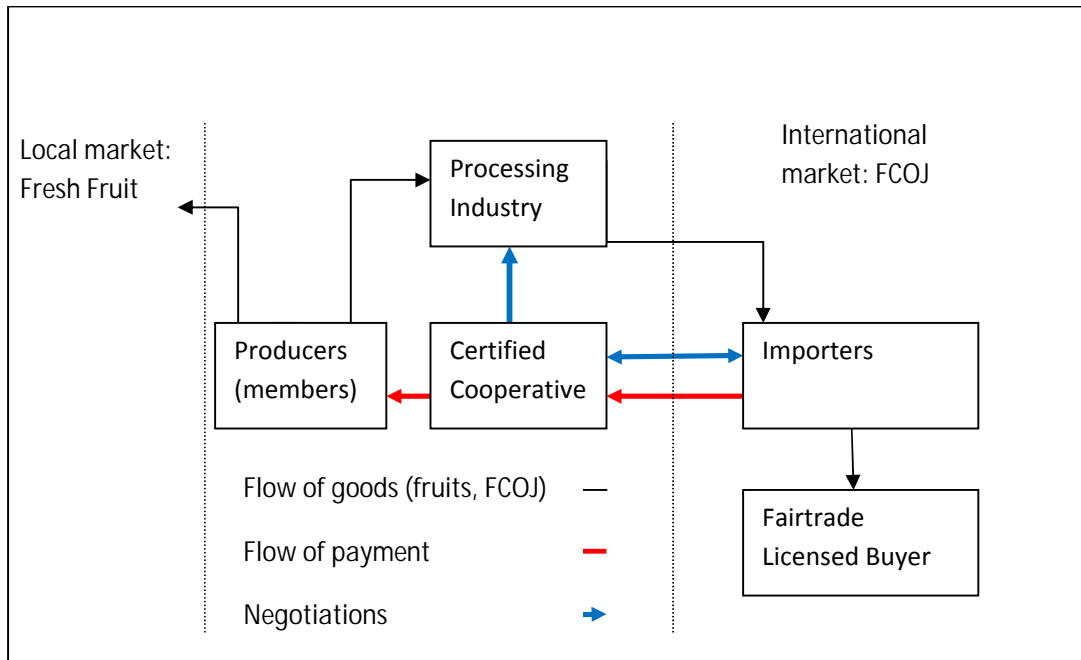
²⁰ Part of Cocamar, one of the largest cooperatives in Brazil, and today purchased by Louis Dreyfus Commodities

²¹ More on the history of Certified Orange Juice from Brazil can be found in Machado (2008), and Grüninger and Uriarte (2002) and more on the history of Fairtrade in Brazil in Witmer (2012)

²² Citrosuco, Cutrale and Louis Dreyfus Commodities

Fairtrade are influencing the practices at the producer level. The producer supplies his fruits to the factory under the terms and prices that the cooperative has negotiated and which are following Fairtrade standards.

Fig. 11: Fairtrade Orange Juice Supply Chain in which cooperative sells concentrate to importer



The sale of orange concentrate processed from the supplied volume of fresh fruit (250-280 boxes of fresh fruit are necessary to get one MT of juice concentrate) is organized by the cooperative directly with the importers, under the terms of Fairtrade. The factory is only a service provider. This is different in the case of one of the assessed cooperatives, Coopersanta. Coopersanta is paid for the fruit tons supplied to the processor, who then sells juice concentrate to the Fairtrade importer.

As shown in the figure, producers have a second option: they can supply the local market with fresh fruit. Although loyalty is expected, the cooperatives cannot force their members to sell all their fruit via the cooperative for processing. This fact explains the problems sometimes encountered in Fairtrade chains, when local fresh fruit prices are extraordinarily high and turn into local competition for the Fairtrade market.²³

²³ As discussed in section 3.3

4. Assessment results

This main section of the report summarizes the results of the data collection, summing up all data collected at three cooperatives in Brazil in consolidated graphs.²⁴ The study examines three areas of impact - social, environmental and economic - in three different organizational levels:

- Producers, workers and their families;
- Cooperative;
- Community.

For each level, a different methodology of data collection was applied. This report provides the results of a quantitative and qualitative field study for each group analyzed. After a short overview, we present the major results grouped by impact areas.

The following three groups have been chosen, as they comply with the selection criteria mentioned in chapter 2:

- Coagrosol is a Fairtrade certified group in the heart of Brazil's strongest producer region in the center of the state of São Paulo, it was one of the first Fairtrade certified groups in Brazil.
- Coopealnor is located in the poorer northeast region of Brazil and is composed of smaller producers compared to those of the southeast and south of Brazil. (This is a regional characteristic; the majority of the producers in this region are small producers.)
- Coopersanta was founded by former orange pickers that changed their status from workers to small producers in the region where the first certified orange juice was processed more than 10 years ago (see history of Fairtrade Juice in the previous section).

4.1 Short overview of the cooperatives

The timeline elaborated in cooperation with the producers and presented for each group can give an overview of their long term development. In this report,

²⁴ The criteria to select the three groups have been established by FI and are detailed in the methodology section.

all data are summed up in order to deliver an overall analysis. The table below presents general data for each cooperative and the size of the samples that were targeted for data collection.

Overview of Coagrosol, Coopealnor and Coopersanta

Cooperative General Data	Coagrosol	Coopealnor	Coopersanta
Foundation year	2000	2007	2007
Year of certification for Fairtrade	2002	2008	2009
Number of producers	61	79	53
Male producers	56	68	44
Female producers	5	11	9
Members that left the group in the last 5 years	115 ²⁵	9	5
Number of members that joined the group in the last 5 years	70	60	58
Number of Cooperative employees	7	3	1
Number of members that have permanent farm workers	16	1	1
Total number of permanent farm workers	21	4	4
Estimated number of hired temporary workers during harvest	280	30	-
Orange production in 2012 (ton)	24.479 ²⁶	4.216	5.705
Fairtrade orange juice (FCOJ) in 2012 (in % of total sales)	46%	95%	100%
Fairtrade premium received in 2012 (in R\$) ²⁷	R\$ 453.645	R\$108.932	R\$115.489

Samples for data collection

Data of field research samples			
Cooperative	Coagrosol	Coopealnor	Coopersanta
Members interviewed	32	31	31
Workers interviewed (permanent)	12	2	2
Workers interviewed (temporary)	5	-	-
Local stakeholders interviewed	3	1	3

Out of a total of 193 producers, 94 or nearly 50% were interviewed during the data collection. Also, of a population of a total of 29 permanent workers, 16 or more than 50%, were interviewed. Both samples allow us to affirm that the quantitative data are a reliable representation of the reality of producers and workers in the selected organizations. The sample represents the range of long term and short term members but also geographical and gender distribution.

²⁵ Coagrosol lost most members during the financial crisis in 2008 and 2009, when Coagrosol was hit hard and suffered losses

²⁶ Coagrosol members are on average and due to the regional structure of larger size and show a significant higher production volume.

²⁷ The average exchange rate for 2012 was R\$2.02 for US\$1.00

In all cooperatives, board members have been interviewed in order to get an overview of the developments of the groups in the last financial year. On the next pages, we present a short profile of each cooperative that has been visited and analyzed.

Coagrosol

Coagrosol is located in the municipality of Itápolis, a city with 47,000 inhabitants in the economic strong state of São Paulo, where 30% of the Brazilian GDP is generated from industrial, commercial and agricultural activities. The economy of Itápolis is mainly focused on services; agriculture comes in second place, with a percentage of 22.88% of the total GDP, followed by industrial activity. As we can observe in the table below, the GDP of Itápolis represents a small amount compared to the total GDP of São Paulo, approximately 0.12% of the total.

GDP of Itápolis in R\$ 1000,00²⁸

	Itápolis	São Paulo	Brazil
Agriculture	164,194	11,265.005	105,163.000
Industry	127,059	193,980.716	539,315.998
Services	459,231	406,723.721	1,197.774.001

The macro-region's main economic activity is agriculture and related industries and commerce with a focus on production of orange, lemon, mango and guava. Two of the main global FCOJ producing companies – Citrusuco and Cutrale - have industry units in the region which also buy directly from individual producers. According to the last rural census of IBGE, the number of farms that produced orange permanently was 1,032.

The story of Coagrosol is directly linked to the origin of Fairtrade orange juice, when a group of German NGOs cooperated with a group of rural workers of the Itápolis workers' union on a campaign to eliminate child labor in orange plantations in Brazil.²⁹ Along with the efforts of the workers' union, independent producers first formed an association, Abacitrus, with the objective of getting more independence from the market that is dominated by the big industrial corporations. Later they founded the cooperative Coagrosol (Cooperativa dos Agropecuários Solidários de Itápolis – the Cooperative of Solidarity of Agricultural and Livestock Producers of Itápolis). The arrangements for the first sales of

²⁸ Source: <http://cidades.ibge.gov.br/painel/economia.php?lang=&codmun=352270&search=sao-paulo|itapolis|infograficos:-despesas-e-receitas-orcamentarias-e-pib>

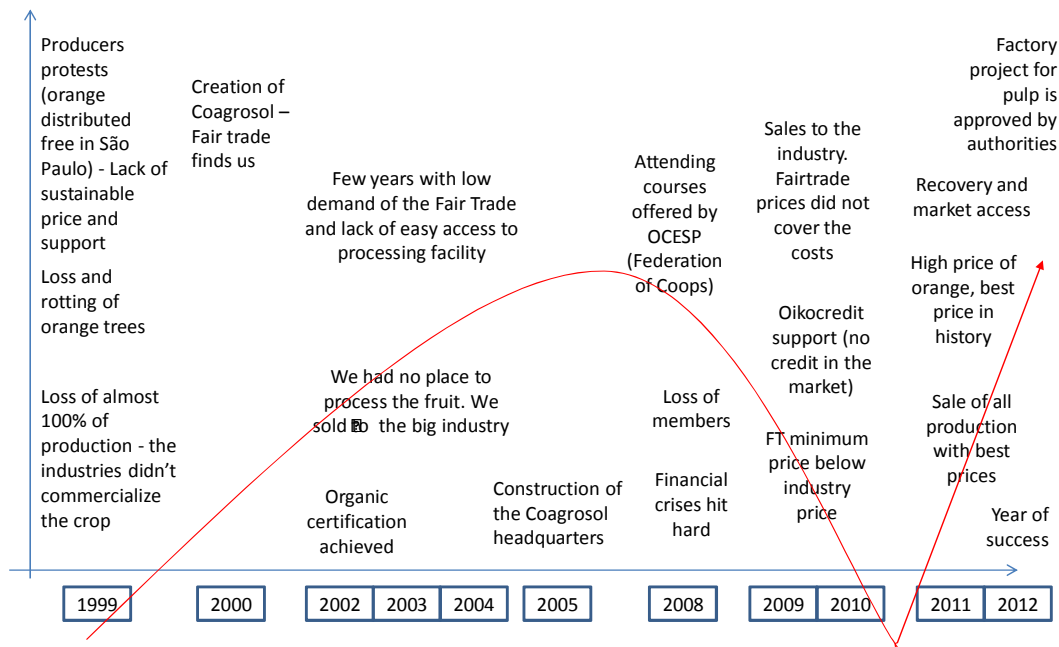
²⁹ See introduction.

Fairtrade products were made with Max Havelaar Switzerland, and the first contract was signed in 2000.

According to the own evaluation of the producers (reflected in their timeline below), the development of the cooperative was always characterized by multiple difficulties: They had difficulties to find industries that accepted to process their fruit. In 2009 and 2010 they registered significant financial losses that led to a restructuring, with the support of financial institutions to which Coagrosol was linked due to their participation in the Fairtrade movement.

Figure 12: Timeline elaborated by a focus group of Coagrosol producers.³⁰ Their affirmation “Fairtrade finds us” represents the year of the certification 2002.

Coagrosol Timeline



Between 2008 and 2010, along with the global financial crisis, Coagrosol had a very difficult time. In this period the market was very weak and Coagrosol couldn't sell products, having difficulties even to export to the Fairtrade market. For this reason the credibility of the cooperative in the region decreased. It lost many members and needed to borrow money even with high interest rates to

³⁰ The timeline technique asks the respondents to recall the milestones and major challenges that the cooperative surpassed. The final line, expressing the overall development, is drawn in a consensual way.

honor its commitments to the producers. The cooperative nearly went bankrupt.

But nowadays, the cooperative is at a turning point and has become the only real viable alternative for smaller orange producers in the region.³¹ Coagrosol is consolidating its client relations and is developing products for the local market, reaching already high volumes of sales of fresh juice to municipalities in a governmental purchase program. Until this moment, the products are processed by a small industry that partners with Coagrosol, but the cooperative has a project to build their own pulp factory which has already been approved by the state agency for rural development and should start to operate by end of 2013.

Exported Fairtrade certified orange juice represent 46% of the total revenue of Coagrosol. Coagrosol also works with guava, lemon and mangos for Fairtrade exportation and the total revenue of these fruits represented 3% of total sales. The sales of FCOJ to the local market represent 34% of the Coagrosol income and the other 17% are the sales of others juices (lemon, mango and guava) to the local market. In 2012, Coagrosol had a strong growth, increasing by 39% its financial turnover compared to 2011. This growth is mainly due to the increased orange sales. The orange production in 2012 was 24,479 tons, 67% above 2011.

The volume of total fruit juice concentrate production (including mango and guava) in 2012 was 2,387.45 tons, and for FCOJ the amount was 2,238.04 tons. Conventional, or non-organic orange juice, represents 99% of the total FCOJ volume. In 2012 a total of 2,235 tons of conventional orange juice was sold, the rest was sold as organic certified FCOJ. After having worked with smaller industries for some years, in 2012, Coagrosol worked with Citrovita (today Citrosuco) as industry partner. The total amount of orange produced by Coagrosol in 2012 was 24,479 tons, which corresponds to 4.45% of the total volume in Itápolis, 550,000 tons, according to IBGE.

Coopealnor

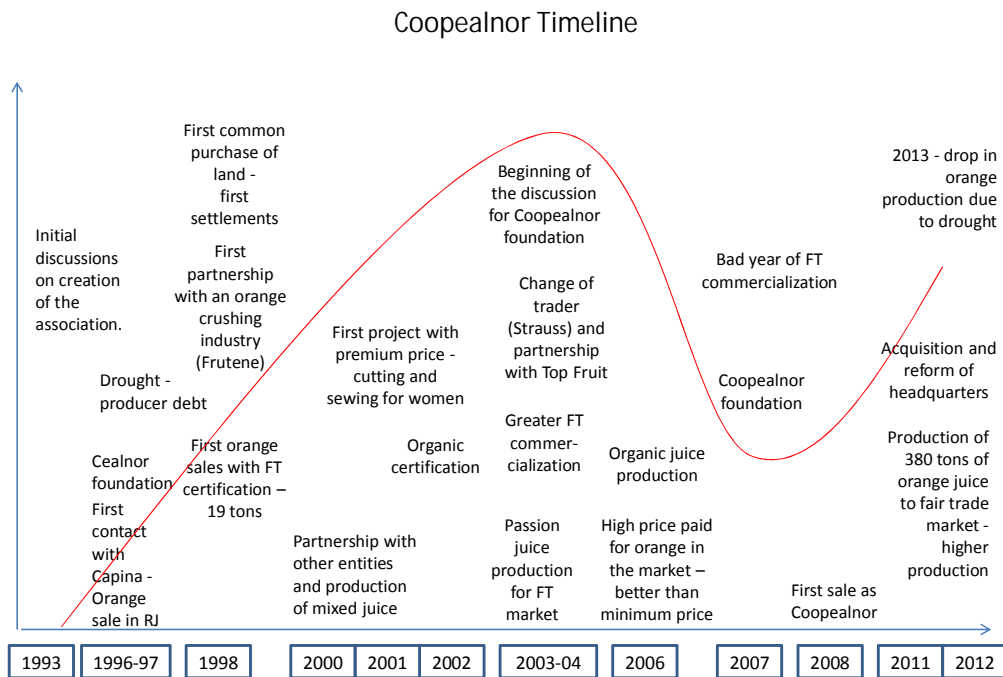
Coopealnor is located in the municipality of Rio Real in the state of Bahia, a city with a population of 40.203 inhabitants. The macro-region's main economic activity is agriculture followed by services. Industry does not represent a significant activity, with only 7.63% of the GDP, according to IBGE. Furthermore, the Gini-index, that compares the concentration of capital among a determined

³¹ Based on local stakeholders and small producers' perceptions collected in the interviews.

population, is 0,4³², which shows the high inequalities in terms of wealth distribution in the region.

Coopealnor was founded by the local producers because they had difficulties to get access to land and credit, since the government was only allowed to give credit to formalized groups of producers (Cooperative or Association) and not to individuals. But with the foundation of the association Cealnor in 1997, the producers were allowed to get bank credit and could buy their land. So the foundation of the Association was driven by the necessity to get bank credits. Later, the producer association turned into a cooperative and changed its name do Coopealnor.

Figure 13: Timeline elaborated by a focus group composed of Coopealnor producers. Coopealnor has been certified as a cooperative in 2008, but it's first sales with the Max Havelaar label have started in 1998/99, when national label initiatives such as Max Havelaar certified producers as associations on their own, without being formalized cooperatives yet.



The first growth of the association was possible mainly the support of Capina, an organization that helped the cooperative to enter the market in Rio de Janeiro.

³² The index is 0 for perfect equality and 1 of total inequality.

After entering the Fairtrade movement, for many years, the producers had economic stability and could grow their production volume, thanks to the benefits that the Fairtrade market offered them.³³ The cooperative was hit by the crisis in 2008-2009 but not to the same extent as Coagrosol.

Currently the producers of Rio Real are in a critical situation because of a drought that was suffocating the Northeast in the first semester of 2013. Due to the drought, the producers in the region lost 50% of their orange plantation and they do not know what will happen next year. They are also afraid that they will not have a good quality of fruit to sell to the market this year.

The total volume of orange production in 2012 was 4,216 tons, compared to 360,000 tons produced in the municipality. 95% of the production was commercialized on the Fairtrade market and 5% was sold as fresh fruit through governmental programs. For many years, Coopealnor has worked together with the same juice processor in a very stable partnership according to both the processor and the cooperative. Of all assessed cooperatives, Coopealnor showed the lowest productivity, as the region in general has a lower average productivity than the South or Southeast regions (see section of “Field Study: Research Results”).

In the timeline exercise, producers recalled a backlash in Fairtrade sales that affected the cooperative due to high local prices in 2006, which was followed by lower sales because of the financial crisis. But the reduction in sales volumes did not threaten the existence of the group as in the case of Coagrosol. A strong characteristic of Coopealnor is that it had - all over the years - very strong market relationships to specific alternative trade organizations³⁴ which traditionally sourced different fruit juices from the cooperative.

Coopersanta

Coopersanta is located in the municipality of Alto Paraná in the state of Paraná, a small city with 13,663 inhabitants. One of the main economic activities in the region is agriculture, which represents 33.43% of the GDP of the area, according to IBGE.

The group is a unique example, as it shows the transformation of a group of orange pickers to producers having their own land. Most of the members had

³³ Source: Timeline analysis by producer focus group and management interview.

³⁴ Alternative trade organizations are companies that genuinely adhered to the Fair Trade principles and only source products from organizations that are certified or belong to the wider Fair Trade movement.

worked before on farms that were part of Acipar, one of the first Fairtrade orange producer associations in Brazil, certified in July 2002.

As pickers of Acipar, the founding members of Coopersanta benefitted at that period from services provided by Arproclan, an association founded by producers and workers with the objective to administrate the Fairtrade Premium received by Acipar. For several years, Arproclan hired social workers that assisted the pickers in their needs and it was with the support of these workers that their dream to buy their own land became a reality. The program of Arproclan was called “Suco Justo” (Fair Juice) and the support of the program consisted mainly in providing the pickers with the necessary documentation to get a governmental loan for buying the land of a former orange farm at the district of Santa Maria.³⁵

The foundation of the cooperative was preceded by the foundation of an association, called Agrisma. But with the creation of a cooperative and the entrance in the Fairtrade market, the farm workers were able to become producers. Today, the members of Coopersanta believe that they experienced an enormous improvement in quality of life and they are convinced that their situation could become even better in the next years. Some of the members already could increase their property and are able to produce higher volumes in the coming years.

The total volume of orange production in 2012 was 5,702 tons. 99% of this production was delivered to the Fairtrade market and 1% was sold as fresh fruit through governmental programs. Coopersanta delivers its fruits to the processing industry Citri in Paranavaí, a small competitor of the factory of Cocamar, which was formerly called Paranácitrus S/A and is today owned by Louis Dreyfus Commodities (LDC).

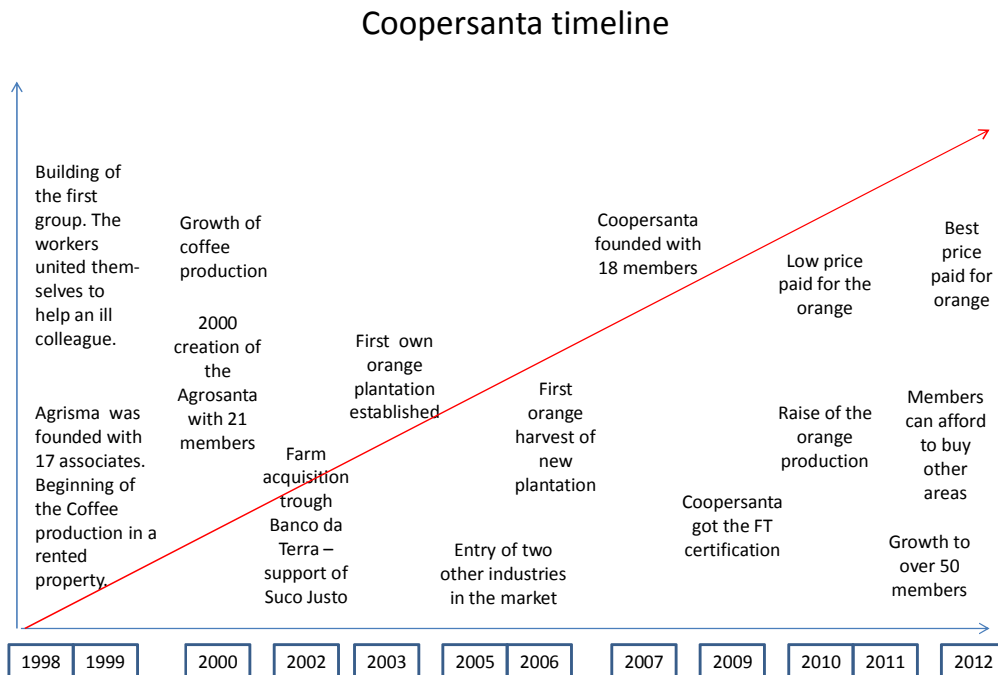
The story of Coopersanta, as producers testified during the timeline recall, is a story of constant growth and improvement of their economic conditions. As they have a relatively small volume to sell to the local industry, their participation in the market is not affected by market changes: They have a very strong relationship with their processing industry and the FCOJ has stable buyers.

Citri is owned by a group of independent local producers which formerly belonged to Acipar, before Fairtrade certification started to operate the Arproclan project in the region. Some of the members of Coopersanta have

³⁵ See Uriarte and Grüninger (2001), Grüninger (2002) and Grüninger et al. (2009)

personal relationships with the owners, as they used to work as pickers on their farms.

Figure 14: Timeline elaborated by a focus group composed of Coopersanta producers, Fairtrade certified in 2009.



4.2 Field study: Research results

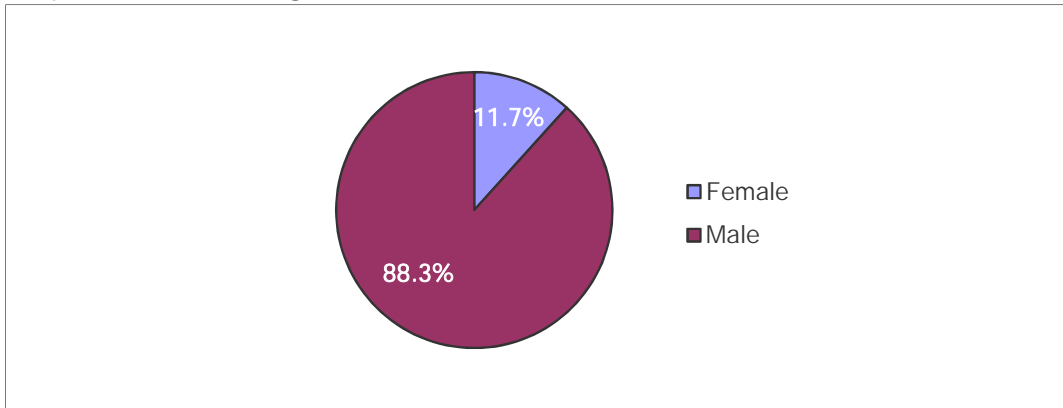
94 small producers were interviewed in all cooperatives. The large majority is male, corresponding to 88% of the interviewees. Coagrosol has 61 members, of which only 5 are female. 32 small producers were interviewed. At Coopersanta, 31 small producers were interviewed. The cooperative has 53 members, 9 female and 44 male. And Coopealnor has 68 members (11 female and 57 male), while 31 of them were interviewed. Overall, the sample can be considered representative for these three cooperatives, as around 50% of the producers of each cooperative was interviewed.

Producers to be interviewed were selected belonging to different clusters, different segments in terms of time of membership and also gender, resulting in an accurate representation of the overall membership profile.

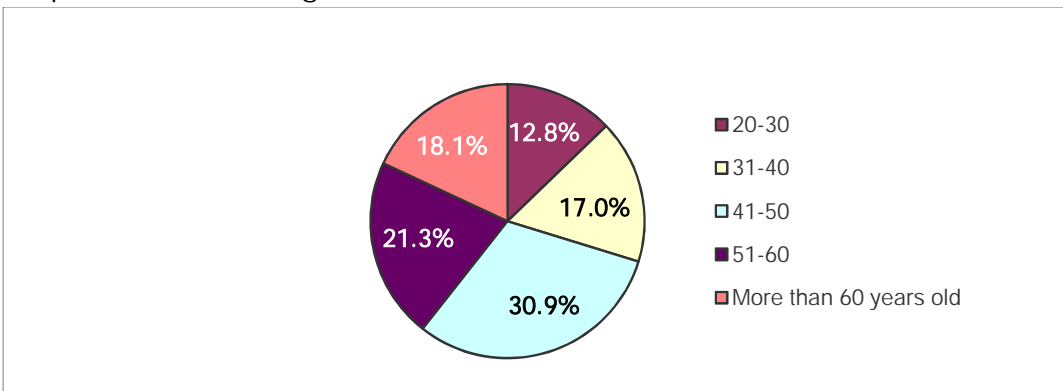
Producer sample profile

Most of the older producers interviewed have been members since the foundation of the cooperatives, and the majority of the participating producers are between 41 and 50 years old. In most cases the producer households consist of 4 persons. 39 of the interviewed producers have children under 16 years old, representing 41% of the total producers interviewed.

Graph 1: Producers – gender distribution

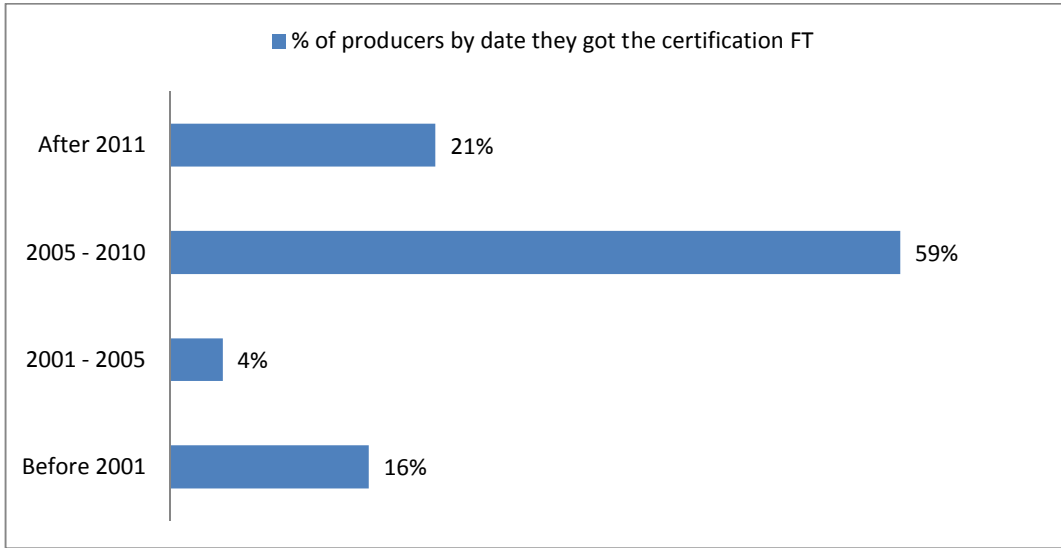


Graph 2: Producers - age distribution



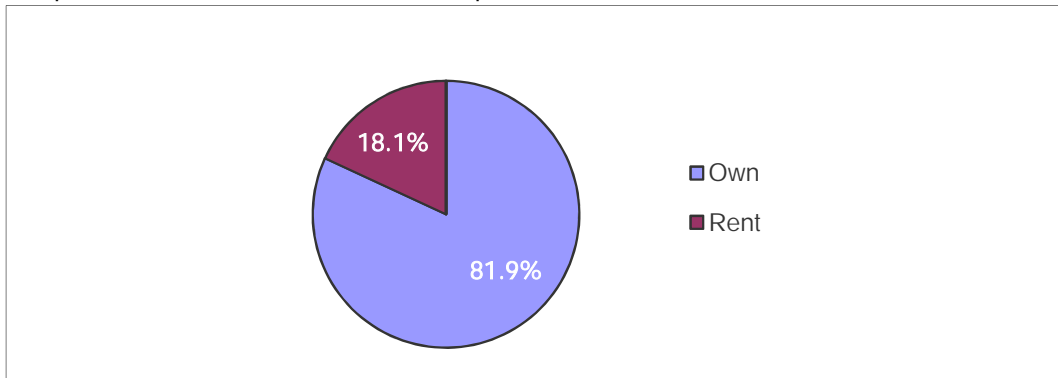
A small part of the interviewed producers of the three cooperatives, has participated actively in the beginning of Fairtrade orange juice after the year 2000, when the first sales to the European market were realized. They have been members since then and many have also been active in the governance structure of the cooperatives. The large majority of the interviewed farmers has joined the groups and was certified later. The impacts on their situation are therefore more recent than for the older members of the groups that have experienced different phases of the development of the Fairtrade juice market.

Graph 3: Producers – entrance in the Fairtrade market



The vast majority of the interviewed sample has its own land property, only 18% of the producers interviewed are renting land. As stated before, most producers are already of advanced age and many of their children have left the production sites, but the Fairtrade market helped to retain at least some of their sons and daughters. They joined the cooperative as members, renewing the general membership basis, which includes today sons and daughters of the founder generation.

Graph 4: Producers – land ownership



This fact occurs mainly at Coopersanta³⁶: There, the producers experienced a big change of life because of their ownership of agricultural production and created an interesting economic perspective for their sons and daughters, in a surrounding that does not offer a lot of alternatives for young people to work.

³⁶ Based on producer interviews and management, respectively stakeholder interviews.

The majority of the producers entered the Fairtrade system between 2005 and 2010, the period that Coopealnor and Coopersanta were founded. The new members that entered the cooperatives after 2011 represent 21% of the sample. This fact shows that the groups gained more momentum in the last two years and today, they even have to manage well the growing interest of new members pushing for entering the groups.

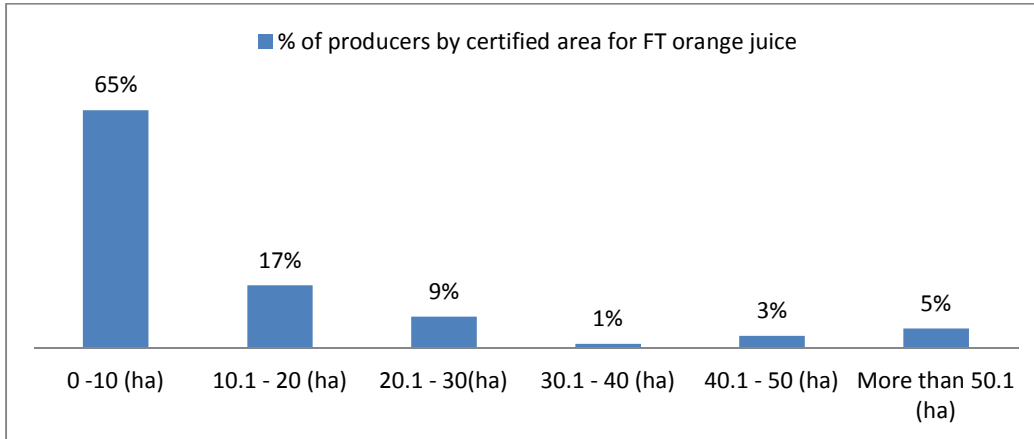
All timelines demonstrate that in the last two years all assessed groups have showed growth and they have become an interesting alternative for other producers in the region that lost their individual sales contract to the industries and want to enter the cooperative.

There are only a few (4) bigger producers that are members of the cooperatives and the majority of the producers are owners of small areas, mainly because the producers of Coopersanta and Coopealnor own just small areas of land. The producers that appear in the range of 40 and more hectares are mostly members of Coagrosol. Coagrosol is embedded in the strongest orange production region of Brazil, in the heart of São Paulo state, where properties are generally much bigger than in other regions of the country.

But, in the regional context, Coagrosol members are considered as small producers. According to Government regulations, in Brazil the size of small properties varies per municipality and – for example in Itápolis – producers with up to 64 ha are considered small producers and get taxed as such. Only two producers have more than 64 hectares at Coagrosol. But they can still be part of a Fairtrade cooperative, as at least half of the members must be small producers.

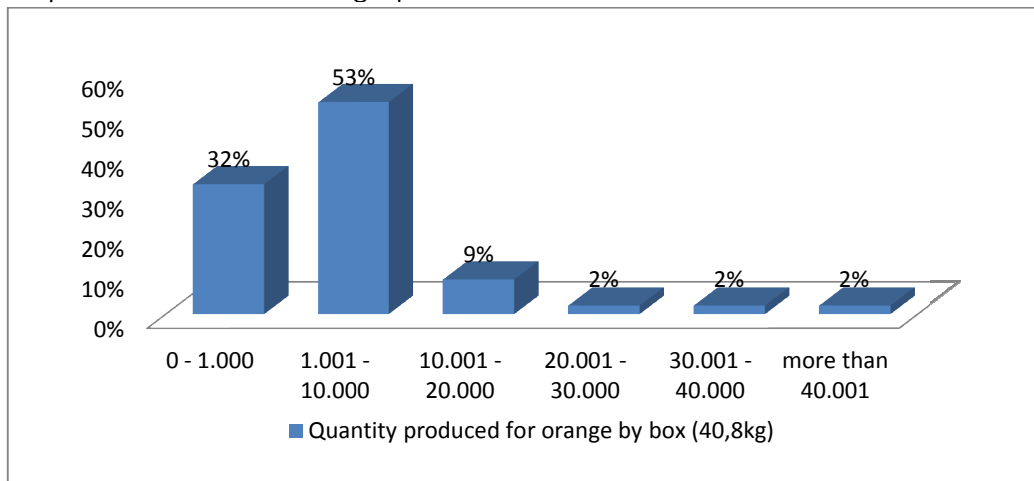
The total area for certified orange production that each producer maintains within his property shows a similar distribution in terms of hectares as the total land area. This occurs because the majority of the smallest producers is cultivating only orange – which means that their productive area equals the total orange production area – while some bigger farmers diversify with other crops.

Graph 5: Producers – Area of certified crop for orange juice



The majority of the producers sold between 1,001 and 10,000 boxes (of 40.8kg) in 2012. In 2012, Coagrosol produced 24,479 tons of oranges, this production represents 4.45% of the orange production of Itápolis (IBGE, 2011). According to IBGE, the orange production in Rio Real in 2011 was 360,000 tons and the Coopealnor production represents 1.17% of this production. In Alto Paraná Coopersanta’s orange production represented 8.38% of the orange production in the municipality. So far, the production of the Fairtrade certified groups represents a minor part in their regional context, but – as we will show later, their influence surpasses their effective market participation.

Graph 6: Producers – Orange production in 2012



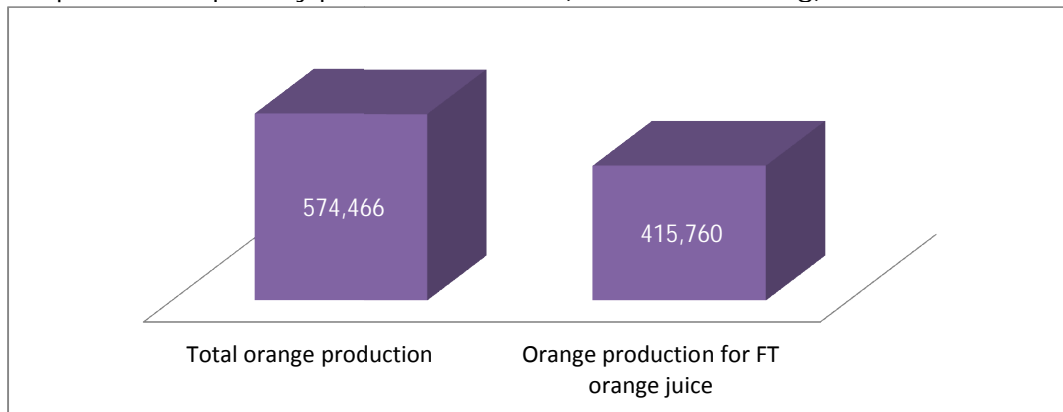
In terms of productivity, the groups show a similar performance as the regional average. Given the fact that most of the production in the region is large scale, technology driven farming, this is a remarkable result. For Coagrosol, the

productivity calculated out of the collected data is 21,817kg/ha which reflects the regional average of 22,000kg/ha. For Coopersanta, we calculated 40,176kg/ha, while the regional average is of 40,000kg/ha. The lowest productivity was measured at Coopealnor, where our sample had a productivity of 7,659kg/ha, while the estimated average of Rio Real is 18,000kg/ha.³⁷ But in the case of Coopealnor, we have to take into account a major loss due to the drought that affected the most recent harvest that impact the numbers collected.

According to our research with the producers, on average 72% of the oranges they produce is designated to become Fairtrade certified orange juice. This means 72% is commercialized via certified cooperatives and processed to FCOJ for the Fairtrade market. The difference between the total production and the effective volume of Fairtrade sales has three different reasons:

- a) Sales via governmental purchase programs: The Brazilian Government offers a good price for oranges that are used as lunch component in public schools and the groups won bids to be suppliers to municipalities;
- b) Sales of fresh fruit on the local market: Producers sell their fruits individually in bags on the local market, directly or via local intermediaries;
- c) Own Fresh Juice-production: Coagrosol sold large quantities of its own brand of fresh juice in 200ml packages to different municipalities and on the local market.

Graph 7: Total quantity produced in 2012 (in boxes of 40,8 kg)



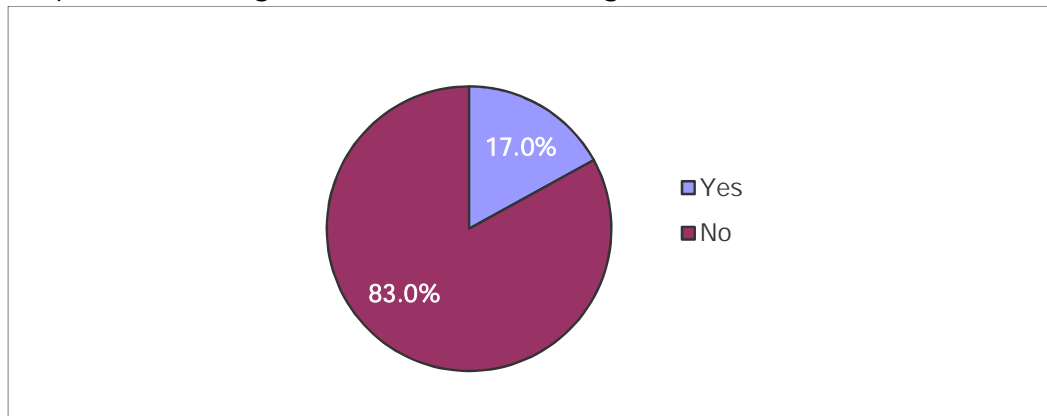
In terms of other certifications, 17% of the farmers interviewed also hold Organic Certification (issued by Instituto Biodinâmico - IBD)³⁸, but it is difficult to start

³⁷ All average productivity rates according IBGE 2011

³⁸ Only at Coagrosol and Coopealnor

organic juice production on larger scale, as big volumes of organic orange would be needed to process an organic juice concentrate on industrial scale. It is economically not viable to stop the production for just a few tons of organic fruit and only large volumes would justify to stop, clean and run the factory for the production of organic juice concentrate.

Graph 8: Percentage of farmers that have organic certification



4.2.1 Changes in the socio-economic situation of farmers, their production and their households

4.2.1.1 Standard of living

In this section we try to identify major changes for orange producers in recent years in relation to basic needs such as housing, health services and education. In addition, we wanted to identify whether the orange producers managed to improve and complete their income to meet these needs and if they could save money and make additional investments.

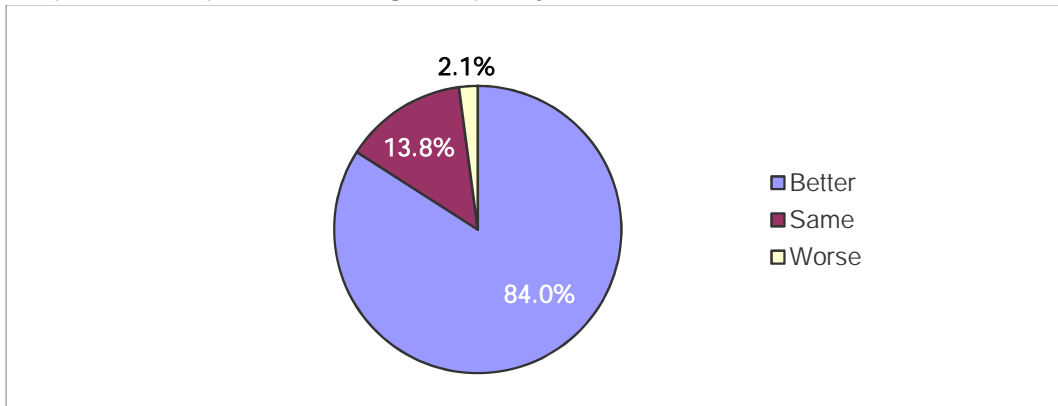
The large majority of the producers interviewed reported a very positive change in their quality of life. This fact is strongly related to the Fairtrade market, because the prices paid in this market have been better than the local market over the most recent years³⁹ and moreover, the market is more secure, guaranteeing the sale of their orange production. Selling the fruit was uncertain in the local market context where many producers had not had any chance to sell their production to the industry under cost-covering conditions such as the Fairtrade certified

³⁹ See Chapter 3.3

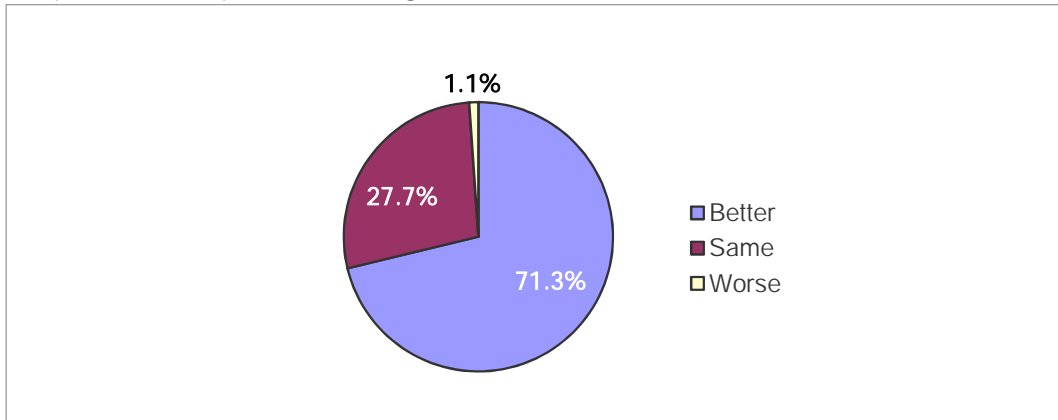
producers do. A lot of producers gave up and rent their land now to sugar cane- or other crop producers.

Most of the producers declared that they had a positive change in quality of life during the years they worked with Fairtrade driven associations and cooperatives. To a lesser extent, but still in the eyes of more than 71% of the producers, the better quality of life was also accompanied by a better economic situation.

Graph 9: Perception of change in quality of life



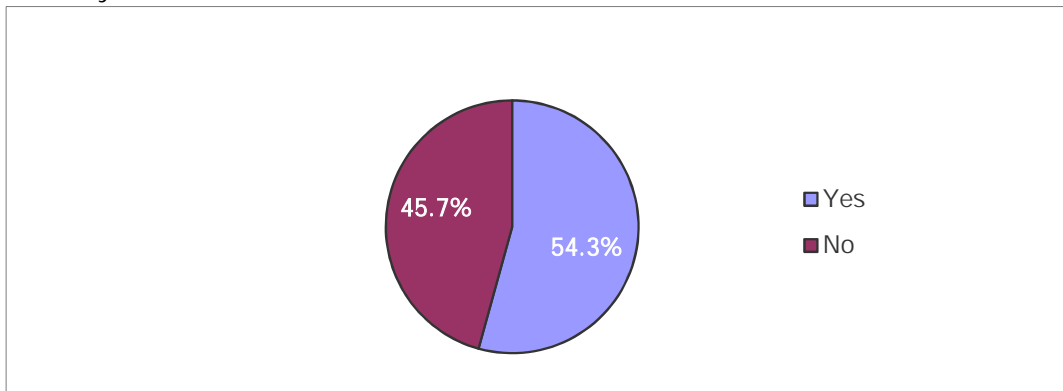
Graph 10: Perception of change in economic situation



Most producers perceive a slight improvement in their access to health services over the years. Nevertheless, the producers characterize public services as unsatisfying. In two occasions, premium money was used to provide improvements in health services for producers and workers, once by creating a local dentist clinic in the district of Santa Maria and a second occasion was the dental care for orange pickers in the region of Paranavaí, offered by Arproclan.

Later on, according to the management representatives, the cooperatives got to the conclusion that in the first place, they needed to strengthen their and the producers' capacities, preventing financial shortcomings. Therefore today, most premium money is directed to improvements in production and cooperative services. Producers have had financial stress in the crisis years that started in 2008, and they still would continue to have if they were not organized to be certified and act in a specific market such as Fairtrade that generates a stable sale for their orange volumes.

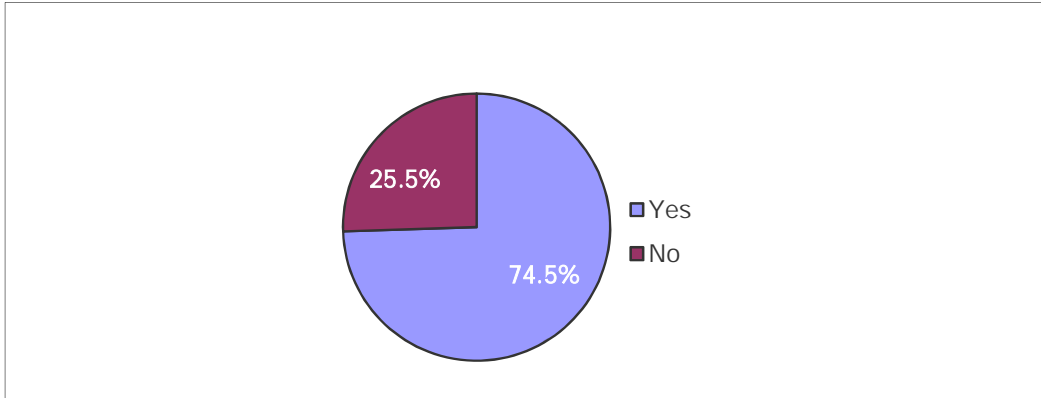
Graph 11: Perception of improvement of access to health services over the recent years



In relation to education, a common feature of the small producer families is that in most cases the current generation has significant higher education levels than their parents. Normally, the immigrating grand-parents of the today's young producers had nearly no formal education, while their parents had at least enough years of school to be able to read and write. Meanwhile, the current generation succeeds to finish elementary school, continue basic education and - in most cases - is studying at college already. This fact was noted in all three cooperatives.

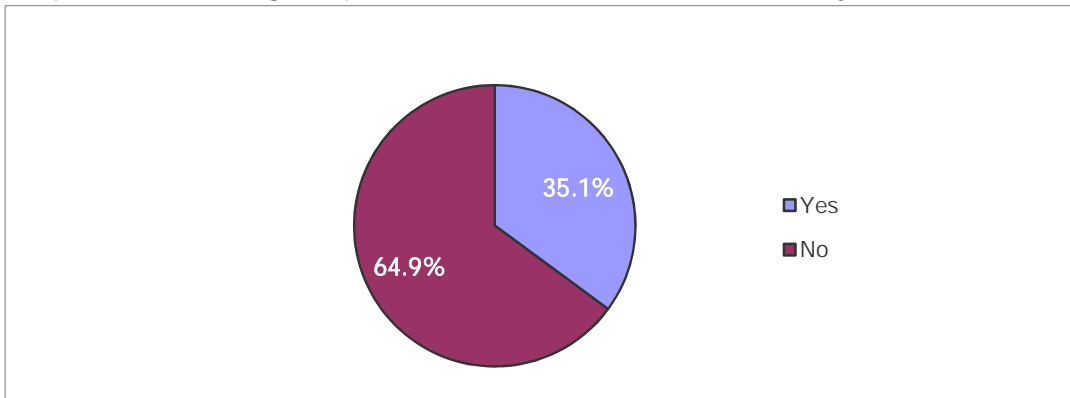
According to IBGE, the illiteracy rate of the population between 24 and 59 years old in Alto Paraná decreased from 13.3% in 2000 to 7.5% in 2010, in Itápolis the drop was from 7.3% to 5.1% and in Rio Real, where the illiteracy rate is the highest of the three regions, it decreased from 32.8% to 25.6%. Therefore, the better education rates are a general feature and cannot be attributed to Fairtrade. Nevertheless, Fairtrade has helped producers to finance higher education for their children thanks to a stable income stream, while other producers - according to certified farmers and stakeholders - have had more difficulty to secure a stable income.

Graph 12: Percentage of farmers with children that advanced schooling beyond primary school



The majority of the producers used the major part of the income generated to pay off former debts, but the positive Fairtrade sales developments in the recent years allowed some of them to start to save money. 35% of the producers was able to reserve a part of the generated income for savings. This is a slightly higher percentage than the average of the population, since, according to an IBOPE study, 31% of the Brazilians do save money.

Graph 13: Percentage of producers that could save in the last year

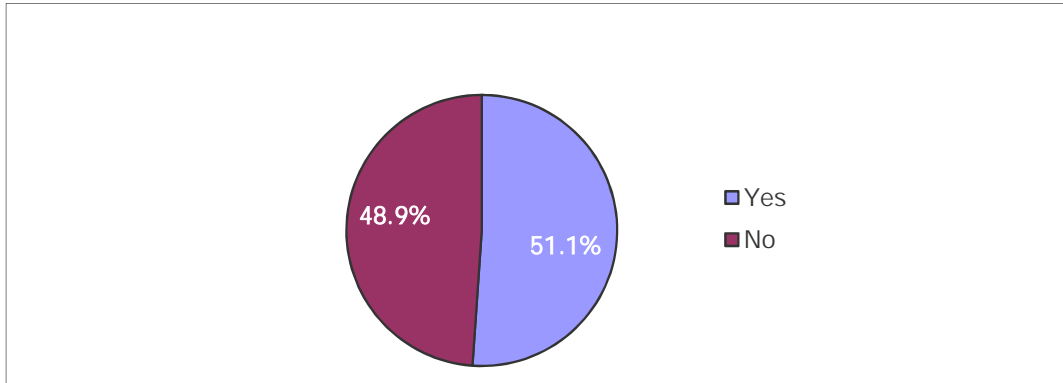


It was also noted that 51% of the interviewed producers were able to improve their housing over the last year. In most cases they had the chance to improve their houses and to buy household appliances.

The good results in 2012 may have accelerated this tendency, but, in general, producer houses seemed in good condition and showed that the families could invest over the years in housing improvements. These improvements helped them to have a better quality of life, which was mentioned by most of the

interviewees, but also contributed to an improvement in assets, which is the subject of the next section.

Graph 14: Percentage of producers able to improve housing during the past year

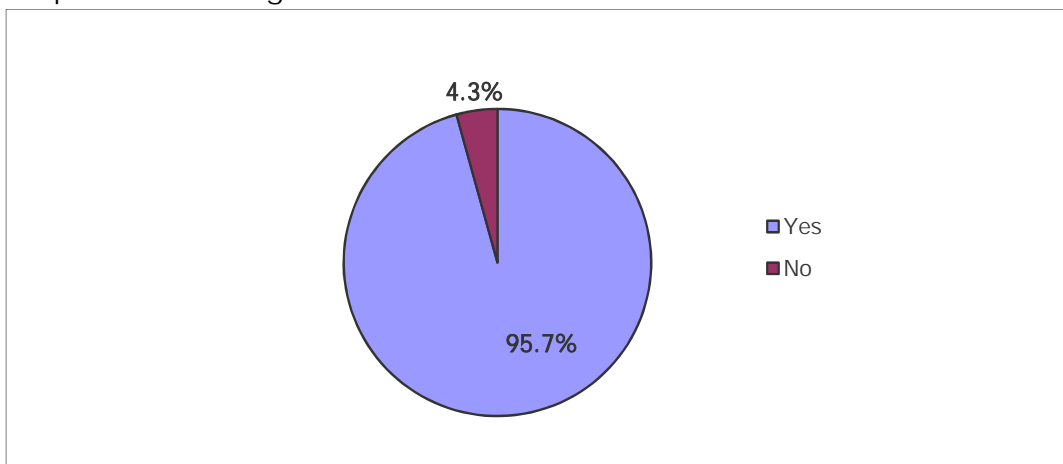


4.2.1.2 Income and assets

The issue of income generation and assets was analyzed in the interviews. We tried to identify whether Fairtrade could contribute to increase the income of farmers and help them to avoid selling their products on a market that normally does not pay a sufficient price for the fruit.

First of all, practically all farmers have a bank account. Bank accounts are necessarily linked to the state and cooperative banks, which finance the farms with small rural credits that are normally strongly subsidized by the Brazilian Government with very low or even no interest rates.

Graph 15: Percentage of farmers that have a bank account



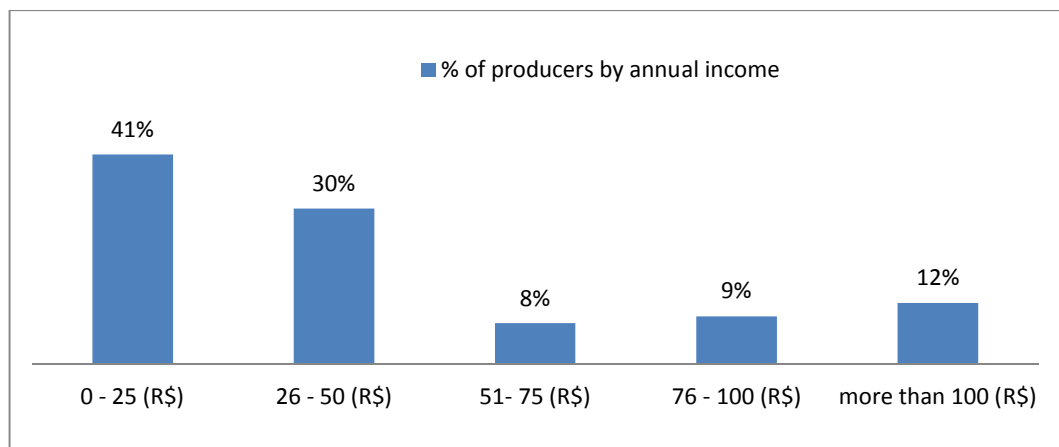
The majority of the producers interviewed have an annual gross income between R\$ 1,000 and R\$ 50,000, corresponding to US\$ 480 to 24,038. This range reflects the profile of the cooperatives Coopersanta and Coopealnor. The 12% that received more than R\$ 100,000 (US\$ 48,000) in 2012, are part of Coagrosol and show that another reality is prevailing in this group, where some producers have larger farms.

In all cooperatives, the producers have a good economic performance compared to the regional context.⁴⁰ The annual gross income average per household in Alto Paraná is R\$ 20,316 (US\$ 9,767) and 55% of the Coopersanta producers have an annual income between R\$ 26,000 (US\$ 12,500) and R\$ 50,000 (US\$ 24,038), much above the average. In Rio Real the average annual income per household is R\$ 8,718.36 (US\$ 4,191) and the average of the Coopealnor producers' income is R\$ 23,214 (US\$ 13,176).

In Itápolis, the producers have the best economic situation. The regional average gross income per household is R\$ 25,824 (US\$ 12,415) while the average of the Coagrosol members can be estimated to be around R\$ 80,000 (US\$ 38,462).

Unlike in other contexts in developing countries, the producers in Itapólis do not live in a context of poverty, but like typical small family businesses that are subject to unstable economic situations..

Graph16: Annual gross income in 2012 reported by producers

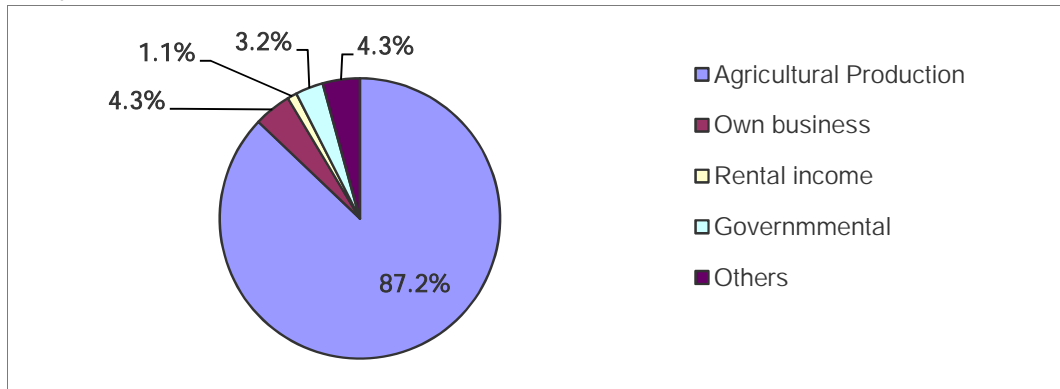


For the producers interviewed, most of the income was earned by agricultural production (mainly orange, but in some cases also by sugar, cassava, vegetable

⁴⁰ According to census IBGE

or other fruit production such as guava, passion fruit and mango). A few producers also have a second business to complete the family income or are earning some pension fund or other money.

Graph 17: Income sources



In relation to access to credit, 34% of the producers received a loan from a formal financial institution such as a bank or credit cooperative. As the state bank in Brazil offers very low interest rates for the production supplies, it is a normal situation to recur to harvest financing as soon as costly supplies for a little larger area of production are necessary. 95.7% of the producers have a bank account⁴¹, a necessity in Brazil for producers that would like to get financial support and loans from the government. Most farmers therefore have accounts at the state bank or the cooperative banks in their municipality.

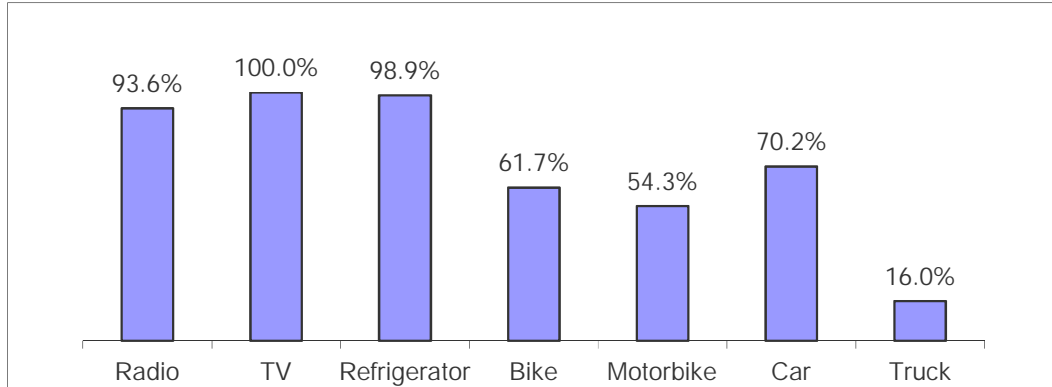
In terms of access to assets, the producers have reached a comfortable situation during the last 3 to 5 years, which is roughly equal to the time they participate in Fairtrade. More than 70% of the interviewed producers could buy a vehicle that allows them to transport material or production. But the large majority of the farmers that have cars and trucks are from Itápolis (Coagrosol), where the acquisition power is generally better. But, based on data from IBGE, in all three regions the assessed producer's access to cars is higher than the regional average.

In Alto Paraná 72.68% of the rural households have a vehicle while 90.3% of Coopersanta producers have a car. At Coagrosol, the situation is similar, 93.8% of the producers have a car, which is more than the average rate of car owners in Itápolis, where 81.98% of all rural houses have a vehicle. The situation in Rio Real is a little bit different, compared to the other two regions, as only 6.3% of the rural

⁴¹ See graph 15

households have a car. The producers of Coopealnor are in a better situation, as 25.8% of the producers interviewed responded to have a vehicle.

Graph 18: Ownership of assets



The external stakeholders from Alto Paraná commented that the members of Coopersanta had a strong economic growth in recent years, which enabled them to buy a car, land, a tractor, equipment and to achieve home ownership. These stakeholders also admitted that the income of members of Coopersanta had grown on average twice as much as the income of other producers in the region.

Furthermore, most of the producers agreed that today, access to other assets such as more land and new technologies has increased. They also testified having experienced a real change in their economic situation and attribute this to a great extent to the Fairtrade market. The interviews with the producers showed that the Fairtrade sales in fact have been a good alternative for selling their production to the industry under conditions that did not allow growing or even did not equal their accounts.

But, as one external stakeholder observed, the improvements in the quality of life of the producers are not strong enough to guarantee a solid growth. Their economic problems are often structural and depend more on the development of governmental policies than on their own capacities. Often, Fairtrade-resources such as premium money have to cover or mitigate macro-economic impacts to which small scale producers are subject year after year.

4.2.1.3 Environmental conditions

A pure environment is part of a better quality of life and the research was trying to find out to which extend farmers also benefit from better environmental

conditions. In fact, besides the improvement in meeting basic needs, most producers also reported to have reached better conditions in their natural environment due to less use of pesticides. The reduction of pesticides was reinforced by the need to comply with the Fairtrade standards. Producers mentioned that in many cases, birds that disappeared for years, were seen again on the properties.

Producers and stakeholder admit that general environmental conditions could be re-established and a healthier environment could be created in the last years. This development was driven by a strong environmental legislation in Brazil but accelerated on Fairtrade certified farms due to stronger control and commitment to good agricultural practices.

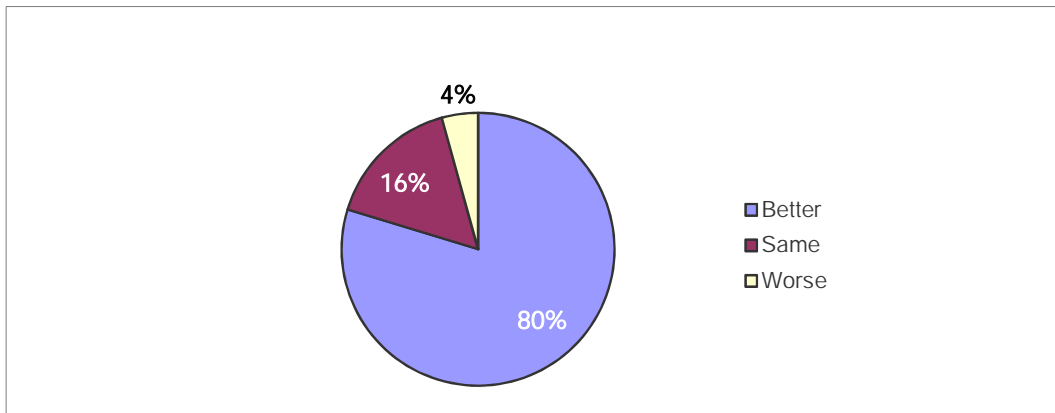
Farmers mentioned that in many cases the certification process has been the incentive to a real change of their environmental practices, as the cooperative created an internal control system to maintain compliance with the standard. This made them better prepared for governmental inspections, too. Local stakeholders involved in agriculture confirm that the members of Fairtrade groups show great awareness of environmental management practices and often give a positive example to their neighbors.

4.2.1.4 Upholding of small scale farming, prevention of rural migration and food security

This section attempts to identify if Fairtrade helped the small producers in terms of development and the ability to continue their business. The research also assessed if Fairtrade managed to reduce migration from the countryside to the city.

The interviews showed that 80% of the producers feel able to make choices over their (and their children's) future today. This fact was strongly related to the increase of their annual income which provided them with financial stability and the possibility to make plans. Of the 20% who did not share this perception, only 4% said that their chances to make real choices are worse.

Graph 19: Percentage of producers able to make choices about own and children's the future



Regarding the issue of migration from the countryside to the city, the field visits showed a quite critical point. Many producers have admitted that their children do not want to continue with agricultural production. Most of them are finishing their studies and intend to find a job in larger cities. This fact may be related to the critical situation of agriculture for small producers in Brazil, and mainly in São Paulo (and especially for orange), which really does not show a good perspective to remain in the business at this moment.⁴²

Nevertheless, in Alto Paraná, the Fairtrade certification has had a direct positive influence. Sons and daughters of farmers are already part of the cooperative and intend to continue with agricultural production. Most of them are finishing their studies, but still want to have their own orange production. This fact can be related to the major change that occurred in the lives of Coopersanta members, and for this reason, the producers' children see a great opportunity to work and live in the rural community.

According to external stakeholders, Fairtrade helped to uphold small scale farming and is very attractive for producers because it offers benefits such as sales' stability and minimum price. But there are still many issues that limit the growth of producers such as restricted access to the processing technology, land access, the possibilities to switch to easy manageable other crops (like sugarcane) and the difficulty to compete in the international market.

⁴² See informations on the orange sector crisis in the introductory chapter.

4.2.1.5 Training impact and knowledge change

In this section, we analyze to which extent Fairtrade supported the professional development of the farmers, by incentivizing training and knowledge transfer.

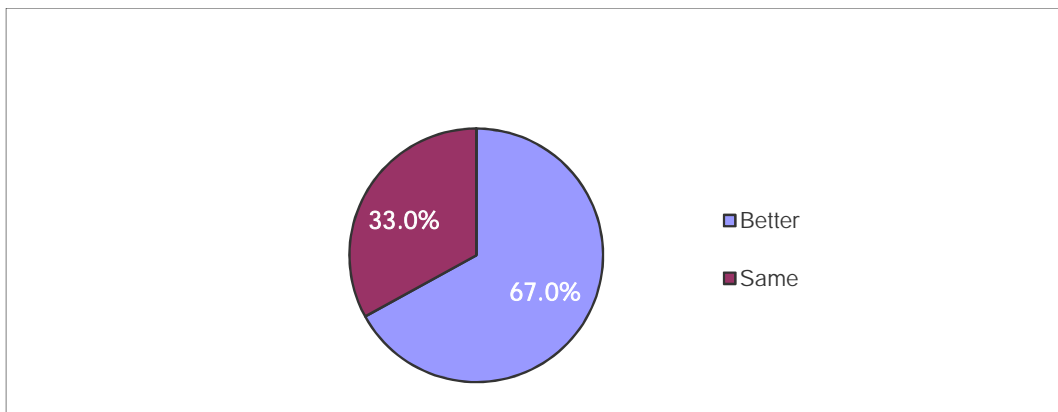
In terms of training attendance, almost 60% of the interviewed producers attended training sessions in the last year. The trainings were related to good agricultural practices and the use of protective equipment. In general, the issues were related to agricultural practices that can support the certification, but there were no Fairtrade specific-trainings registered in the coops in that year, which would include other aspects than only technical ones.

Training providers are normally the state agricultural support services or NGOs specialized in assisting the small producers. The fact that the producers are organized in a cooperative (which is one of the requirements of being Fairtrade certified), enables them to get the support of the training providing entities that offer free or low cost training.

The Fairtrade certified cooperatives also get a lot of public attention because of their engagement in benefit of the small scale producers and therefore attract offers of agencies and other NGO's. They can count on an organizational environment that guarantees the successful implementation and application of training and development programs.

When asked about the training results, almost 70% of the producers admit that the activities positively impacted their ability as producers and increased their knowledge and production technologies, but still one third has the impression that there was no real progress in their knowledge about production.

Graph 20: Perceived level of change in knowledge and ability to use the knowledge acquired during the training



4.2.1.6 Diversification of production and markets

In general, the producers have always commercialized other types of fruit pulps, like guava, lemon and mango, besides their oranges with the Fairtrade certification. For this reason, the cooperatives achieved some market diversification. But the largest part of the sales of the cooperatives is done on the Fairtrade orange juice market.

According to the external stakeholders from Itápolis, Coagrosol was the only cooperative in the region to achieve the capacity to improve in diversification, in their product offer and in their forms of commercialization, as today, they have different channels of commercialization. The cooperative has always worked with different types of fruits and pulps that also are Fairtrade certified. Recently, the group was the first to launch a fresh juice package for school meals. In 2012, over 30,000 boxes of oranges were allocated to this project. Moreover, the start of a small factory to process their diverse fruit pulps is planned, and with this factory, the cooperative will be able to open new areas of direct commercialization that will add value for the producers.

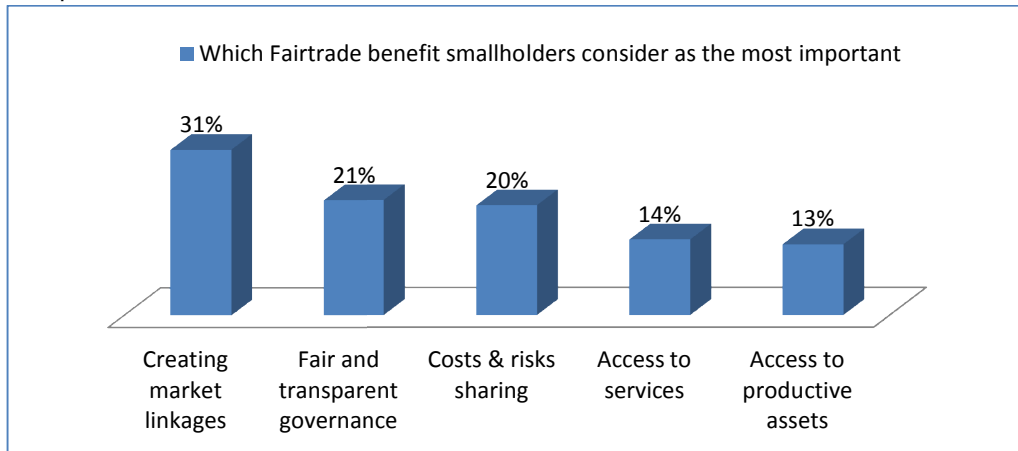
But, according to the interviews with other stakeholders that are part of the commercialization process, there is not much diversification in general in the Fairtrade orange juice market. The cooperatives tend to improve and specialize in the product that they are commercializing, and generally they focus only on Fairtrade certifiable products. We can observe that the certification did not lead to effective diversification on producer level.

4.2.1.7 Fairtrade benefits perceived by farmers

During the field research, producers were asked to rank the following list of five benefits attributed to Fairtrade, giving a level of 5 to the most important, down to 1 for the least important.

- Creating market linkages (including access to Fairtrade minimum Price and Premium)
- Access to productive assets
- Cost and risk sharing
- Fair and transparent governance
- Access to services

Graph 21: Perceived benefits of Fairtrade certification



By far the best ranked benefit was “creating market linkages” created by the certification, followed by the “fair and transparent governance” of the cooperatives and the supply chain⁴³. In all cooperatives evaluated, the market linkages appear as the most valued benefit, which can be explained by the fact that all producers recognize the importance of long term relationships and the price conditions that the Fairtrade market offers to them. They admit that without the certification, they would not have been able to access this market.

Creating such market linkages on their own would have been impossible for them, but as a certified group they can bridge the large distance that separates buyers of concentrated orange juice and the fruit producers in a normal market situation.

4.2.2 Changes in the organizational structure in rural zones

4.2.2.1 Organization of rural areas, legitimacy of producer organizations, administration and management capabilities

This part of the report seeks to answer questions related to impacts on the organizational structure of the producers. The study wanted to identify if Fairtrade can help the cooperatives to be established and to create clearer, more transparent and professional governance structures. In addition, responses to the question of the legitimacy and credibility of the cooperatives in their respective regions have been gathered. The search for reasonable evidence for

⁴³ Both aspects will be analyzed in more detail in the next section, 4.2.2

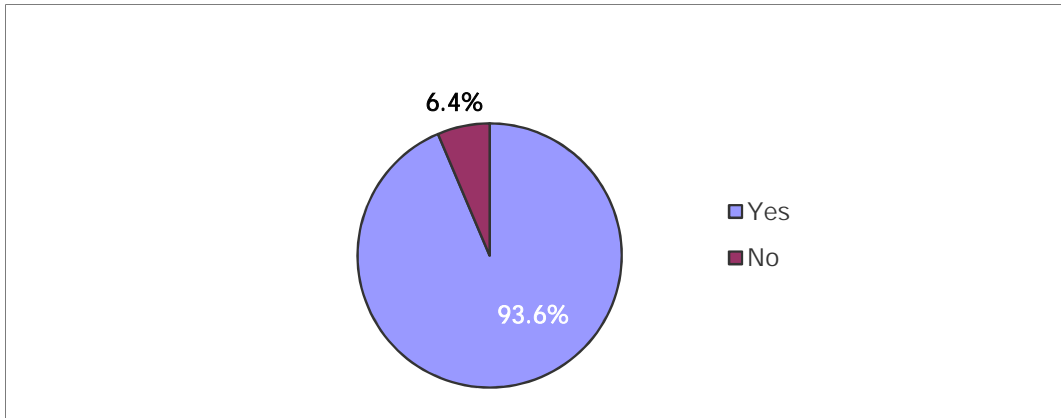
their credibility led to the necessity to include several external stakeholder opinions that can help to shed light on the regional importance of the analyzed Fairtrade groups.

First of all, we can state that the existence and survival of the cooperatives as such can be seen as a major impact of Fairtrade. In the orange market, survival of small producers is intrinsically linked to their capacity to build cooperatives and join their forces. Under the current circumstances (difficulty to sell to industries and exposure to low prices, lack of own processing assets), the business continuation of single small orange producers is at risk, which the massive abandonment of orange by small producers in the region of Itápolis shows. The only way out is the creation of strong associations between smallholders in order to join production and sales forces. In a cultural environment of individuality, where the creation of associations and cooperatives is not common, producers were guided by the Fairtrade certification process in creating functioning, transparent cooperatives that can commercialize their oranges. In the case of Coagrosol, they even could go further and establish an own processing plant for fruit pulps which will increase their commercial independence from the big industries.

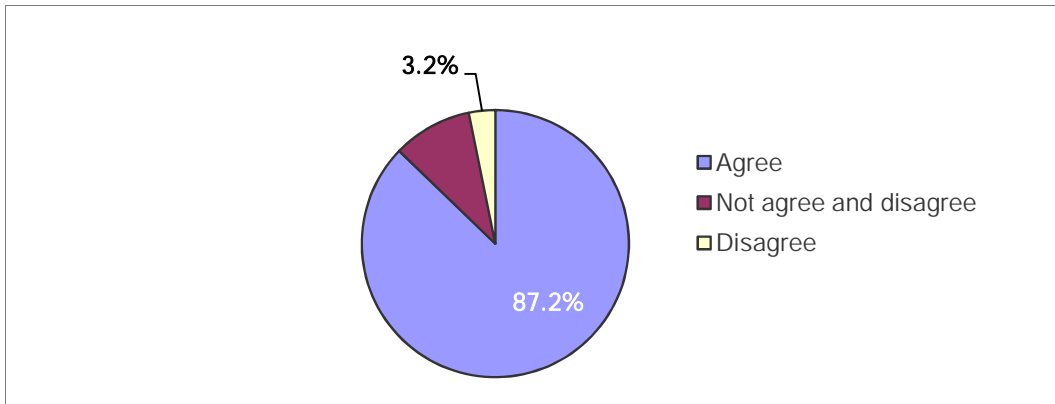
Not only external observers but also the managers of the cooperatives themselves confirm that their main benefit from being part of Fairtrade was their capacity to stay in the business and maintain orange cultivation. In the case of Coopersanta, there is a clear opinion of local stakeholders and decision makers that the district of Santa Maria even would risk to be depopulated, if the cooperative would not have opened a new economic perspective for the local population.

Given the fact that they have the opportunity to be part of a cooperative and stay in the market, producers have a broad consensus that they acquired strong skills to express their own ideas and opinions within the organization and that their concerns are effectively addressed. In all cooperatives, a strong relationship between the producers and cooperative management was evident and we can perceive that the vast majority of the producers are having full trust in the capacity of the cooperative to defend their interests.

Graph 22: Percentage of farmers who report having sufficient skills to express ideas and concerns important to their interest in the cooperative

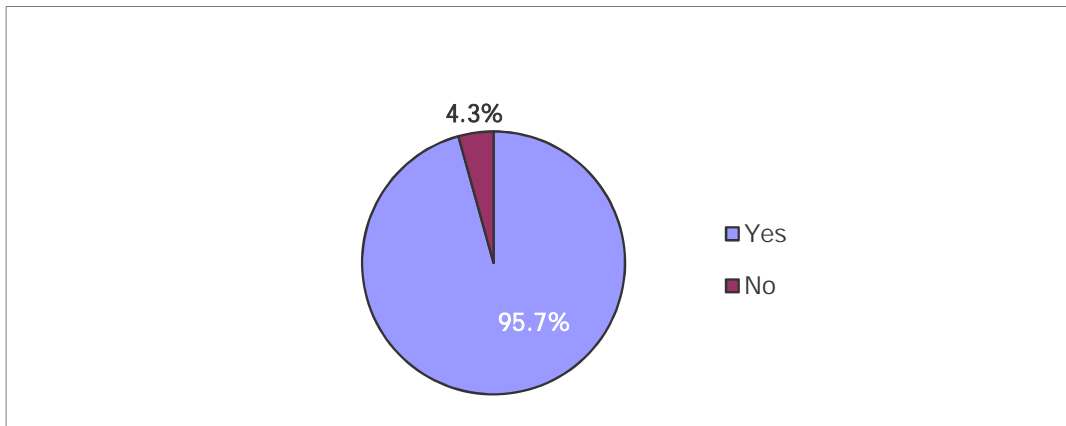


Graph 23: Percentage of producers that trusts that the cooperative acts in their best interest



Nevertheless, the degree of participation of each producer in the management and decision making of the group shows very different levels: There is a minority of very engaged producers that normally serve in the board or other committees for several periods, while a majority has more interest in the commercial questions and has a stronger focus on production and other related technical issues, where they expect support from their cooperative.

Graph 24: Percentage of producers reporting that cooperative management adequately listens to and addresses their ideas and concerns



Another fact pointed out by local external stakeholders⁴⁴ is that the cooperatives have a strong credibility in their regions, and the community looks at them as very good organizations which put the small producers in the center. Many independent producers from the regions therefore want to become part of the cooperatives. But managements established clear evaluation criteria for new members, as they do not want to put at risk the certification, having new members that may not be committed to the social and environmental requirements of the certification.

4.2.2.2 Trading, commercial capabilities and markets, sales

The study also tried to verify if Fairtrade strengthened diversification of the sales and long-term relationships of the producers with their market partners. We wanted to know if this trade is fair and effective, avoids protective measures that bias the market, and avoids dependencies in the value chain. We also tried to answer if Fairtrade enabled the small farmers to get better and just prices for their product.

Farmers and cooperative management of all visited cooperatives considered the relationships they built up because of the Fairtrade market as being a very important benefit that the Fairtrade system promotes. All organizations and traders interviewed admitted to have a strong, confident and long term relationship with the three groups. Producers and traders mutually agreed that they can count on each other. Except for Coagrosol, which had different

⁴⁴ See list in the attachments.

processing partners in the past, the relationship with the processing factory has been of mutual respect and support and on a long term basis.⁴⁵

Most of the groups work since the beginning with the same group of clients or has had only slight changes in the composition of the client portfolio. Coagrosol, due to its bigger production capacity, has had a series of clients and today serves five main clients, including the main buyers of Fairtrade orange juice.

The commercial relations are mainly driven by the trader, but all cooperatives have direct relationships with the end buyers and some management members had the opportunity to visit them in Europe, which gave them the opportunity to study the consumer market and take new strategic decisions once they were back to the day to day management of the cooperative.⁴⁶

Regarding the ability to negotiate, the cooperatives have advanced in their capacity. External stakeholders pointed out that in terms of institutional evolution, the cooperatives grew in matter of negotiation, institutional attitude and policy implementation. Today the cooperatives are able to stand up for their requests and raise their questions towards their traders. They also have procedures in place that help to strengthen their governance and administration model.

According to some of the external stakeholders, the producers' trading skills improved mainly because now they know the clients and have direct contact with them. The producers also have more power and control over their production and business. But in terms of negotiation capabilities, there is still a lot of room for improvements, especially for strategy adoption and marketing. Mainly in terms of negotiating pre-payments⁴⁷, there is still a way to go, as management representatives confirmed that pre-financing of the sales is rarely conceded in the terms that the producers wished.

The reason for this gap is the very low interest rates of local financing and the fact that the producers often not explicitly demand pre-financing in order to prevent a complication or prolongation of the sales process which would need more paper work and include more negotiation points.

⁴⁵ Also Coagrosol described the current relation with Citrosuco as supportive.

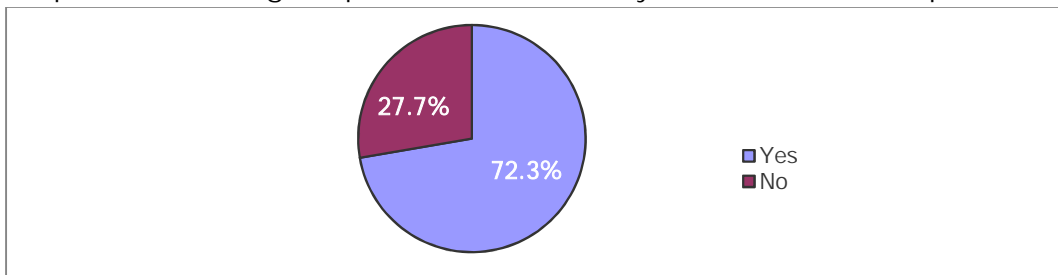
⁴⁶ Source: Management interviews.

⁴⁷ The Fairtrade standards require pre-finance up to 60% to be provided upon request.

4.2.2.3 Pricing structure and payment terms

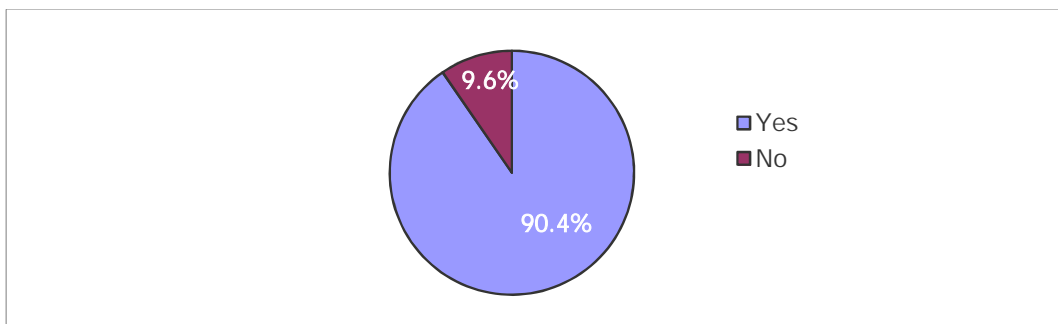
In terms of price, more than 72% of the producers stated that the price they receive from the cooperative for their oranges is covering the production costs.⁴⁸ 28% was not sure about this fact, which also has to do with a lack of clearness on what their effective production cost is. But in all cooperatives, producers said that the price could be higher, so that they could invest more in their production and save money for critical situations.

Graph 25: Percentage of producers with security to cover the cost of production



The trust of the producers in the cooperative and their understanding of how the group is calculating prices and realizing payments is strong, 90% of the interviewed producers seem to understand how the cooperatives are calculating payments to producers. But a critical point is the explanation and calculation of the prices paid by the buyers. More than 40% of the producers do not understand how the buyer calculates the price that reaches the cooperative.⁴⁹

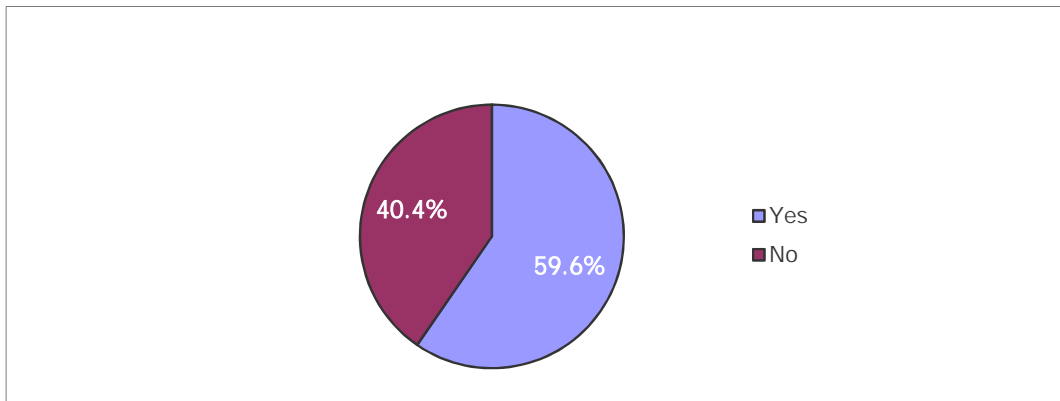
Graph 26: Percentage of producers who understand and trust how payments are calculated to the individual producers



⁴⁸ This refers to the period before the new Fairtrade minimum price was defined.

⁴⁹ With the new price system introduced in July 2013, this problem of understanding the concept will be mitigated. At the time of the research, the minimum price was defined in tons of FCOJ, which makes the calculation of what the farmer gets paid at the farm gate difficult.

Graph 27: Percentage of producers who understand how price between buyer and cooperative is calculated



Another remark was that the orange market in Brazil is strongly concentrated. There are a few – exactly three - companies that dominate the market and determine the orange price. This fact has a tremendous impact on small producers that need to follow the market rules and do not have a voice to raise their concerns and defend their interests. For this reason, the producers and stakeholders affirmed that the Fairtrade market is for them a safer and much better market to be part of, as they work with trustful partners that are committed to buy from them on long term and under transparent commercial conditions, applying the market price or cost-covering minimum prices if the market price is below the minimum price.

4.2.2.4 Fairtrade premium

The cooperatives have developed some external projects with the premium money they received per ton of FCOJ sold, but in the three regions the money was mainly used to strengthen the cooperatives and the producers economically and structurally. In 2012 Coagrosol received R\$ 453,645 of premium (US\$ 218,098⁵⁰) and all the money was used to support the cooperative structure and the qualification of members and workers. The cooperative invested in new equipment, members training, worker qualification and certification expenditures.

At Coopealnor the premium income in 2012 was R\$ 108,935 (US\$ 52,373), and the money was used to improve the production techniques and the cooperative structure. Coopersanta received a premium of R\$ 115,489 (US\$ 57,173) in 2012⁵¹, and all the money was used for development of the cooperative (acquisition of

⁵⁰ Average exchange rate for 2012 was 1 US\$ corresponding to 2.08 R\$.

⁵¹ Calculated by BSD from FLO Cert and Cooperative documents

equipment and contracting and administrator) and as a credit for supplies to its members. The Coopersanta premium policy is to grant 50% of the premium money to the producers to invest in the production (and they have to prove the use showing the official invoice for the production supplies such as fertilizers they acquired). The other 50% is used to cover the cooperative's costs such as maintenance of the warehouse, contracting the administrator and communication equipment (internet, computer).

The tendency to invest mainly in cooperative and producers needs is also evidenced by the following summary with different projects that have been realized in the last year with premium use:

Projects financed with premium	Beneficiaries
Improvement of quality and sustainability of production, increase of productivity	Producers
Support and benefits (alimentation costs) to employees	Coop. employees
Legal and administrative advise, regularization of registrations and permits	Cooperative
Market access and promotion activities, support by consultants	Cooperative, producers
Payment of certification costs: Fairtrade and organic	Cooperative, producers
Maintenance and revision of machinery: balances, processing lines	Cooperative, producers
Capacity building for women and youth and promotion of female membership	Producers and families
Financing of production resources (fertilizers, defensives, etc.)	Producers
Physical investments in cooperative infrastructure, product traceability systems	Cooperative
Survey on socio-economic situation and needs in order to define premium projects	Community
Reforestation in orange plantations and restoration of natural vegetation ⁵²	Producers, community
Technical courses around production techniques, defense of plagues and health and safety	Producers, workers
Opening of new market alternatives and organization of local sales to municipalities	Cooperative, producers, community

⁵² This project supported the producers to re-establish the legal protected reserve that each rural producer has to maintain. Depending on the region, the reserve varies but for the producer regions at least 20% of the surface of the property has to remain untouched or has to be recovered if already used by the producers.

4.2.3 Impact on workers

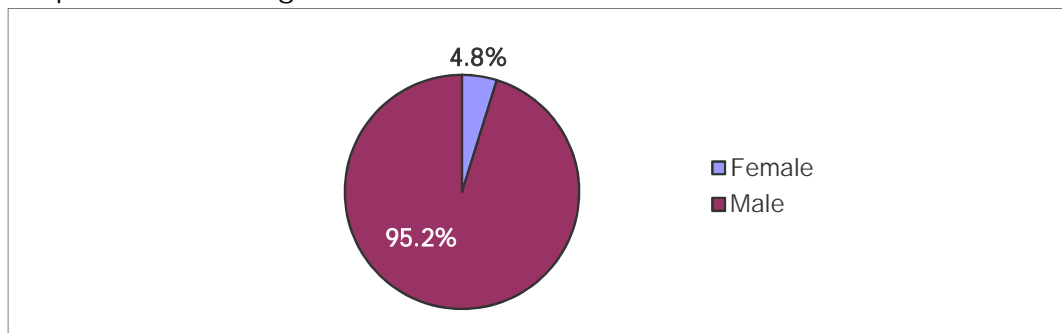
One critical issue discussed in the research was the influence of the certification on the labour situation of the workers that work as employees on the farms or work in the production region as temporary staff during the harvest. Our intention was to identify whether certification has brought benefits to rural workers, if it encouraged the respect for labour rights and improved the socio-economic situation of workers.⁵³

During the research we interviewed 16 permanent workers and 5 temporary workers. Only at Coagrosol, where the land area and the production are larger, there are more permanent workers on the properties. In Coopersanta and Coopealnor just one producer has a permanent worker. At Coagrosol, each producer hires on average 15 temporary workers during a few days of the harvest, they are part of a pool of around 280 temporary workers that circulate in the Itápolis region during the months of the harvest. These workers are operating in fixed groups and are led by one supervisor. They have a fixed-term contract with a group of producers that are acting as employers during the harvest, but share the workforce with all other producers. The administration of their payments and benefits is realized by an accountant office.

Number of field workers at Coagrosol, Coopealnor and Coopersanta

Cooperative	Coagrosol	Coopealnor	Coopersanta
Number of members that have permanent field workers	16	1	1
Total number of permanent workers at properties	21	4	4
Estimated average of temporary workers during harvest (working for a few days on different properties)	280	30	-

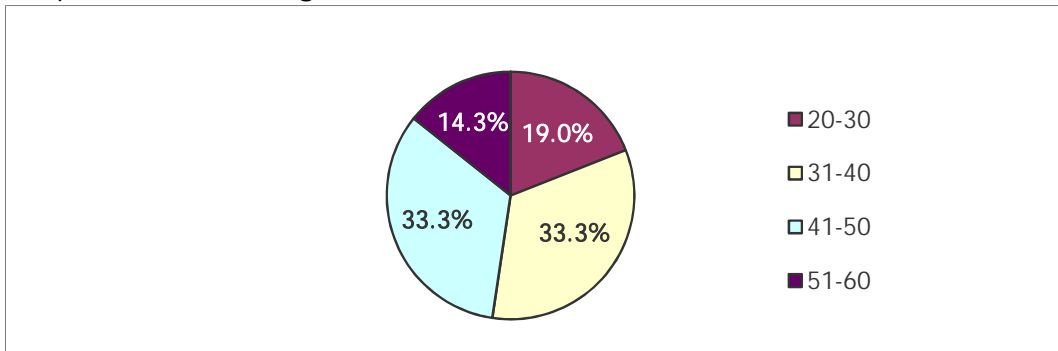
Graph 28: Workers – gender of workers interviewed



⁵³ In this chapter, we will not talk about the situation of the permanent employees at the cooperative headquarter, but about rural workers working in the orange production and harvest.

A remarkable point is that no interviewed worker is younger than 20 years old, and there are no reports on child labor⁵⁴ which is a basic criteria of Fairtrade. The cooperatives exercise a strong control that no worker under 18 years is working in functions that are not officially allowed by the Brazilian rural worker regulation. In general, the Public Ministry of Work is strongly monitoring the compliance of the regulation and prevents any misuse which also prevents non-certified producers from using a young workforce.

Graph 29: Workers – age of workers interviewed



Regarding worker relations, Coopersanta is a very interesting exception in the analyzed sample. It was founded by former workers. As they now have small family properties, they are used to work with their own family workforce and do not need to hire harvest staff. Coopersanta producers reported that in their region (but not in their cooperative), an unorganized daily worker normally earns 30 R\$. A female worker only earns 25 R\$ per day in average, this is not only a violation of a basic right of equal salary for both genders, but also a value that would not result in the legal minimum salary of 678 R\$ per month, resulting in only 660 R\$ for men and 550 R\$ for women.

So, one important point is that Coopersanta producers today are not anymore exposed to such a critical income situation as they passed from the condition of salaried workers to the condition of farmers working on their own properties.

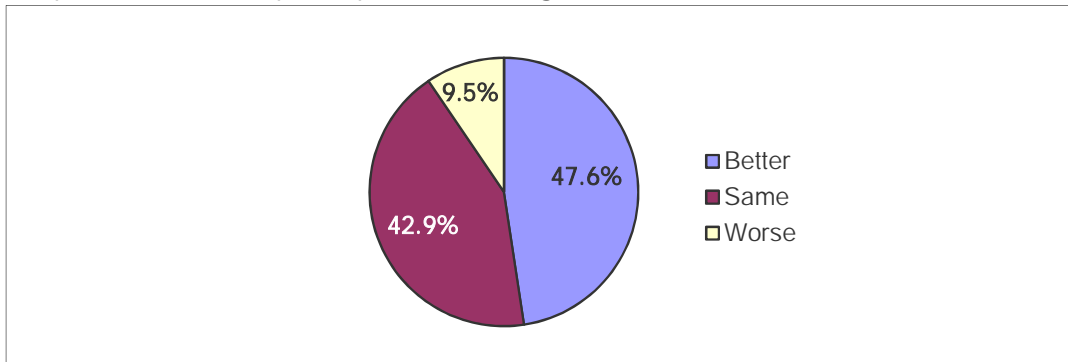
At all the three cooperatives, the salaries of the workers working on farms of some of the cooperative members are above the minimal legal wage, being R\$ 850 the lowest, and R\$ 1,300 the highest salary among the interviewed workers, R\$ 1,030 being the average salary. Temporary workers earn at least the minimum wage, but also reach a similar average, as they are paid by productivity and can earn more if they collect more boxes in the given time.

⁵⁴ Child labor in Brazil is applies for children under 16 years, one year above the definition of ILO which states 15 years.

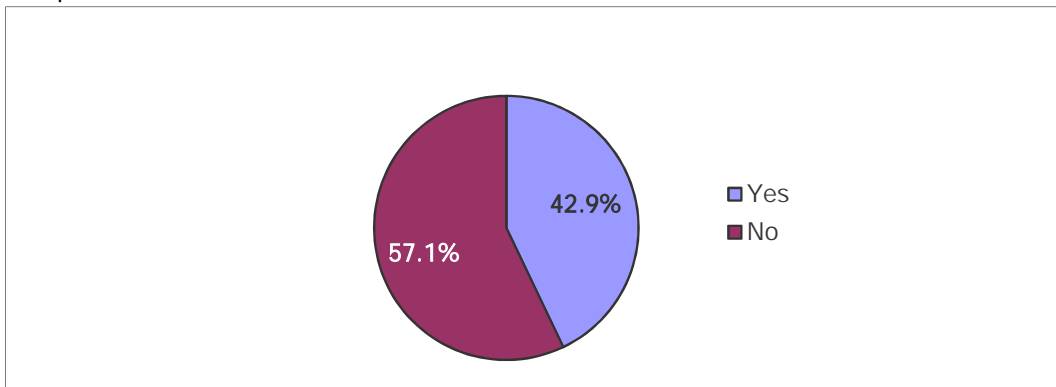
Temporary workers interviewed⁵⁵ by the researchers said that they prefer their hard jobs to the work in the urban industries. The regime of harvest contracts gives them the possibility to rest for some months after the harvest when they are entitled to get the unemployment insurance of the state, and they prefer working on the field and being on their own instead of being exposed to the stressful line work in the manufacturing industry.

The next graphs show that the workers have lower economic capacities than the producers and do not have the same chance to accumulate assets as producers. It shows that their investments are normally concentrated around purchasing or financing an own house and make improvements in the housing structure.⁵⁶

Graph 30: Workers – perception of change of economic situation



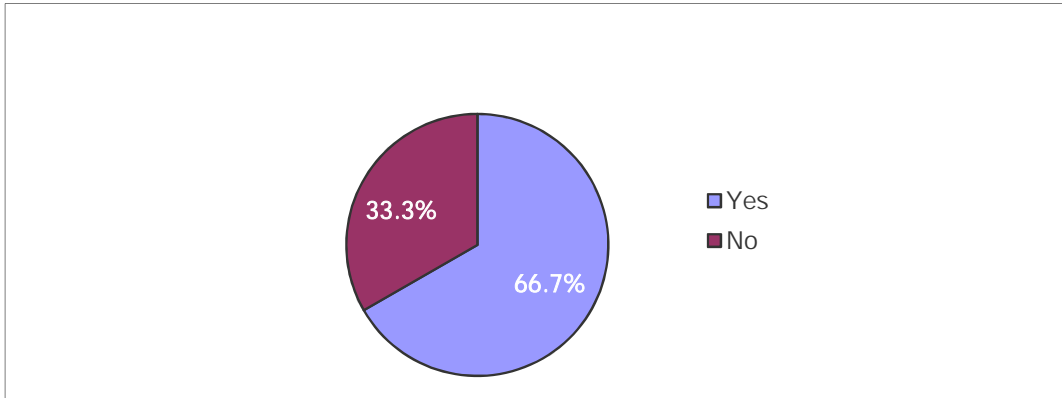
Graph 31: Workers that own a house



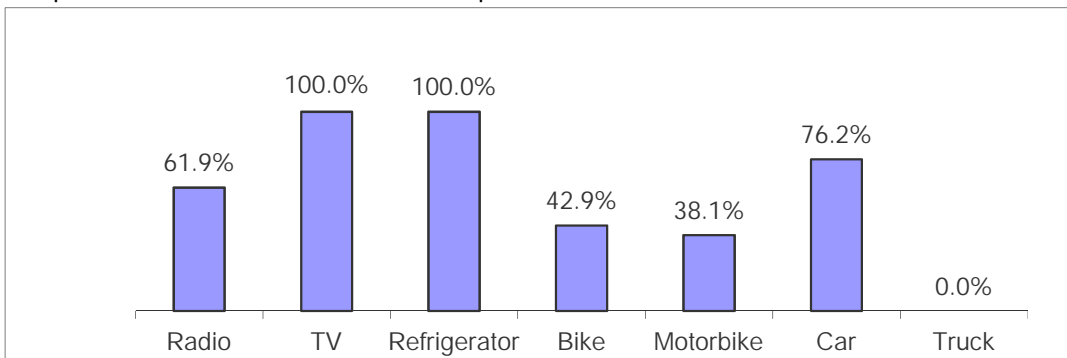
⁵⁵ Only a small sample of 5 temporary workers has been interviewed, which may restrict the general value of this statement.

⁵⁶ The above observation on the prevalence of permanent workers in the interviewed sample has to be taken into account when analyzing this and all other graphs of this section.

Graph 32: Workers – ability to improve housing over last year

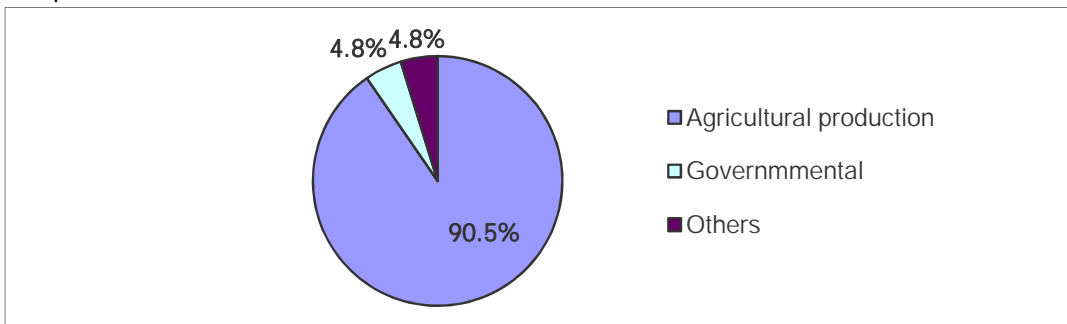


Graph 33: Workers – assets ownership index

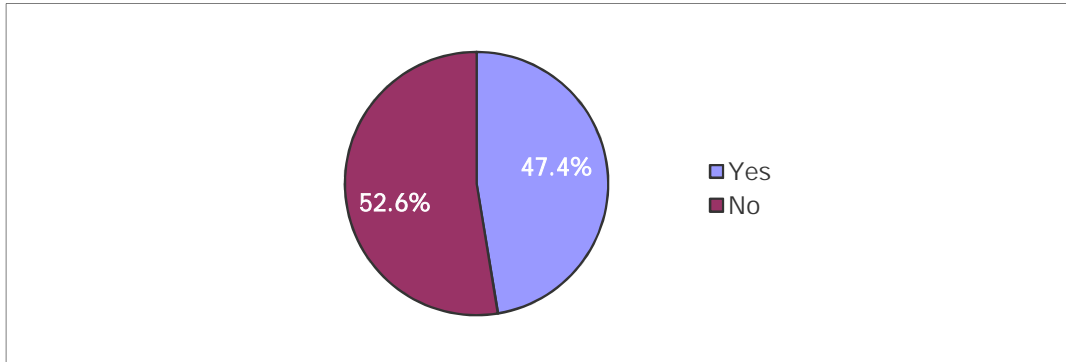


While more than 70% of the interviewed workers have a car, it is remarkable that less than 50% have a bank account. This is quite a strong contrast to the situation of the producers. They also have restricted access to loans, which is a clear difference from producers who normally have different financial tools at their disposal. Some of the workers receive governmental aid to start a small business which adds to their income.

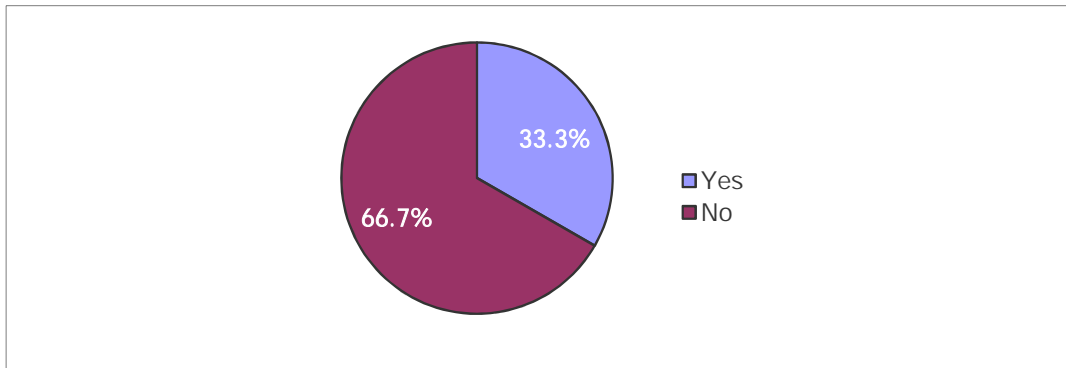
Graph 34: Workers – income sources



Graph 35: Workers – percentage of workers with a bank account

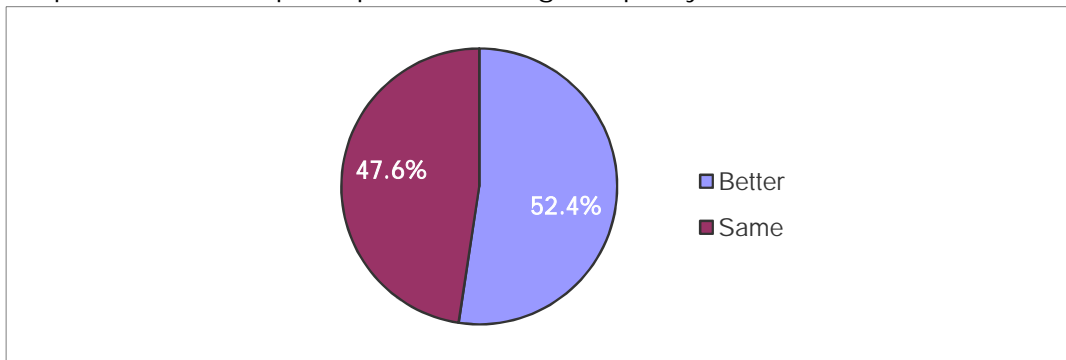


Graph 36: Percentage of workers that received a loan from a formal financial institution



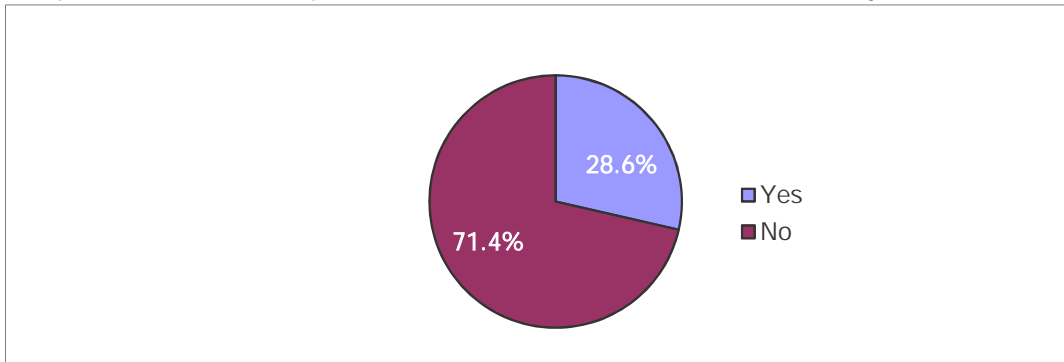
We also can read in the worker responses, that their perception of improvement of quality of life (see graph below) is below the rate we found in the answers of the producers, but still a small majority perceives positive changes.

Graph 37: Workers – perception of change in quality of life



These positive changes perceived by more than 52% of the workers are not reflected in the worker's access to decent health care.⁵⁷ Due to their low salaries, workers normally do not have the capacity to pay for a private plan, even if part of it is subsidized by their employer, and only a partial rate would be deducted from their salaries.⁵⁸

Graph 38: Workers – improvement of access to health care over years



On the other hand, in terms of health and safety at work, there was significant progress and the link to Fairtrade certification is obvious for the cooperative management, producers and also external stakeholders. Just one accident in one cooperative was identified last year, but it did not result in lost days and visits to the doctor. All workers reported using their personal protective equipment (PPE) at work.

Regarding labor laws and regulations we also identified good compliance: 100% of the workers are aware of their labor rights under the current law.⁵⁹ Although only 24% of the interviewed workers are part of an union, most of them claimed to have a good relationship with their trade union.⁶⁰ Trade union membership is backed-up by local law, and all the labor relations are mandatorily governed by bargaining agreements. This may explain that only a few permanent workers are part of the trade union: They benefit even if they do not pay the mandatory

⁵⁷ The public health care system is far beyond the necessary standard in Brazil and as workers do not have health plans, they are dependent on the public system, called SUS.

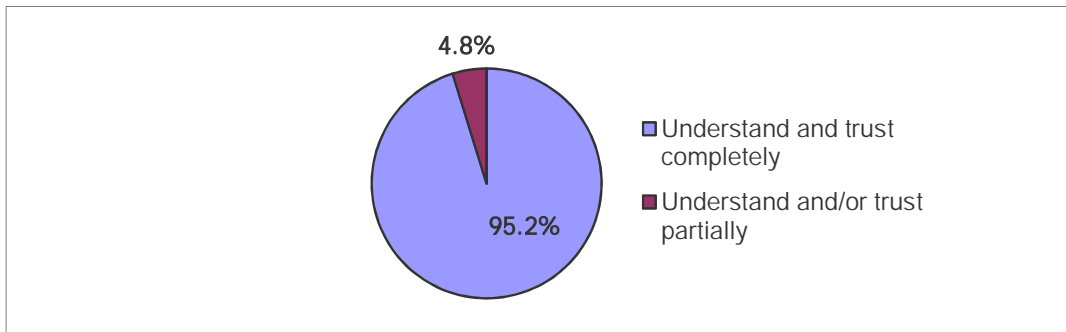
⁵⁸ Nevertheless, Fairtrade could think about creating incentives for health plans for workers and producers, as an element of certification progress.

⁵⁹ Consolidation of Labor Laws – CLT and NR31, regulation for health and safety in rural work.

⁶⁰ In each municipality, there is the official union of the producers (employers) and on the other hand the rural workers' union. Unions are affiliated to one of the big national union federations, but in most regions they are part of CUT, the largest trade union federation.

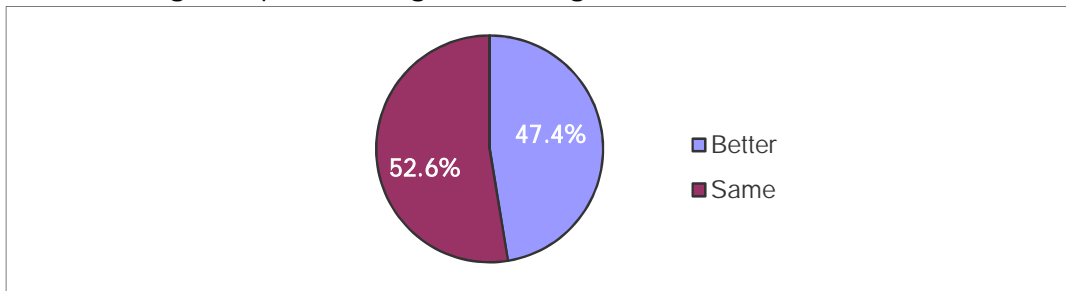
monthly fee which would be discounted on their payroll on a monthly basis.⁶¹ Compliance with labor regulations and better use and application of health and safety standards have been addressed by external stakeholders as an outstanding feature of the Fairtrade certified groups. Even trade union representatives acknowledge that the groups present much better compliance than producers in other crops such as sugar cane for the local market, where still a lot of informal work is found. A good sign that worker rights are respected is that nearly all know well how their salaries are calculated and have great trust in the remuneration system applied by the employer.

Graph 39: Percentage of workers who understand and trust how salaries are calculated



Workers are also part of training activities, especially when it comes to training on health and safety. We can read in the graph below, that the impact on their perceived ability and knowledge is lower than that measured for producers. One reason is that the average level of alphabetization is lower under the workers, which makes it for some of them very difficult to absorb the trainings correctly.

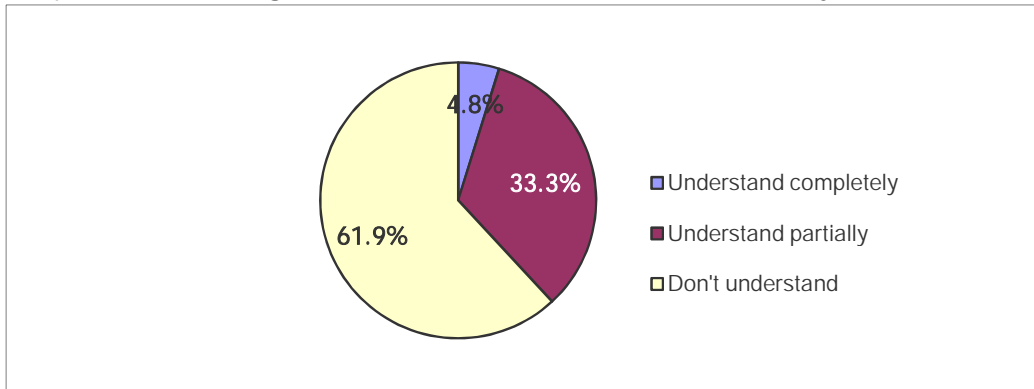
Graph 40: Workers – perceived level of change in knowledge and ability to use the knowledge acquired during the training.



⁶¹ We did not analyze the membership rate under temporary workers, but it seems to be much higher as producers say that the trade union is constantly watching if the producers comply with all obligations towards the temporary picker groups.

More than 60% of the workers do not know Fairtrade and do not understand its functioning and meaning. This could be explained by the fact that the applied certification standard is targeting the small producers in the first place. In addition, over 80% did not know what the Fairtrade premium was, which is understandable as they do not participate in cooperative member meetings. The proportion is practically the opposite of the analysis we have in the case of the producers, where 80% understand the premium.

Graph 41: Percentage of workers that understand Fairtrade system



It is important to highlight that of the three cooperatives, at least two are examples that Fairtrade premium has benefitted rural workers directly: The history of Coagrosol and of Coopersanta is linked to worker movements and in former years, significant Fairtrade premium money (in the case of Coopersanta members it was premium of Acipar⁶²) has been invested in programs that provided social assistance, education and health services to workers and their families.

Coagrosol supported the children nutritional service for years and provided computer courses for worker children. Today, the coop is still offering a health plan to all members and workers.

⁶² In the first years of the Project of Acipar, the Premium was used for: social work (53%), medical and dentist consultations for pickers (35%), professional trainings (10%) and child education (2%). (Source: Impacto do Comercio Justo da FLO (Fair Trade) no Brasil - Síntese dos relatórios de inspeção da FLO-Cert do Brasil - Sarah Lagente, São Paulo, 2005)

4.2.4 Changes in the local context and national development

4.2.4.1 Local influence of the Fairtrade price

It is not uncommon that Fairtrade can influence the price structure in a region and elevate the general price level paid to producers.⁶³ This was not the case for orange prices in the three assessed regions. But still, as one external stakeholder confirmed, Fairtrade has a much more accurate system of price definition than the local industries and therefore has a knowhow that helps to create stronger awareness on effective producer costs. According to external stakeholders the price system is one of the most important issues in the Fairtrade system and it is recognized by the producers and other stakeholders in the regions.

4.2.4.2 Innovations in the supply chain

In terms of value distribution in global trade, the answer in the view of most stakeholders interviewed is clear: Since it is a commodity with a very monopolized market where a few strong players have a say⁶⁴, possibilities to have impact on the standard value chain structure are very small. Although Fairtrade has clearly visible effects in this regard on the micro-level (i.e. for the cooperatives analyzed in this study and other certified cooperatives and its farmers) it does not change the macro level. For orange juice, it is a niche market, but one that promotes particular advantages for participants, and the survival of many producers can be directly linked to the existence of the cooperatives, which owe their foundation to the ideas of Fairtrade.

On the level of producers, we can clearly identify added value. Producers are increasing their sales to the Fairtrade market, and this is possible thanks to strong loyalty of each group's customers. There is also a neat improvement on the quality level: According to their processor, Coopealnor achieved standardization of the fruit quality and for this reason assured a good juice which is adding value in terms of sales. In the region of Rio Real, the oranges are produced by many small producers, and to realize a sale (fill a whole container for shipment) it is necessary to collect the fruits from many different producers, which normally causes an inconsistency in the quality of the juice. But the producers of Coopealnor follow the Fairtrade certification rules and cultivation techniques, which has resulted in fruits that have the same good quality features.

⁶³ Personal observation of the authors in the Brazilian coffee regions where Fairtrade is present. See also: Smith, S. (2010), pp. 100; CEVAL (2012): pp. vii, 62; Nelson, V., Pound, B. (2009): pp. 14, 24

⁶⁴ See context in section 1

One important positive impact was mentioned by traders and producers: By visiting the market, representatives of the producers could get insight into the demands of the consumers and strengthen their links with final buyers. This resulted in stronger commitment and loyalty to future and current contracts and helped to promote better understanding along the trade chain.⁶⁵

Finally, the history of the different groups shows a trend of constant empowerment, improvement of their position and control over their product. This also has reinforced the development of own processing facilities. While Coopersanta and Coagrosol have no capacity yet to freely chose the destination of their production, Coagrosol has reached an outstanding position and is now able to choose where to process and to whom to sell their oranges and their FCOJ. While the other groups are still in a more conventional situation regarding the supply chain, this is for sure the point they want to reach in the near future.

⁶⁵ See analysis of cultural behavior and impact in supply chain at the example of Coagrosol and its Swiss traders in Rotondaro, 2012

5. Principal conclusions

This research analyzed the benefits of the Fairtrade certification for the small orange producers and workers in the three cooperatives selected: Coagrosol in itápolis/SP; Coopealnor in Rio Real/BA and Coopersanta in Alto Paraná/PR. The three cooperatives have demonstrated, in almost all research points, similar results, but each cooperative in its own intensity.

The study shows that there were overall very positive improvements in the assessed cooperatives, however, they cannot be only linked to the Fairtrade certification and have to be analyzed case by case, as there are several local developments that impacted the groups over the last years.⁶⁶ What can be observed, however, is that there is a gap in registered progress between workers and producers.

While producers have seen positive economic impacts because of the Fairtrade market, the conditions of workers have mainly changed due to higher minimum salaries and stronger worker laws issued by the Brazilian Government.⁶⁷ However, compliance with such laws seems to be supported and facilitated by Fairtrade, as the certification process strengthens the producers' efforts to show full legal compliance and the cooperative has effective procedures in place to enforce social and environmental requirements.

We can also register, that the quantitative and qualitative data confirmed some conclusions that were already part of other Fairtrade impact studies or local impact studies. Especially the fact that the organizational development helped the small producers to stay in the market and that Fairtrade helps to create trust and long term partnerships has been detected in several other studies.

The principal conclusions of the study are detailed below and are grouped by the four impact levels adopted for this study.

Changes in the socio-economic situation and quality of life of farmers and workers: Perceived impacts of Fairtrade

While all cooperatives were founded with a proposition of Fairtrade certification, it is difficult to relate the producers' economic improvements to the certification

⁶⁶ Restrictions have to be taken into account when analyzing this conclusion as no counterfactual study has been realized during the research.

⁶⁷ For rural workers, trade unions also could determine productivity bonuses which can elevate picker salaries quite above the minimum salary level.

only and to separate them from other developments in the regions studied. For Coagrosol and Coopealnor producers, we cannot link the changes in the social situation and quality of life exclusively to certification. But what can be clearly seen is the fact that the cooperatives were able to survive from a difficult scenario and grow due to Fairtrade. Only the Fairtrade market was able to guarantee sales that covered their costs of production, even in difficult times, and helped to promote the improvement of the organizations' structure.⁶⁸

At Coopersanta, the change in the social and economic situation of producers can directly be related to certification. There were at least four to five other initiatives in the region that tried to form groups of workers to access land, but no one succeeded. The spirit of solidarity and the active support of the former Fair Juice-project helped the producers of Santa Maria district succeeding in getting certified: Investments made with Fairtrade premium money transferred from Acipar allowed the cooperative – composed of former pickers of Acipar producers - to be founded. The group managed to grow, and practically all former orange workers in the district of Santa Maria could become producers. In Alto Paraná, several producers could even expand their land ownership and improve their living conditions significantly, so that their children get interested in remaining in the orange business.

Although it is difficult to identify if the producers' economic situation improved exclusively due to the Fairtrade certification, we can say that with Fairtrade they could increase their sales and receive a higher price for the fruit than on the local market. As a result, the producers are now able to save money, make small savings, and improve their houses. Most of them admit that they have more control over their own future, more access to new assets and most are able to finance higher education for their children.

After the minimum price, building market linkages was classified as the most important benefit of Fairtrade in the opinion of the producers. In fact, the cooperatives built strong relationships with Fairtrade buyers and guarantee the product's sale for the members, even under difficult market conditions. But the risk side of sales focused on this market is that diversification of production and commercialization methods are not actively promoted within the groups. Today, only Coagrosol a stronger product diversification, the other two groups are strongly focused on oranges. Not one of the cooperatives has a strongly diversified client portfolio, and they depend to a great extent on the same clients.

⁶⁸ Some stakeholder insisted in the conclusion that without Fairtrade, the groups would not even exist anymore.

In early years, Fairtrade contributed to improvements in health services for the district of Santa Maria. But this investment was supported by the former major and today there is no counterpart of the municipality anymore. Today the Coopersanta members do not feel that access to health services has improved at all, as the investment has not been sustained. If there was a slight improvement in access to health services in the case of the other analyzed groups, it was due to public investments in their municipalities. But all in all the services are considered insufficient. This is a major problem in rural zones and is currently subject of new public policies. The concrete contribution that Fairtrade provides in the case of Coagrosol, is access to health insurance for members and workers.

As in other regions of the world, an important trend today in Brazil is the migration of young people from rural zones to the city. The agricultural situation for small orange farmers in Brazil is very difficult; the large industries dominate the market and determine the rules and prices. Although Fairtrade certification doesn't have a great influence on that macro-scenario, the researchers perceive that the certified cooperatives still manage to attract the next generation, whether to work for them as staff or to become producer members, following the steps of their parents. But, of course, as land would have to be divided and therefore would lose profitability, only part of their children will remain in the business and a greater part will leave for other occupational areas.

Workers

The Fairtrade standards applied for all three groups are smallholder standards. Therefore the workers are not in the center of the scope⁶⁹, but labour relations and health and safety issues are addressed. While it can be perceived that the certification has helped to reinforce improvements in the labour relations and safety regulations that the state already has promoted extensively in recent years, it was not evidenced by the study that Fairtrade has impacted the economic situation and skills development of permanent and migrant rural workers interviewed. Their salary has improved mainly thanks to the strong negotiations of the trade unions. So far, the positive impact on the producers has

⁶⁹ For workers under direct responsibility of the cooperative, and also for workers which are permanent or temporary workers, labor relations criteria are part of the smallholder standard, based on common ILO-conventions and local laws. The conclusions in the box do not apply for cooperative employees, they benefit from a structured environment in the headquarters and get the full range of benefits and have a progressive salary system.

not trickled down to the level of workers, a fact that could be addressed by Fairtrade in future standard revisions or through guidance on policy development in the cooperatives and premium projects that integrate workers and their families.

Changes in the organization of rural zones: Perceived impacts

The positive impact that the Fairtrade system had in terms of organizational development can be considered as the major asset of the certification. Entrance into the system and maintenance of the criteria strengthened the cooperatives. Today they have credibility in the regions. For example in Rio Real and Alto Paraná, Coopealnor and Coopersanta were the only cooperatives that could create a group of small producers that still exists, others tried but didn't survive the challenges due to lack of support and lack of necessary skills and market perspectives.

Generally, the analyzed cooperatives show to have a transparent governance model, in which producers trust. They believe their interests are well addressed by the leadership of the groups. The cooperatives have - over the years - gained a better administrative structure, better governance processes and show a more professional approach towards the market. These improvements are mainly due to certification, because - in order to comply with the standards - the cooperatives needed to build a structure that guarantees a better control over the business and production. In this way they were able to report to Fairtrade International and they achieved control over social and environmental compliance of their members and their own organization.

Fairtrade also intensifies relationships with trusted partners, helping to establish a long-term and loyal relationship. This fact can be associated with the direct contact between the cooperative and the clients, that is promoted by Fairtrade . But the research also showed that in terms of negotiations, the cooperatives still need to improve, mainly in their marketing and sales strategy. Today, the cooperatives depend a lot on third parties or individuals within the group to sell their products.

In general, the groups do not seem to have a strong approach in marketing and responsiveness to clients' solicitations.⁷⁰ Just Coagrosol has more expertise in these aspects, but still has potential to improve. So far, only a few clients provide

⁷⁰ Source: Stakeholder consultations.

pre-financing as recommended in the Fairtrade standards. This has two reasons: The difficulty of traders to effectively offer pre-financing that can compete with the low cost local financing and also – on behalf of the groups, a lack of insisting in their right to ask for this tool and step back in order to not delay the sales contract signing.

In relation to pricing, the Fairtrade floor price has protected the farmers from extreme fluctuations and prices below cost of production, but some producers expect the Fairtrade price being slightly higher than it is today. This would guarantee them to realize investments in the production and would enable them to save some money to address difficult times.

The price per box paid in the local market for FCOJ processing is very unstable and the small producers who are not in the Fairtrade market are in a difficult economic situation. So difficult that many of them leave the orange business, destroying their orange trees and renting the land to plant sugarcane for the ethanol and sugar industries. It was recognized by producers and external stakeholders that the Fairtrade system is a better option for small orange producers and the formula to survive and grow is to organize themselves in cooperatives.

Changes in local and national development: Perceived impacts

As stated above, the economic empowerment of producers and improvements in their quality of life did not trickle down to the permanent and temporary workers. The case of Coopersanta is an exception as Fairtrade directly influenced the transformation in their life from salaried rural workers to producers. The general upgrading in rural working conditions is strongly related to the Brazilian law and more rigid state inspections, but we can clearly see that the certification influenced positively the status of compliance with labour laws, health and safety practices and better environmental practices.

Nevertheless, in earlier years, there have been investments of Fairtrade premium that were directed to workers and their families, not only in Paraná, but also at Coagrosol. The communities recognized that these projects had a positive impact in the municipality or district, but today the premium resources have been directed to internal, production related demands of the cooperatives and their producers.

Better production techniques and environmentally sound practices promoted by Fairtrade have catalyzed the measures that stronger legal environmental

framework demands from the producers and contributed to the fact that producers and stakeholders today perceive the return of animals that had disappeared for years. This means that biodiversity can be restored on the orange plantations and Fairtrade producers are at the front of this battle. Without doubt, the strong control that certified groups exercise on their members has contributed to this positive trend.

Regarding the indicators of changes in the distribution of value along the supply chain, the impact of Fairtrade is situated more on the micro-level, and there is no significant influence in changing the power relations in the market. The orange market is a strongly concentrated market and the position of the small producers is generally very weak. A few large industries have the say in the market and regulate price and sales. But, for those producers involved in Fairtrade, the dependency on these market pressures could be significantly lowered and with the creation of own processing structures (such as the new pulp factory of Coagrosol) their independence will further grow.⁷¹ The example of Coagrosol is also strong in the sense that they have the capacity to freely choose their processing partners and buyers.

What can be stated is that Fairtrade added value to a product which - without the organization and guidance of the certified groups - would not permit good sales for small producers. We can recognize the standardization of the fruit quality as one Fairtrade benefit, which results in better sales of the product. Coagrosol, the most advanced group, is currently starting to operate an own small factory which will offer opportunities for commercialization of processed fruits.

Overview of impacts

Below we present a summary of identified Fairtrade benefits in the case studies conducted in this analysis completed as well as a summary of identified challenges. Recommendations that will address the challenges are focus of the last section of this report.

Fairtrade certification benefitted small scale orange producers by:

- ✓ Promoting economic growth and higher income for the majority of producers

⁷¹ Several interviewed producers and cooperative managers told that one risk factor that could hinder their development could be the entrance of the big players in the Fairtrade market, using own producer resources.

- ✓ Influencing positively the quality of life of producers and their families by the capacity to invest in education and housing improvements
- ✓ Offering a better price, less volatility due to the minimum price and guaranteeing sales to small producers involved
- ✓ Helping small producers to survive in a concentrated market and to maintain active their properties
- ✓ Offering producer's children opportunities to stay in the business instead of emigrating to other areas
- ✓ Providing strong market linkages and market partnerships which also attract other partnerships for training and financing
- ✓ Promoting trust of producers in their organizations by increasing governance quality and transparency
- ✓ Promoting transparent price calculation and payments from trader until the farm gate
- ✓ Strengthening development of cooperatives and joint collaboration between producers
- ✓ Supporting enforcement of labour laws and safety regulations and reducing risk of non-compliances
- ✓ Adding value to the product of small producers through quality improvement
- ✓ Helping to reduce use of pesticides on the properties and increase environmental and occupational health and safety
- ✓ Contributing to the efforts of restoration of biodiversity in the orange plantations
- ✓ Showcasing organizations as role models and attracting new producers and counterparts for training and projects

- ✓ Investing premium resources in community programs that helped to grow environmental awareness and in specific cases, improved access to health services
- ✓ Bridging the gap that cooperative leaders had in understanding the market and its expectations

Identified challenges and expectations that Fairtrade has to address:

- ✓ The impact on permanent farm workers and temporary workers is restricted and the economic growth of the farmers did not yet trickle down to their employees.
- ✓ Different than is evidenced in some impact studies concerning other Fairtrade products⁷², the minimum price does not influence the local orange price.⁷³
- ✓ The diversification of production and market approach has only been evidenced in one cooperative and dependency on one market stream is still high.
- ✓ Although Fairtrade offers an alternative and protects small farmers from the pressures of a concentrated market, the influence on changing the global trade relations is not significant.
- ✓ Although economic stability and business continuity are improved by Fairtrade, producers do not have enough resources yet to make all the necessary investments they would have to make in order to sustain a significant growth.
- ✓ While Fairtrade helped producers (and workers) to get training, the understanding of specific Fairtrade related issues such as price policy and price composition as well as trading relations is still very restricted.

⁷² Ceval (2012), Nelson/Pound (2009), Smith (2010)

⁷³ In is very common – for example in the case of coffee – that in the region where Fairtrade producers operate and sell, other buyers raise their prices to compete with the Fairtrade operators.

6. Recommendations

Based on the interviews with stakeholders and the findings of the surveys, we elaborate below some recommendations that could be adopted to further develop the Fairtrade certification of orange juice:

- Better inclusion of rural workers in the scope of smallholder certification:
Fairtrade should promote stronger engagement of permanent and temporary workers within small producer set-ups in the system. This can be done by guaranteeing their involvement in training and by monitoring of their participation in programs that benefit primarily the farmer's family (such as financing of health plans or educational subsidies). Trade unions could be helpful as partners for this task and support Fairtrade to define inclusion strategies.
- Give a direction for a more strategic use of the premium:
Many groups initially invested premium in the beginning of their trade relations in the community and neglected their own structural needs as an organization.⁷⁴ Fairtrade should help to guarantee a strategic application of the premium in order to guarantee growth and future growth of the premium that will allow its outreach to the community. This does not mean that the right that producers have in deciding on their own over the premium use should be reduced, but producers should be motivated to analyze in the first line their structural needs and invest in the strengthening of their organizational capacity and sustainability.
- Training and capacity building in marketing and business planning:
Fairtrade could provide pro-active support and incentive partnerships that target capacity building for business planning and strategic marketing for the cooperatives. In general, the application of information modules on Fairtrade, the pricing system and other aspects of certification could be useful, as the background of Fairtrade is often unknown to producers.
- Monitoring training impact:
Besides monitoring incidence of training, the impact of trainings delivered by the groups for producers should be better monitored and cooperatives should build control points to measure effectiveness of the trainings. It is also necessary to provide training to all components of a cooperative, as

⁷⁴ Source: Management interviews

the survey showed that not all producers and even less workers have participated in technical and other trainings.

- **Influencing price setting practices:**
Fairtrade has proven to be very advanced in terms of calculation of sustainable production costs and price setting. In an environment where mainly market driven factors influence the price paid to orange farmers, this knowledge could be useful to more than just the certified farmers and help the category of small orange producers in general to get stronger arguments in selling their product. Fairtrade International could incentivize a broader discussion on pricing with other stakeholders involved in the market.
- **Promote diversification of production and trade:**
Diversification of the production and commercialization can be decisive for further growth of the producers and mechanisms should be created to guarantee progress in this area. In case of a recession in the orange juice market, diversification can be the key for the survival on the market.
- **Facilitate access to pre financing:**
Pre financing doesn't seem to be effective in some cases, although it is an important criteria of Fairtrade. It would be helpful to analyze and address the root causes that lead to this situation in which producers often do not demand and don't insist on getting this benefit.
- **Support the creation of a Fairtrade internal market in Brazil:**
Fresh packed orange juice (Not from concentrate - NFC) can be a very interesting product on the local market and orange producers should be strongly integrated in the efforts of building a national initiative in Brazil. Juices could be launched immediately once the label organization is in place.⁷⁵

⁷⁵ See Witmer (2012) on the history of the Label Initiative in Brazil. First attempts are being made to create a producer guided organization, but there is no external support and the development is very slow. With the upcoming events such as the Football World Cup in 2014 and the Olympic Games in 2016, attention and opportunities for local Fairtrade are growing.

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8. Attachments

8.1 Short storyboards on producers and workers

Dijalma Dantas Pinheiro, Producer Coopealnor

Dijalma is 68 years old and lives in Rio Real/BA. He grew up in Cristolino, a city near Rio Real. Dijalma is married for 48 years and has 7 children. In 1982 he started working as a contractor and came to Rio Real with the Company he worked for. In 1997 he started with agricultural production. He is one of the first that started working with oranges in the region.

In 1997 he went to Rio de Janeiro to sell the oranges in the local market and there he met Capina, the organization that helped the producers to become an Association – Cealnor. Since then he never left the orange production. Dijalma helped to found Cealnor, and later Coopealnor. He is a member of the Cooperative since the beginning. According to him, people need to work together - one needs to help the other - to have success. Dijalma believes that his life improved a lot due to Fairtrade certified Orange Juice and that today he has achieved more financial stability. He believes that the Fairtrade market is more secure than the conventional market and guarantees fixed sells, payments and a better price.



Djalma is now picking his own fruits and achieved financial stability due to the Fairtrade sales of Coopealnor.

Nelson Borges dos Santos, Producer, Coopealnor

Nelson is 65 years old and lives in Rio Real/BA. He is married for 37 years and has 3 children. Nelson is one of the producers that helped to create Cealnor in 1997, and for this reason he is very well known in the region. He believes that his life is much better since he joined the Association – and later the Cooperative Coopealnor. “With the Association/Cooperative we conquered lots of benefices, for the producers and the community”, says Nelson. In fact, Nelson believes that the creation of Cealnor catalyzed the city’s economic development. With the Association more infrastructure and basic services like schools, the Health Care Center, roads, electricity and other investments appeared during the years.

Nelson was born in Rio Real and always lived there. He always worked with agriculture, in the beginning he planted corn, beans and cassava, but he also was a permanent worker in a farm. The orange came to the region in 1975, brought by planters of the neighbor state Sergipe, and in the 1980ies the market was already quite intense, when Nelson got married and started a family. But he began to notice that he couldn’t support his family only with his work’s salary and so he started to think that he needed to invest in his own production. He was able to do this only seven years later, when he went to a bank to get a credit to invest in his own production. Nelson wanted to take a credit provided by a Government Program, Pronaf, but to take this credit he needed to be part of an Association. For this reason he started to incentive the producers of the region to organize themselves and create the Association. In 1997, the Association was founded and the producers took the Pronaf-credit and started to invest in orange production. Nelson left his job as a daily worker and started to be a producer. Today he thinks he has a very good life and this was possible partly due to the Association and partly due to his disposal to run after what he really wants.



Nelson believes that the Fairtrade Cooperative Coopealnor has helped to bring more development to the city of Rio Real.

Claudecir and Silvana Rodrigues da Silva, Workers, Coopersanta

Claudecir was born in the small community of Santa Maria and always lived there. Silvana came to the district when she was 11 years. They are married for 27 years and have 3 children. Both always worked in agriculture, but in the beginning they picked coffee, and then when the orange appeared in the region they started to work in the local big farms. For them, working in the farms was very exhausting; they didn't have much time for their children and did not see real progress in their life. Silvana did not have enough time to take care of their first child, Jessica, because they needed to wake up at 5am to go to work and came home only around 8 pm at night. But when the project "Suco Justo" (Fair Juice) was created by the first Fairtrade certified producer group in the region, their quality of life improved a lot.

Their labor rights were now respected, they got formal, legal working contracts and legal benefits, and later could even have their own piece of land to start orange production. The producers could acquire their own land through the Governmental financing, and last year they finished to pay the loan. With the Association Agrosanta - and now with the Cooperative - they could make their way from workers to producers and today they can survive with their own agriculture production. Claudecir and Silvana have now more control over their life, can make their own choices and can spend more time with the family. Claudecir and Silvana didn't finish their studies, but with their quality of life improving, all the children study and will complete the superior school.

Claudecir and Silvana like to work with orange production and point at the orange market in the region as the best economic alternative. Claudecir and Silvana believe that they will continue to work with orange and that their life will improve more and more thanks to the Fairtrade orange juice market. According to them the Fairtrade market is safer and guarantees more stability and a better price than the conventional market.



Silvana and Claudecir are already prepared to enter a new life as orange producers and have more time to be with their children.

Hildebrando Ferreira de Aguiar, Producer, Coopersanta

Hildebrando is 74 years old and has 10 children. He was born in the state of Bahia, but lives in the district of Santa Maria for 20 years. His life was dedicated to work with agriculture. He started first as an employee in the traditional coffee production in the region, and when he came to Santa Maria he worked in a local big orange farm as a farm worker. Hildebrando came to this region because of the perspective of work and the lower cost of life, which he believed offered better conditions for him than in the urban area. In the year 2000, due to the efforts of the Association, which received guidance from the Fairtrade project "Suco Justo" (Fair Juice) he could buy his own land through a government loan and become an orange producer, leaving behind his life as a rural employee. Years later he and other producers helped to create Coopersanta, which was to be the first certified producer group built up by former workers that became land owners.

Hildebrando is still an active member of the cooperative Coopersanta and five of his children are members, too. He believes that his quality of life and economic situation improved a lot since he started to be a producer. In the beginning he still needed to work as a farm worker, but now he can sustain himself and his family only with his orange production.



Hildebrando in front of his orange trees: Fairtrade premium investments were decisive that he could transform his life as a farm worker to that of a producer with an own small plantation today.

Ademir Aparecido Machado, Producer, Coagrosol

Ademir Aparecido Machado is 47 years old and was born in Itápolis, where he lives today and where his family was raised. He has a son of 16 years old who is in the 2nd grade of high school. The family of Sr. Machado always worked with agriculture, they began with coffee production, but due to the fall in the price and the high cost of production in 1986 they chose to change the culture to orange, which they have until today.

In 2012, because of the instigation of his friends, whom produce orange and are members of Coagrosol, Mr. Machado became a member of Coagrosol. The main reasons were the good price paid for the orange and the benefits offered to its members. The main benefit identified by Mr. Machado is that now he is able to sell all his orange harvested and at a much better price than offered on the local market. Mr. Machado is pretty excited and is betting on a good price that will be paid by the cooperative for the 2013 orange harvest.

Sideval Delisposto, Producer, Coagrosol

Sideval Delisposto was born in Itápolis, where he still lives. He is 52 years old, is married to Mrs. Tereza and has a son who is studying business administration in the same city. The whole family lives in Itápolis, where they have the farm and produce orange. In the beginning Mr. Delispostos parents used to produce coffee, but since 1989 he invests in the orange production. With some difficulties in the orange cultivation and management Mr. Delisposto was encouraged by his friends to join the cooperative Coagrosol and in 2012 he became a member.

With his entrance at Coagrosol, Sideval Delisposto perceived good improvements in his life and production. In the production, the most benefits identified were the information received from field assistants of the cooperative on the orange cultivation and management for the production. As a life improvement, he feels more secure and has more control over his life. The main reason for this is that he knows that all his orange production will be sold and for a fair price. Now he has a better financial situation and a stabilized life. Another benefit identified by Mr. Delisposto is the improvement in the orange production of the Coagrosol members.

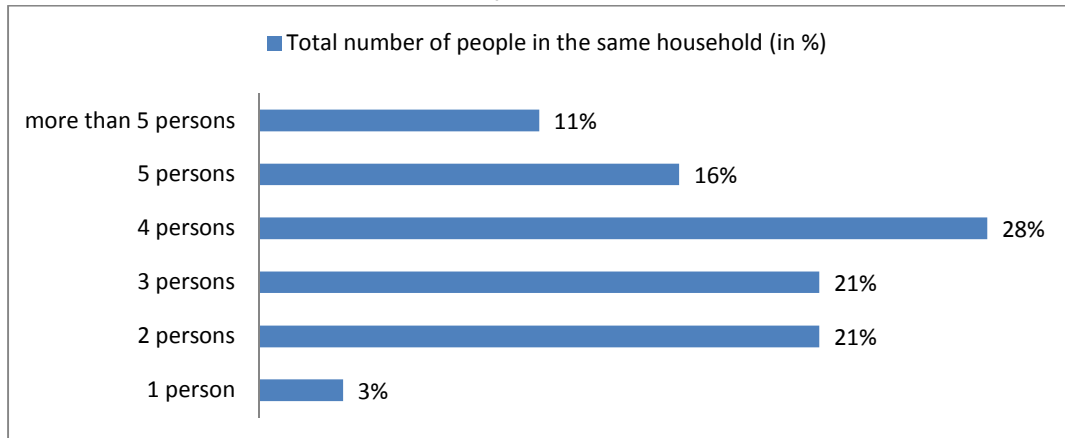
The only concern of Mr. Sideval is the orange production cost. He is investing a lot of money to maintain his production, but it isn't enough and the government doesn't help, too.

(Registered by Carolina Schiesari, with Fabiana Ikeda and Beat Grüninger.)

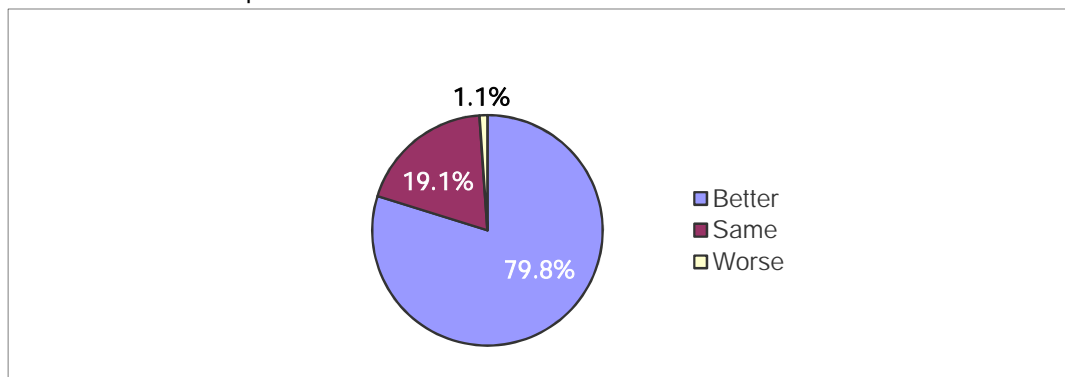
8.2 Additional graphs of the producer survey

All data are referring to the analyzed sample of producers.

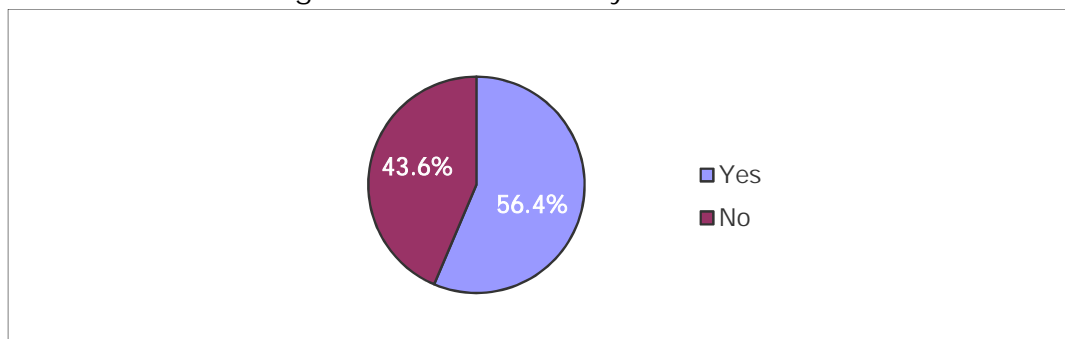
P1: Producers – number of members per household



P2: Producers – improvement of access to resources⁷⁶



P3: Producers – training attendance over last year

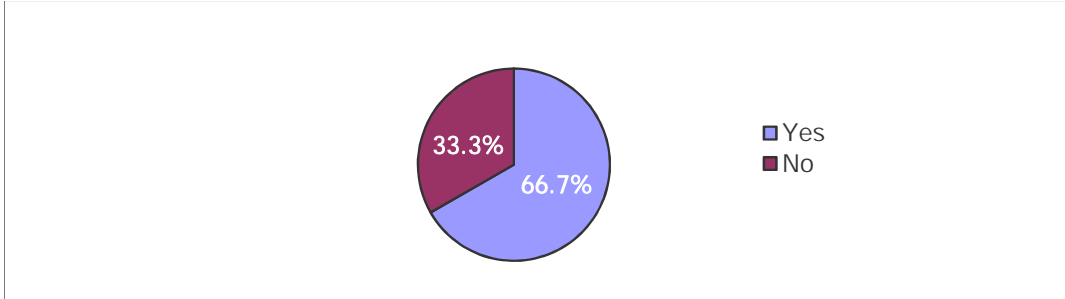


⁷⁶ Resources could be water, land, animals, among others. It reflects the security that producers feel to be able to increase their productive resources.

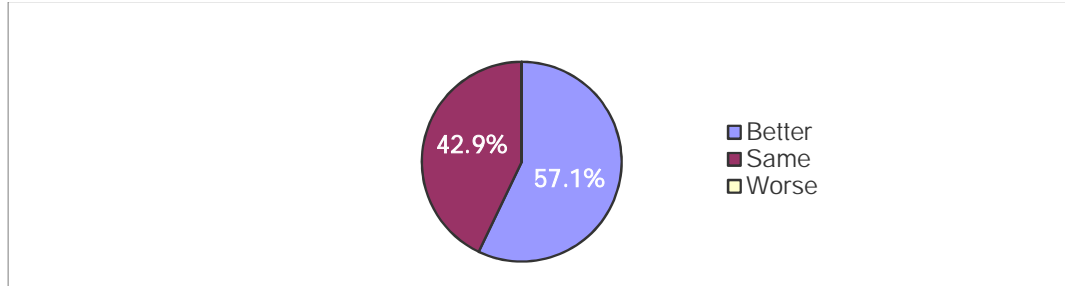
8.3 Additional graphs of the worker survey

All data are referring to the analyzed sample of workers.

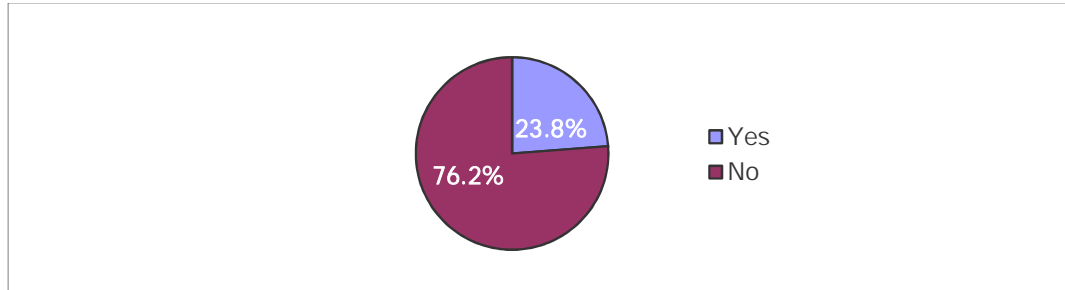
W1: Workers – workers’ children advancing the level of schooling



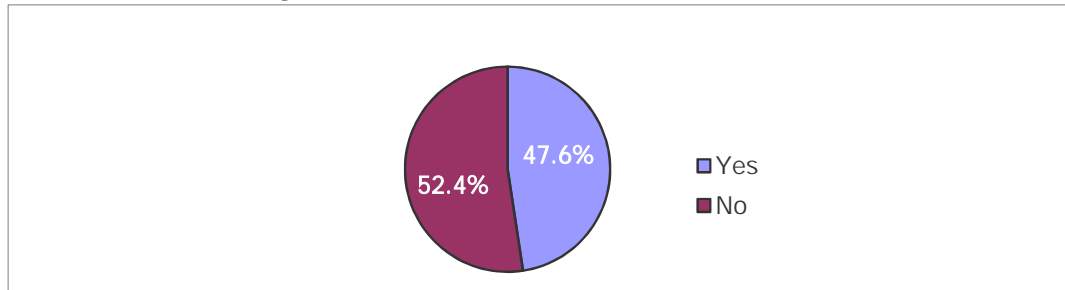
W2: Workers – ability to make choices about own (and children’s future



W3: Workers – membership in trade unions



W4: Workers – training attendance



8.4 Stakeholders consulted

We would like to thank the following stakeholders for their important contributions:

External stakeholders consulted in each region					
Itápolis		Rio Real		Alto Paraná	
Entity	Interviewed	Entity	Interviewed	Entity	Interviewed
CATI	Silvio Santos	CEALNOR	Edicarlos	EMATER	Mario Baldin
Rural Trade Union	Ronaldo			Secretary of agriculture	Paulo Sergio
	Antônio			Trade Union	José Elton

External stakeholders consulted by phone	
Entity	Interviewed
Fair & Organic	Daniel Strauss
Oxfam	Sara De Smet
FLO Cert	Andrea Drapier
FI Producer Support	Catalina Jaramillo
Max Havelaar Switzerland	Karin Altherr
Tropfruit	Diorane Araújo



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