



The Impacts of Premium Investments: Outcomes for Fair Trade Program Participants





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For an in-depth analysis of program impacts, including extended analysis of participant responses, please see the full report.

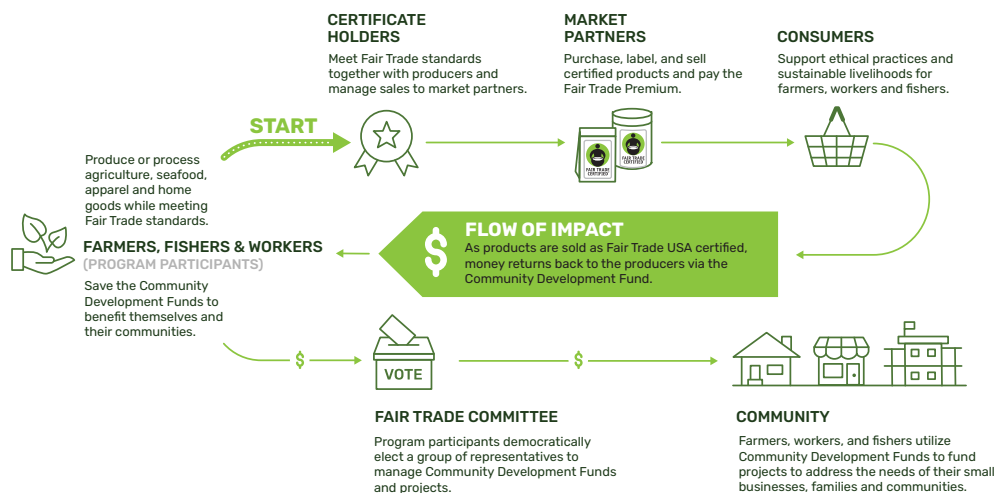
Introduction to Fair Trade Model and the Theory of Change

Fair Trade USA is the leading third-party certifier of Fair Trade products in the United States, enabling sustainable development and community empowerment by cultivating a more equitable global trade model that benefits farmers, fishers, workers, consumers, and businesses.

Fair Trade USA utilizes standards to ensure cooperatives, farms, fisheries, factories, and traders operate ethically and fairly. These standards are designed to protect the livelihoods of producers and laborers by requiring decent and safe working conditions, supporting economic well-being, advocating for gender equity, requiring fair prices where applicable, and protecting human rights.

Through adherence to the Trade Standard, each industry and brand partner commits to paying an additional sum of money, known as a Premium, above the purchase price of the Fair Trade Certified product. These funds are then returned to the producer community in the form of Community Development Funds (CDFs) which are then spent according to a democratic election process based on a Needs Assessment carried out by a Fair Trade Committee.

All participants in the Fair Trade program democratically elect representatives who are fellow farmers or work colleagues. This group, known as the Fair Trade Committee, is responsible for identifying the needs of program participants and managing how these funds are used according to the Fair Trade Standards. Our program's theory of change is that this process of needs assessment and democratic determination of how CDFs are invested leads to empowerment and sustainable livelihoods.



As of yet, the outcomes historically demonstrated by premium investments have been observed anecdotally by Fair Trade participants and staff; while stories of impact are common, formal studies have been lacking. The literature on the Fair Trade premium is less robust and generally focused on the administering of financial support rather than the actual outcomes of fund investment.

Despite the challenges that impact evaluations present due to the complexity, scale, and scope of Fair Trade USA's international reach in 62 countries, the organization regularly

monitors indicators for well-being, gender representation, and sustainable livelihoods, among others, by surveying statistically significant samples of participants. These indicators are mandated by our theory of change.

WELL-BEING	EMPOWERMENT	GENDER	ENVIRONMENT
<ul style="list-style-type: none"> • Safe & Secure Workplaces • Individual Well-Being • Workplace Well-Being • Community Well-Being 	<ul style="list-style-type: none"> • Increased Education • Worker/Management Dialogue • Knowledge Transfer • Individual Empowerment 	<ul style="list-style-type: none"> • Gender Equity • Fair Representation • Gender Awareness 	<ul style="list-style-type: none"> • Environmental Awareness • Environmental Management • Protected Resources

COMMUNITY	FINANCE	FAIR TRADE FUNCTIONALITY
<ul style="list-style-type: none"> • Social Capital • Community Organization • Community Action or Infrastructure • Community Empowerment 	<ul style="list-style-type: none"> • Market Access & Linkages • Income Diversification • Income Stabilization • Resource/Production Efficiencies 	<ul style="list-style-type: none"> • Credit Access • Premium Projects & Payouts • Legally Required Wages & Benefits

However, as this study is concerned with the impact of premium investments and the democratic process of their selection, rather than the effectiveness of the Fair Trade program in its entirety, our report will be limited to examining the outcomes above that are most impacted by these facets of our program.

The Research

Over the course of three years, Fair Trade USA conducted research among 3,857 small holder farmers, fishers, and hired laborers to better understand the impact of its Community Development Funds. Nineteen certificate holders in nine countries and across seven commodities were surveyed. Planned implementation in additional countries and among more certificate holders was disrupted by the onset of the COVID-19 pandemic in 2020.

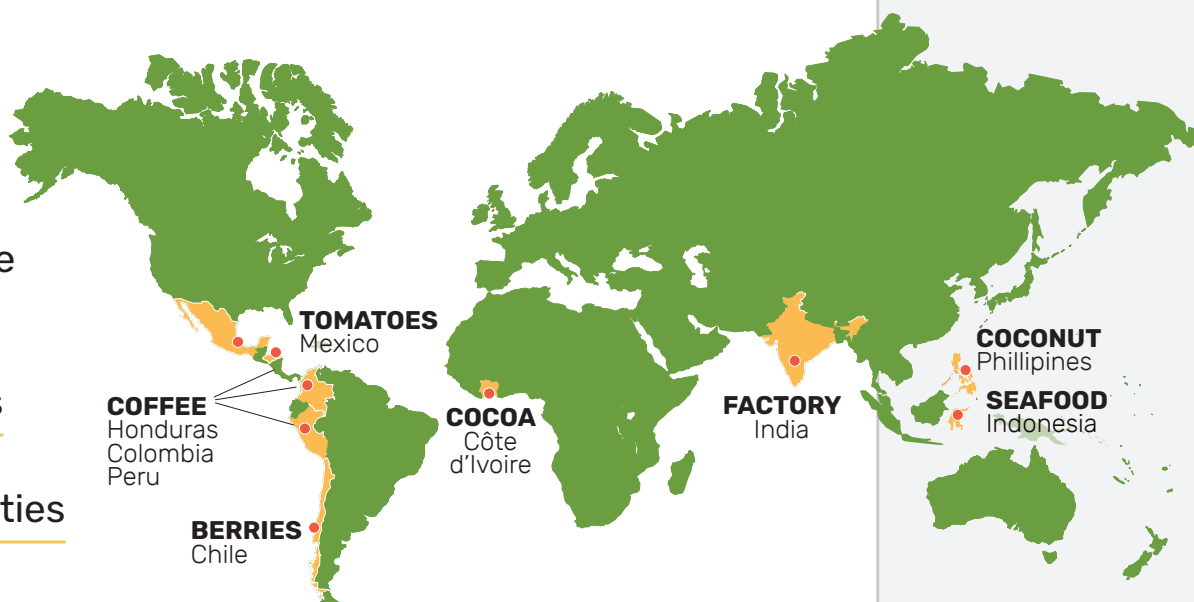
3,857
small
holders

19
certificate
holders

9
countries

7
commodities

3 years



Fair Trade USA analyzed quantitative and qualitative data. Research methods included an enumerator-led quantitative survey, one-on-one interviews, and focus groups of 6 to 8 participants. Interviews utilized the Most Significant Change (MSC) technique, an approach widely used to better assess the impact and interim outcomes of economic development programs worldwide.¹

Through focus groups in local languages, Fair Trade USA field managers collected worker perspectives on the process of determining how to invest Premium funds. They prompted study participants to reflect on what they found to be the most meaningful premium investment projects and why. Responses were recorded, transcribed, and translated to English where applicable. In order to minimize bias, a third-party researcher then analyzed the texts, using the Theory of Change outcomes as a guiding framework and identifying new, emerging, or unintended outcomes.



In addition to the qualitative assessments, field managers asked the same participants to complete quantitative impact monitoring and evaluation surveys. The surveys, composed of approximately eighty multiple-choice questions, seek to better gauge the household composition and living standards of program participants.

For this study, we added four questions to our standard quantitative surveys in order to measure the following:

- Participant satisfaction with premium spending
- Participant involvement in voting on premium spending
- Whether or not participants felt their opinions were considered in the premium decision-making process
- Whether the participants felt that the Fair Trade program has resulted in a positive, neutral, or negative change in their lives

¹ Davies, Rick. (2005). The 'Most Significant Change' (MSC) Technique: A Guide to Its Use. DOI: 10.13140/RG.2.1.4305.3606. https://www.researchgate.net/publication/275409002_The_'Most_Significant_Change'_MSC_Technique_A_Guide_to_Its_Use Last accessed 7/16/2022.

QUALITATIVE DATA



Most Significant Change Interviews
20-minute Interviews;
Focus Group Discussion
6-8 people, 60-90 minutes

QUANTITATIVE DATA



Individual Worker Surveys
on Tablets performed
by enumerators

Uses of Premium Investment Funds

The study identified that participants deployed funds in one or more of three ways:

- **PREMIUM PROJECTS:** This often involves a community project, like funding a housing project in a hired labor setting, investing in solutions for clean drinking water, or farm/fishery improvements, like purchasing equipment and tools for small holder farmers or fishers.
- **IN-KIND GOODS:** this is a way of spending premium funds which involves purchasing goods the majority of participants want, such as school supplies, home appliances, winter clothing, or food.
- **CASH PAYOUTS:** with the advent of COVID-19, cash payouts were more frequently deployed and Fair Trade USA raised the percentage certificate holders could allocate to cash payouts from premium funds. Unlike some in-kind goods projects where goods are distributed to those in most need, cash payouts are distributed among all workers equally.

The Most Significant Premium Investment Type

Across all countries, genders, and labor types, there was not a single most-preferred premium expenditure type. Instead, it did not seem to matter which form the expenditures took, because they all contributed to people's ability to address their needs. While the form the expenditures took did not matter, this was only made true by the fact that decisions on how to spend the funds were driven by democratic processes based on needs assessments carried out by the program participants themselves.

In other words, it is because program participants are empowered by the Fair Trade Certified model to reflect on personal or community needs and to make context-specific decisions on funds expenditures collectively that funds were found to be deployed effectively regardless of form. In small holder communities, for example, there was greater tendency to invest the funds in broader community development, such as school buildings or the provision of drinking water pumps. In the Hired Labor context, participants were more inclined to spend funds on in-kind good or cash payouts, because hired laborers often travelled from multiple communities to their work location. As such, it often made more sense to spend premium funds in these ways.

One coffee farmer in Colombia reflected on the equal benefits of cash payouts and community development projects in this way:

“Well, it would be good all together, that they give us cash, and benefiting the community would be ideal. The advantage of the cash in that sense is that you can prioritize something that's pending. On a personal level, that's how you can collaborate there, to satisfy that need. But at the community level it's also good because although it's not received directly, it's a benefit that's going to be provided to the entire community, which is also good. It seems to me that they should go hand in hand, together; both individually and as a group, at a community level, because in both ways you always benefit.”

**ALL EXPENDITURES,
REGARDLESS OF FORM,
CONTRIBUTED TO
PEOPLE'S ABILITY TO
ADDRESS THEIR NEEDS**



The following sections explore the different uses of premium and how they address participants needs:

CASH PAYOUTS

Respondents reported receiving cash payouts in Peru, Honduras, Ivory Coast, Mexico, Chile, Colombia, and Indonesia. Across the board, respondents shared being able to meet basic needs with the payouts. Cash payouts reportedly went toward paying bills, medical or education expenses, or buying food. Most of the participants were able to afford basic needs like food and hospital bills. Payouts were found to be a significant driver of individual well-being outcomes. A treasurer in Caeva cacao cooperative, Ivory Coast stated:

“...after the crop season, they give us the cash payout. ...It helped me with my personal needs. It’s a good thing, and for me, it’s a very good thing.”

Cash payouts could potentially be fairer than community projects in instances where the project in question does not benefit the entire community; for example, a project supporting scholarships or school supplies may only benefit those seeking an education for themselves or their children.

IN-KIND GOODS

Respondents reported receiving a range of in-kind goods. These included home appliances in India, such as refrigerators, washing machines, sewing machines, water purifiers, or pressure cookers. In Peru, farmers reported receiving ecological stoves. Many participants reported electing the distribution of school supplies for their children as well.

Most cooperatives spent premium funds on food projects, especially in light of the impacts of COVID-19 on worker incomes. Coconut farmers in the Philippines received Christmas grocery packages, while participants in Mexico received food baskets. In Chile, blueberry farmworkers opted to subsidize bags of flour with their premium funds, making them available to purchase at 50% of the market price. In Colombia a food voucher project was implemented. In Chile, one of the participants noted that the flour project was not only for his benefit but for his family members as well:

“For my family and my wife were very happy when I came home with the flour, it helps subsidize what is needed in our household and what I was going to spend on the flour I could use to buy other things. Things for our household and it’s a great help.”

COMMUNITY DEVELOPMENT PROJECTS

There was a substantial number of community development projects reported. Health projects were reported in the Philippines, Honduras, Peru, Ivory Coast, and Colombia. In Peru and the Philippines, a project resulted in the distribution of first aid kits, while additional bio-safety products were distributed during COVID-19 for Coffee farmers from Peru, Colombia, and Honduras, as well as Cocoa farmers in the Ivory Coast.

Participants from the Ivory Coast built schools and added toilet amenities and outdoor seating to existing schools. Additional projects included the building of a maternity ward for pregnant women in one village and the installation of water pumps to make safe drinking water more readily available.

**CASH PAYOUTS
WERE FOUND TO BE A
SIGNIFICANT DRIVER OF
INDIVIDUAL WELL-BEING**



There were several farm-improvement projects for small holder farmers. These included the purchase of fertilizer, the provision of better seeds, the acquisition of farm tools, the purchase of cars for transportation, and the acquisition of additional farming land. In the Philippines, farmers bought seeds to plant new varieties of coconut. Coffee and Cocoa growers invested in washers and dryers to enhance processing and to protect their harvests from being spoiled during the rainy seasons.

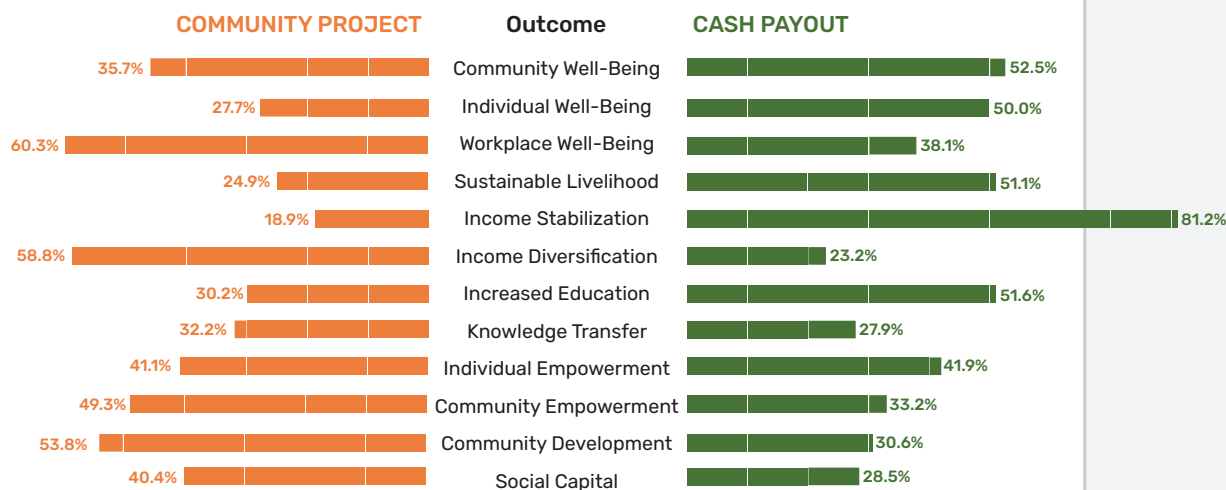
In this section, we summarize the impacts of the program on the most relevant of these outcomes:

The Most Significant Change

Overwhelmingly, the most significant change expressed by participants caused by premium investments can be generalized to what study participants describe as **various forms of economic empowerment**. This is not surprising, considering that these investments are intended to deliver materials, programs, cash subsidies, and payouts, thus increasing participant incomes. Premium investments, therefore, contribute substantially to hired laborer and small holder ability to meet basic needs, and the ability to deal with emergencies. Economic empowerment appears to drive all individual, workplace, and community well-being outcomes, as well as increased education and financial sustainability outcomes.

Impacts of Premium Investments on Evaluated Outcomes

Percent of Participants Reporting an Association with the Following Outcomes
Based on Their Experience with Community Project or Cash Payout



Participants who invested the CDF in premium projects expressed more workplace well-being, community development and income diversification.

Participants who received cash payouts expressed outcomes such as community/individual well-being, sustainable livelihood, income stabilization, and increased education.

For an in-depth analysis of program impacts, including extended analysis of participant responses, please see the full report.

THE MOST SIGNIFICANT CHANGE EXPRESSED WAS ECONOMIC EMPOWERMENT

INDIVIDUAL, WORKPLACE, AND COMMUNITY WELL-BEING

Of the three primary well-being outcomes (individual, workplace, and community), individual well-being was the most experienced outcome for all participants. The Fair Trade Premium helped the participants live healthier and happier lives as they were able to meet their basic needs, experience happiness because of their participation in premium projects, reduce labor times, obtain access to emergency funds, and access medical services.

In addition to expressing personal well-being, respondents also shared stories of how premium investment projects enhanced well-being at home because they were better able to provide for their families. Participants from the Ivory Coast and Mexico, for example, frequently shared how they were able to afford necessities for their children, like education or food, because of the Fair Trade premium.

A Cocoa farmer, for example, stated that with the help of the cash payouts they were able to “buy some food for my family and...help my children go to school. I have eight children.”

The feelings of happiness expressed by participants at being part of premium projects were found to be a positive indicator of their improved well-being.

Hired laborers from Chile and coconut farmers from the Philippines had an emergency fund which served as a form of insurance and was mostly used for burial and medical assistance. The emergency fund “has some rules around it” and is used “at the disposition of all workers.” Overall, the emergency fund resulted in less worry, as one coconut farmer noted: “if you have problems, you can turn to the group for cash.”

Household appliances that some participants received through premium projects were reported to reduce unpaid household work and to contribute to easier living. At an apparel factory in India, which registered both the highest levels of voter participation and premium spend satisfaction in the entire sample, premium funds were spent on the purchase of household appliances like sewing and washing machines.

Community well-being outcomes were prevalent, especially among Ivory Coast participants, where premium investments focused on building infrastructure in entire villages and local communities. Overall, participants shared that, as a result of investments in premium projects, children were able to go to school, communities had access to safe drinking water, pregnant women could give birth safely, and farm workers were provided with additional support by the cooperatives, especially during the pandemic. In addition to the Ivory Coast, the perception that cooperatives were instantiating community well-being was observed in the Philippines, Indonesia, Chile, and Peru as well. A female participant in her mid-60s, for example, opined that:

“These projects do not only benefit and help me but also my relatives and community members. It does not stop only with me as an individual member.”

INCOME STABILIZATION & INCOME DIVERSIFICATION

Incomes can be precarious for seasonal and contract workers, especially in times where unexpected shocks may result in unemployment or temporary suspension of pay, such as the COVID-19 pandemic. Fair Trade participants frequently described achieving financial



resilience in times of extreme shocks and poor market conditions. Cash payouts, specifically, were cited as an effective tool for meeting basic needs like food or child education during such times.

The Fair Trade premium was found to be effective at supporting income stabilization during the pandemic, cushioning its effects on hired laborers and helping them make ends meet. Cash payouts were not the only premium investments participants found effective in engendering financial resilience in the face of the pandemic. For coffee farmers in Peru and Honduras, food programs ensured food security.

Hired laborers in India, as well as farmers in Ivory Coast, Honduras, Peru, and the Philippines were able to diversify their income with the use of premium investments. For example, one participant in India used the sewing machine she received to earn more income. A coconut cooperative in the Philippines enabled farmers to diversify their income through hog care and inter-cropping coconut with tiger grass and Abaca. The inter-cropping helped participants to “continue the profit while waiting” for the coconut to be ready for harvest.

INCREASED EDUCATION

As a result of premium investments, participants were better able to send their children to school, pay tuition fees, provide school supplies, and benefit their children with college scholarships. The building of schools in Ivory Coast villages through Fair Trade premium projects meant that more children were able to go to school locally and avoid long treks to distant locations. In both Colombia and Ivory Coast, locals credit Fair Trade’s premium projects for the existence of this amenity. One of the Coffee farmers from Colombia said:

“I think the biggest impact in my life is my daughter, I have her in the international school and I have seen the change, she has learned English, their philosophy is very good, I like it a lot, that has been the biggest impact in my life.”

Some participants attribute their ability to pay their children’s school fees to cash payouts and in-kind goods, as this was not the case prior to becoming Fair Trade participants. Furthermore, most of the countries sampled in the study had projects that provided school supplies for the children of hired laborers and smallholder farmers. Some of the participants appreciated the school supplies because it saved them money that they would have otherwise had to spend.

ENHANCED EFFICIENCY

Premium investments make a clear contribution in personal resource efficiency for hired laborers and production efficiency for small holder farmers and fishers. Some hired laborers in India were able to store food and prevent waste by choosing a refrigerator for their Home Appliances project. Other appliances that the Indian Apparel factory participants voted for, such as washing machines, helped reduce household labor, thereby contributing to personal time efficiency.

Tools, along with motor vehicles, were widely cited among small holder producers as increasing production efficiency. “For me, the most significant change, because I’m a farmer, it’s receiving the boots, the machetes, or the files,” one Ivory Coast farmer said. Similarly, coconut farmers in the Philippines, who also received farms tools expressed that they “helped make harvesting easier.”

**THE FAIR TRADE PREMIUM
HELPED CUSHION THE
EFFECTS OF THE PANDEMIC,
AND ALLOWED INDIVIDUALS
TO DIVERSIFY THEIR INCOME**



The Fair Trade Model Premium Process Drives Impact Outcomes

As previously mentioned, the Fair Trade model requires certificate holders to set up Fair Trade Committees, which conduct needs assessments and organize participants to democratically decide how their premium funds will be spent. While this study focused on different forms of investment, the process of investing those funds under the Fair Trade program also results in positive impacts for producers.

A strong correlation was found to exist between participation in the democratic selection process of premium investments and satisfaction with the outcomes of these investments: of those who voted for premium investments, 71% said that they were satisfied with how the funds were spent and 68% said Fair Trade led to a positive change in their lives.

Those who attended meetings and voted on how the premium would be invested experienced higher levels of satisfaction as well as expressed outcomes of gender awareness, and fair representation.

The Fair Trade governance model, which requires establishing trainings, self-determining committees, general assemblies, community needs assessments, and worker participation through democratic decision-making to determine how the funds should be spent, was found to be the main driver of community development and empowerment outcomes, environmental, knowledge transfer and gender awareness, individual empowerment, social capital, and community organization. A farmer in Ivory Coast stated:

“For now, we always agree. Because it’s not a one-man decision, but everybody’s decision. So we like that. We vote. If the cooperative president wants to do something, he will first check with all of us if we agree. Therefore we are all aligned.”

For an in-depth analysis of program impacts, including extended analysis of participant responses, please see the full report.



THE FAIR TRADE GOVERNANCE MODEL WAS FOUND TO BE THE MAIN DRIVER OF COMMUNITY DEVELOPMENT AND EMPOWERMENT OUTCOMES

GENDER

Overall, women were more satisfied with premium spending than men (69% and 61% respectively), despite being less likely to vote (45% compared to 61% respectively). The levels of satisfaction in the overall sample were highest among women who voted. Conversely, the differences in satisfaction between women who voted and men who voted are significant. Women who voted expressed substantially higher levels of premium spending satisfaction than men (81% compared with 67% respectively).

KNOWLEDGE TRANSFER

Analysis of participants' stories showed that those who attended meetings and participated in democratic decision-making experienced knowledge transfer more than participants who did not attend meetings or participate in decision-making. Participants who attended and participated in meetings indicated that they experienced individual empowerment and increased education. A coconut farmer from the Philippines embodies the finding that the Fair Trade model facilitated transformative knowledge transfer:

“Our knowledge is somehow being upgraded. Our access to new varieties of coconuts and additional knowledge were made easy. This feeling of being upgraded because of the new knowledge and varieties of coconut can also bring us higher income in the long run because it will give a higher amount of harvest.

COMMUNITY ORGANIZATION, DEVELOPMENT & SOCIAL CAPITAL

Community Organization was evident across the board through the implementation of the Fair Trade model, which requires the election of committees, meetings, trainings, and voting. Fair Trade cooperatives act as hubs for members to meet and grow a sense of community. This was evident in participant expression and stories about networking and making new friends. One participant from the Philippines stated that:

Through Fair Trade, I acquired new friends and new acquaintances... Knowing new coconut farmers gave me new knowledge. It is like an exchange of learning experiences. We share everything about coconuts, our methods of working on the farm, and many others. It gives me an idea to apply this new knowledge on my farm and continue with what works best for me.

Similarly, for some fishers in Indonesia, the most significant change was experiencing “friendship” and “togetherness” from being in the cooperative:

The most prominent one is our moments of togetherness. Because before Fair Trade, we tended to mind our own business, but now, not anymore. They are bound by the rules. So, what stands out is the togetherness.

The cooperatives were pervasively seen as a form of community where members look out for each other and feel they have representatives who are focused on their welfare and that of their communities. Additionally, the cooperatives were praised for providing emergency healthcare and burial assistance funds in times of need. This was particularly true in the Philippines where participants viewed the



cooperative as a community that is committed to their physical, social, and health needs and that “if you had problems, you could turn to the [cooperative] for cash.”

INDIVIDUAL & COMMUNITY EMPOWERMENT

Smallholder farmers or fishers usually credited cooperatives and trainings when they expressed instances of being empowered, indicating that cooperatives, in tandem with premium investments, played a critical role in manifesting this outcome.

Participants identified three primary ways in which cooperatives empowered them. They saw cooperatives as:

- a place members can go to for **emergency funds** or for help in a personal crisis.
- a place members can go to for support in **individual cases**, like helping a farmer send her daughter to college.
- a place members can go to receive **trainings** that build professional capacity or financial literacy so they can improve their business and/or finances.

One of the participants from the Ivory Coast stated that the financial education he received through the Fair Trade trainings taught him “how to keep money.” Participants also received trainings on better farming techniques. A Coffee farmer stated that he “liked the training sessions” because “we became experts.”

Conclusion

Fair Trade USA set out to better gauge the impacts of premium investments and to discover if certain investment types were more impactful than others. Across all countries, genders, and labor types, there was not a single most-preferred premium expenditure type. Instead, it did not seem to matter which form the premium expenditures took (whether cash payouts, in-kind goods, or premium projects) because they all contributed to people’s ability to meet their needs – and this was the most impactful outcome of premium investments, according to participants.

Across the board, in both small holder and hired labor contexts, participants reported being able to divert their income toward other essential expenses when premium investments provided services that they would otherwise have to pay for.

Fair Trade USA found that premium investments significantly enhanced the abilities of small holder farmers, fishers, and hired laborers to meet basic needs and to withstand unexpected shocks like the pandemic. Cash payouts, in-kind goods and services, as well as community development projects – contributed to worker and community well-being, financial sustainability, and production and resource efficiencies. In addition to personal and community well-being, participants indicated that benefits earned within the Fair Trade programs also improved the lives of their families. Participants shared that through Fair Trade they obtained access to critical healthcare, emergency funds and food, schooling for their children, safe drinking water, workplace tools that protected their commodities and enhanced their productivity, as well as valuable knowledge and trainings. They shared that without the Fair Trade program their children may have missed out on schooling, their villages may not have had access to safe drinking water, that they may not have received critical healthcare, and that they may have even experienced severe hunger due to work disruptions caused by the pandemic. Ultimately, regardless of the type of investment, participants in the Fair Trade program experience various forms of economic empowerment and are able to meet critical needs that they could not meet otherwise.



ALL TYPES OF PREMIUM INVESTMENTS CONTRIBUTED TO PEOPLE’S ABILITY TO MEET THEIR NEEDS— AND THAT WAS THE MOST IMPACTFUL OUTCOME OF ALL