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Analysis of the Costs of Organic versus Fair Trade Certification in a Smallholder Association in Brazil

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Abstract

Organic Farming and Fair Trade are two agricultural production systems that have shown to be a valuable alternative for smallholders to gain access to international markets, as both systems are well adapted to low-input agriculture and allow for group certification.

This case study explores the potential of Fair Trade and organic certification in a Brazilian smallholder association and is carried out as a part of the project Family Agriculture, Agroecology and Markets of the Konrad-Adenauer-Foundation. It focuses on assessing the economic profitability of the two types of certification by calculating the profit margin of cashew production. As a secondary objective, this study lays the groundwork for setting-up an Internal Control System (ICS) within the association, by identifying Critical Control Points (CCPs).

Data on the production system and the involved costs along the cashew value chain are gathered by interviews with **(1)** selected producers to account for different production systems, **(2)** owners of the processing units and **(3)** key persons from the administration of the association. Thus, the profit margin can be calculated at each link and finally for the cashew value chain. The interviews will also serve to identify CCPs within the production. Additionally, certification agencies, practitioners and extension workers are consulted to further disclose costs and challenges related to the certification.

As a result, four scenarios are presented; business-as-usual without any certification, organic certification, Fair Trade certification and both organic and Fair Trade certification. The costs and benefits that are induced due to changes in the production of cashew vary from one scenario to the other. Thus the association can choose from one of the presented scenarios, which, considering the unique conditions of all its members, seems to be economically and organisational most favourable. Finally, this study will address the challenges faced during certification, especially during its early stage.

Keywords: Fair trade, family agriculture, group certification, internal control system, organic agriculture, profit margin, low-input agriculture