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Does Fair Trade Certification Improve Farmworkers’ Welfare and Empowerment? Evidence from Nicaragua and Brazil

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Abstract

Since the 1940s, Alternative Trade Organisations (ATOs) have been spreading all around the globe, in order to find new trade and marketing channels to commercialise fair trade goods, with the goal of contributing to a more sustainable development of agriculture and to the increase of rural well-being. Fairtrade (FT) is one of the most well-known Alternative Trade Organisations (ATOs). It originally aimed to create empowerment among small producers and improve their livelihoods. In 2011, FT USA started certifying coffee estates, in order to include also farmworkers into a new certification scheme, known as Fair Trade for All (FT4ALL). Through the data collected by the Centre for tropical agriculture (CIAT) in Brazil and Nicaragua, we conducted an analysis to answer the following questions: (1) what is the causal effect of FT4ALL on workers’ welfare? and (2) is FT4ALL effective at empowering farm workers? As result variables, we built two multidimensional indices: an index of welfare composed of 40 variables grouped into five dimensions and an index of empowerment which includes seven dimensions and 17 variables. This allows us to look at FT4ALL impacts from different perspectives: economic, to see if the model boosts incomes, increases assets and improves house quality; social, to assess the improvements in quality of life; empowerment, to determine workers’ inclusion in farm organisational life and relationships within the farm (CIAT, 2014).

We measured the average treatment effect of the certification through the implementation of the Ordinary Least Square (OLS) model, Propensity Score Matching (PSM) and Difference-in-Differences. Our results suggest that the certification has a positive effect on both workers’ empowerment and welfare, both in Nicaragua and Brazil. The improvement in welfare is mainly due to increased access to education and healthcare services, as well as improvement of house quality, reached through the investment of a price premium received from estates from the sale of Fair Trade coffee. As for empowerment, most workers had become more involved in organisational life and gained greater access to training, albeit we found a negative effect on the dimension working environment.

Keywords: Coffee certification, empowerment, fair trade, farm workers, welfare