

# Working with smallholders

Insights on the reach and characteristics of smallholder farmers within ISEAL member schemes

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# Smallholder farmers play a key role in global commodity production, and supporting their livelihoods is a priority for most ISEAL member agriculture schemes.

## About this paper

ISEAL works to improve the credibility and impacts of sustainability standards and understanding impacts is an important strategic goal. This paper is the first attempt to draw on internal performance monitoring data of schemes and external research to analyse the reach and characteristics of smallholder farmers within ISEAL member agriculture schemes. This is the third in a series of collective reporting briefing papers researched by ISEAL as part of the 'Demonstrating and Improving Poverty Impacts' (DIPI) project. The other two briefings addressed trends on the [geographic reach and scope of ISEAL member schemes](#) and [multiple certification in the cocoa and coffee sectors](#).

## Scope, data and analysis

Smallholder farmers play a key role in global agricultural production and consequently in the production of certified crops. However, what do we know about our collective reach to smallholders and who we work with? This paper addresses this central question and combines monitoring data with external research to gain insights into the characteristics of the farmers we work with. Other questions it explores are:

- What do we know about how many smallholders we are reaching in our systems?
- What can we say about the characteristics of smallholders in our systems?
- How do schemes work with smallholders? What are the barriers to participation?
- Are ISEAL member schemes reaching the poor?

The analysis focuses on seven focus ISEAL member agriculture schemes operating in seven key commodity sectors. Scheme data is primarily from a collective reporting initiative led by the Research Institute of Organic Agriculture (FiBL). The paper also draws on relevant recent research that explores the characteristics of smallholders within ISEAL member agrarian schemes including three recently published impact evaluations commissioned by ISEAL.

At the outset, this effort has highlighted the need for improvement in the internal monitoring data gathered by schemes about certified entities. Current data does not allow us to reach a realistic estimate of the number of farmers active in various commodities globally and within certain countries, let alone the segmentation of their size and profiles. As this paper will highlight, group certification models are an important reason for this as monitoring data focuses on enumerating the number and characteristics of groups and not the farmers within groups. The question of characteristics of smallholder farmers is also not picked up very well in evaluation and research – both those done by schemes and by external parties. As a consequence, we simply do not know enough about who our schemes are working with and who is left out. This paper draws heavily on two systematic reviews and three impact evaluation studies that focused on this question for its analysis and supplements this with trends from performance monitoring data, where possible.

### Research focus:

7 commodities and 7 ISEAL member schemes\*



Bananas	Fairtrade, Rainforest Alliance
Cocoa	Fairtrade, Rainforest Alliance, UTZ
Coffee	Fairtrade, Global Coffee Platform, Rainforest Alliance, UTZ
Cotton	Better Cotton Initiative, Fairtrade
Palm oil	Rainforest Alliance, RSPO
Sugarcane	Bonsucro, Fairtrade, Rainforest Alliance
Tea	Fairtrade, Rainforest Alliance, UTZ

\* In January 2018, the Rainforest Alliance and UTZ merged, taking the Rainforest Alliance name. The two certification programs will continue to run in parallel until at least 2020, when a new certification program is published.

There is no universal definition of who a smallholder is. Land size is the most common measure for characterizing smallholders, but the threshold can vary from  $\leq 2$  ha to  $< 50$  ha depending on the crop and country in question.

**Smallholder land size threshold (ha)\***  
Most common land size threshold used per commodity

Commodity	Industry	ISEAL Member Schemes
Bananas	$\leq 2 - 30$ ha	$\leq 2$ ha or not defined
Coffee	$\leq 2 - 10$ ha	$\leq 2$ ha or not defined
Cocoa	$\leq 2 - 5$ ha	$\leq 2$ ha or not defined
Cotton	$\leq 2 - 5$ ha	$\leq 2 - 20$ ha
Palm Oil	$\leq 25 - 40$ ha	$\leq 25 - 50$ ha
Sugarcane	$\leq 2 - 15$ ha	$\leq 20$ ha
Tea	$\leq 2 - 10$ ha	$\leq 2$ ha or not defined

\* There are large differences amongst countries and organizations, however this is the most referenced land sizes used amongst industry experts.

Figure 1 | Bananas (FAO 2019), Coffee (FAO 2019), Cocoa (FAO 2019), Cotton (FAO 2019, BCI 2019), Palm Oil (RSPO 2019), Sugarcane (Bonsucro 2019), Tea (FAO 2019)

There is no universal definition of what constitutes a smallholder or a small-scale producer. Definitions differ between countries and agro-ecological zones, as well as between the various stakeholders (including ISEAL members) that engage with them. A smallholder farm in the developing world is typically a family-owned enterprise that produces crops or livestock on two or less hectares. In some countries and sectors, smallholdings can exceed 10 hectares. However, the notion of 'the smallholder' is a relative term, based on certain characteristics that may or may not be specific to a given commodity, local region, and country. The 'smallholder' label is often used as a proxy or substitute for subsistence farmers, with an implied low market orientation. Policy papers, academic articles and grey literature tend to echo this proxy, their general emphasis being on transforming smallholder agriculture from subsistence to market orientation.<sup>1</sup> While a smallholder generally uses little labour input, it is often very difficult to measure how much they use. There is often a high prevalence of seasonal, part-time and informal workers, dependent on the production cycle. Invariably, smallholdings rely mostly on family labour, but this cannot be the only criteria to gauge whether the farm is a smallholder or not – family farms and small farms can overlap but do not coincide.<sup>2</sup> In addition to land, inputs and income are factors largely used to distinguish types of farmers. For inputs it is namely levels of fertilizer, family versus hired labour and degrees of mechanization used. For income, this is largely a factor of the level of costs of production, productivity (yield), pricing and access to markets.

The limited access to land is the most widely used criterion in assessing smallholder status. The Food and Agriculture Organization (FAO) estimates that about 70% of the literature reviewed, and 93% of countries, define smallholders in terms of the physical size of the farm.<sup>3</sup> The most popular definition is that of small farms with less than or equal to 2 hectares of land. This is an absolute distinction, and not necessarily a means of defining agricultural producers – the same land size can correspond to highly heterogenous socio-economic outcomes. Land quality and land use parameters also need to be considered. It should also be considered that average farm size varies dramatically across regions and agricultural commodities. The average farm size in many Asian countries is less than a hectare, while in Latin America 10 hectares or more could still be considered small. The FAO has worked at systematically defining averages across 14 countries, revealing a range of average smallholder farm sizes from .78 ha in Ethiopia to 4.51 ha in Panama.<sup>4</sup> The 'Tea Board of India' has identified that small farms are 4-10 hectares,<sup>5</sup> while FAO explains that small banana farmers in Ecuador can be defined as having 1-30 hectares. In addition, RSPO defines palm oil smallholders as having  $< 50$  hectares, while the Malaysian government defines smallholders as having less than 40 hectares and the Indonesian government, less than 25 hectares. BCI considers cotton smallholders to have  $< 20$  hectares, while Bonsucro considers small sugarcane farms to also be  $< 20$  hectares. With that said, for the purpose of the report, a comparative analysis will be made across the commodities and schemes using the most common threshold of 2 hectares when possible.

### 3 main factors characterising smallholders across regions and commodities<sup>6</sup>

**Land size**

- The most common global definition in agriculture is  $\leq 2$  hectares.

**Use of inputs**

- Namely labor is used as a distinguishing factor, as smallholders often make use of household labor as opposed to hiring workers for the farm.
- In addition, access to inputs, such as fertilizer and the degree of mechanization, are often used to distinguish smaller substance farmers.

**Income**

- The level of Income from the farm and whether it meets a defined level of poverty is often used to characterise smallholders. Income is largely a factor of the costs of production, productivity (yield), pricing and access to markets.

Smallholders make up the majority of the estimated 570 million agricultural farms globally; 84% of agricultural products are produced by an estimated 475 million smallholders with 2 or less hectares, largely in Asia and Sub-Saharan Africa.

More than 2 billion people depend on 475 million smallholders for their livelihoods (IFAD 2019)

While smallholders are categorized differently across regions and commodities, the majority of the 475 million smallholders across agricultural commodities are largely centralized in Asia and Sub-Saharan Africa, with more than 2 billion people depending on them for their livelihoods. 84% of farm holdings, largely family farms, are 2 or less hectares, comprising 12% of total farm area globally while 1% of farms are over 50 hectares and make up 65% of total farm area.<sup>7</sup> However, when narrowing in on trends for specific agricultural commodities and across different regions, the variance is high. In addition, there is great disparity between the depth of poverty amongst smallholders depending on a number of factors such as diversification of income, region, household size and labour intensity of crop.<sup>8</sup>

Estimated global distribution of field size

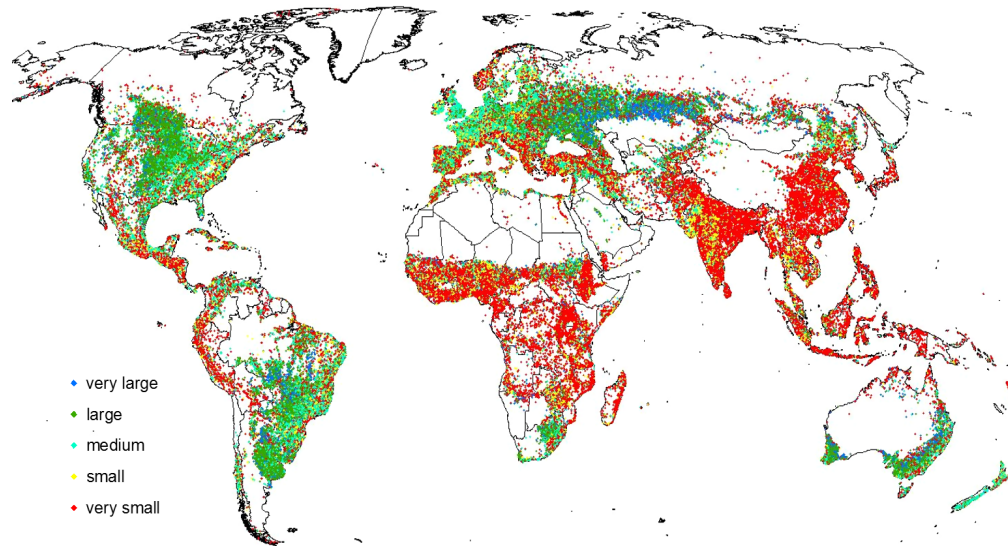


Figure 2 | Wiley Global Change Biology (2019)

Global farm holdings and area by land size segmentation

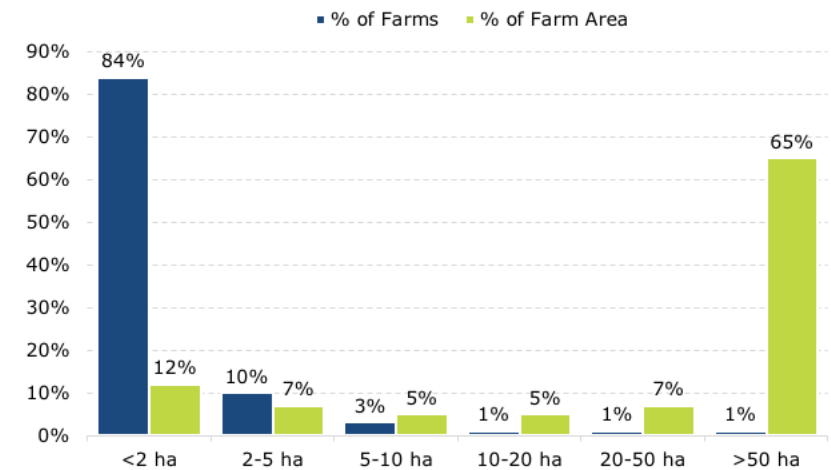
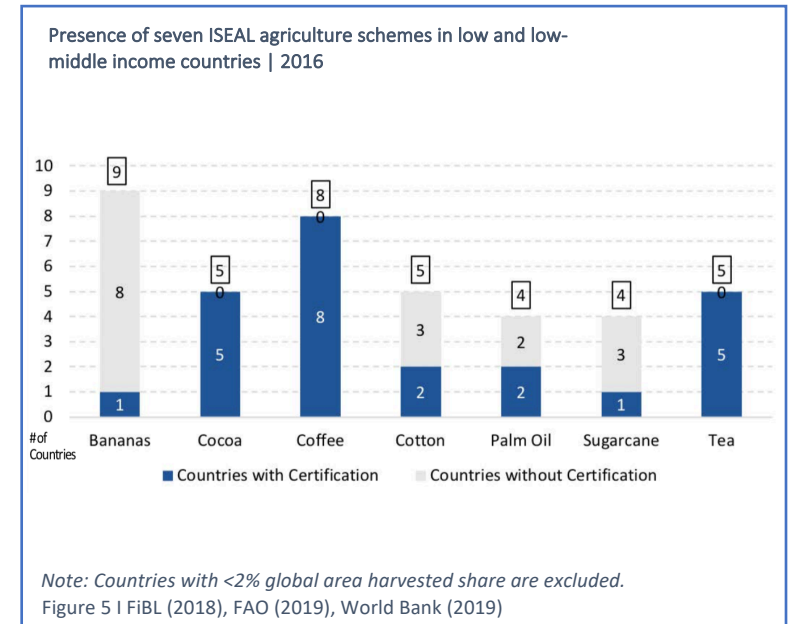
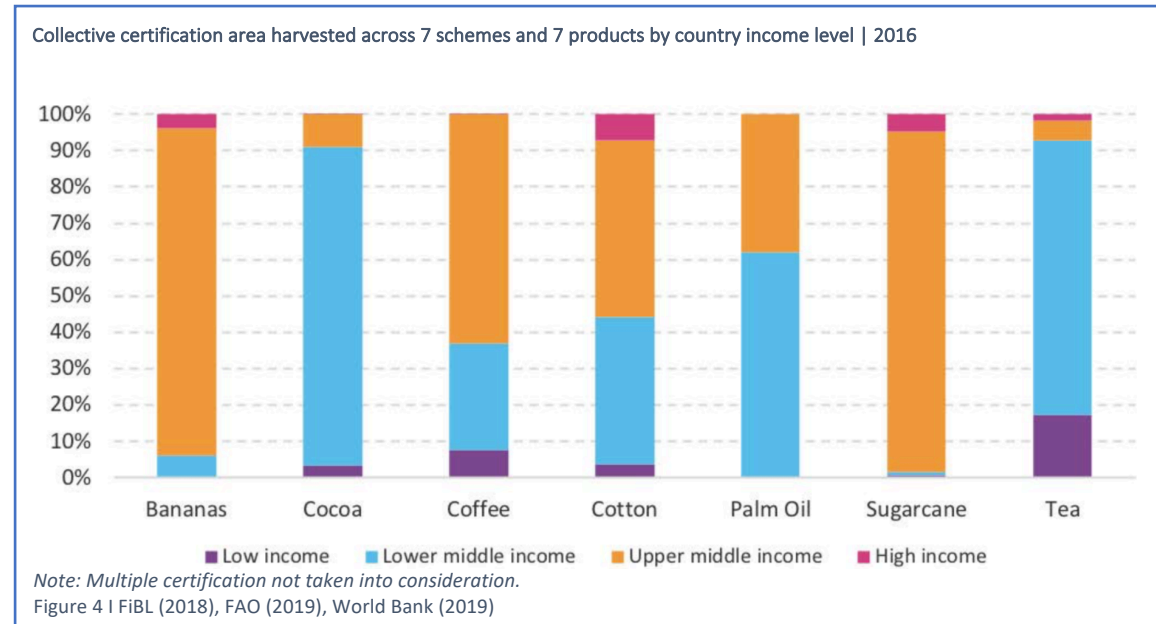


Figure 3 | CGAP (2019)

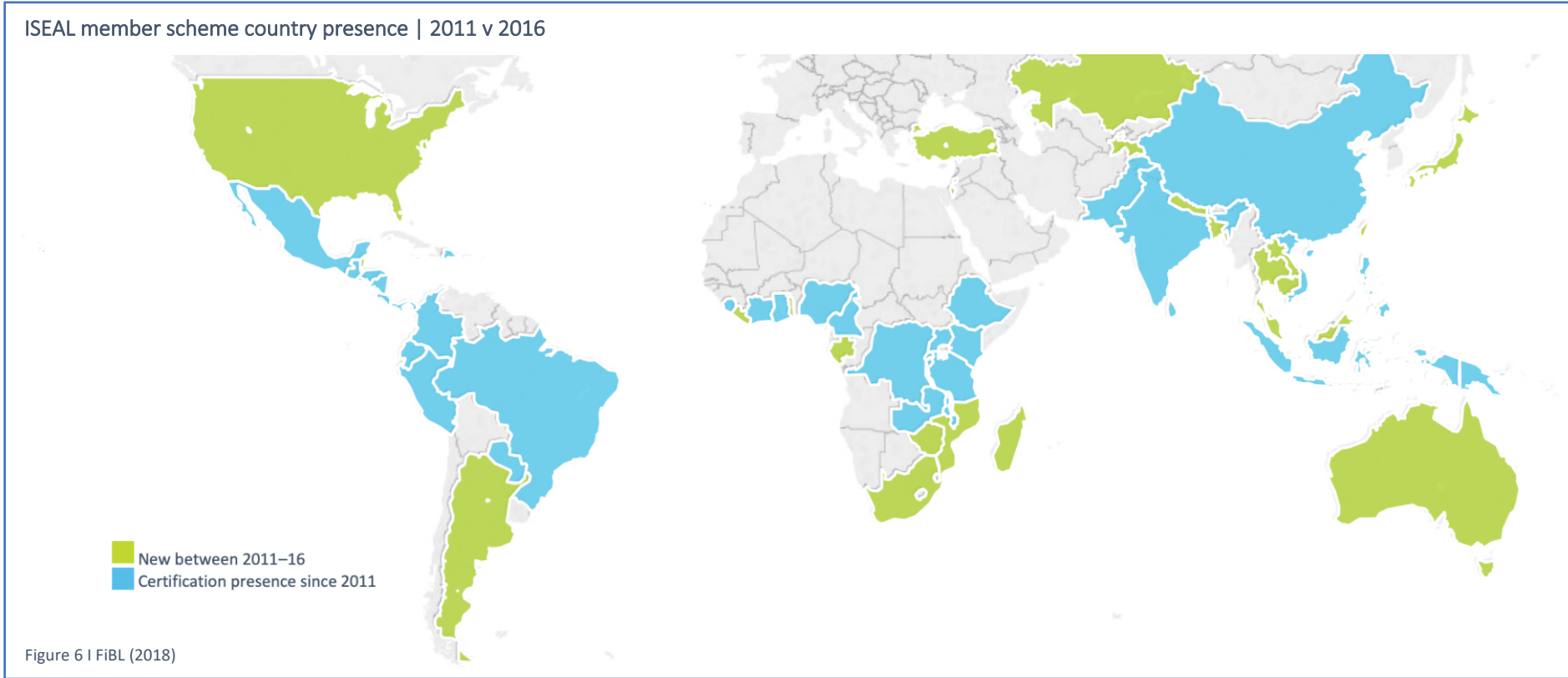


Who ISEAL member schemes reach, and who they do not, is correlated to where they work. Nearly half of the global certified production of the 7 commodities takes place in low and lower-middle income countries which is in line with global concentration of production. Scheme presence in low-middle income countries is strong in cocoa, palm-oil and tea but less in other commodities.

ISEAL member schemes in cocoa, palm oil and tea have more than half of harvested area certified in low or lower middle-income countries. ISEAL member schemes do reach lower income countries, with tea and cocoa having an even slightly higher emphasis on the low-income countries than the global commodity presence.

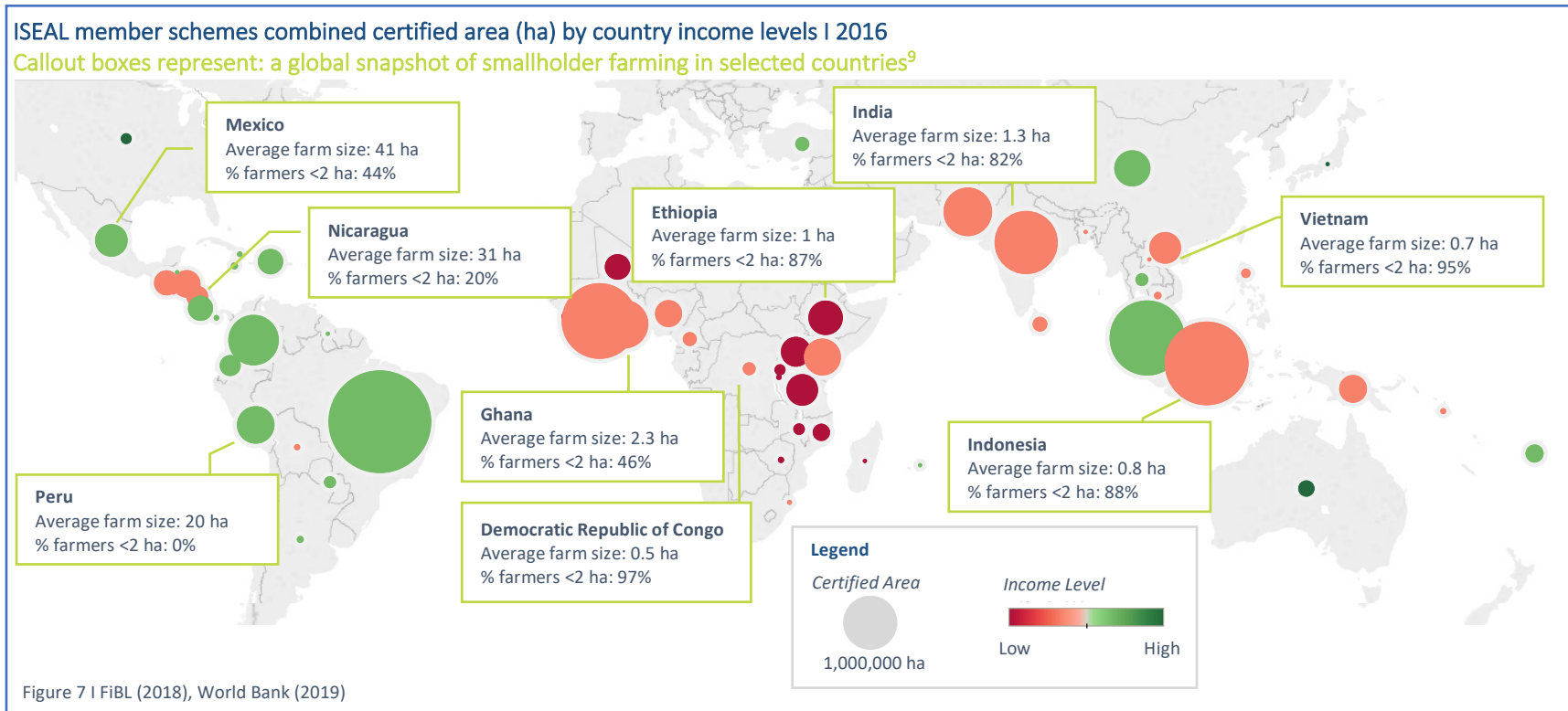


Tropical commodity certification is present in regions with a high share of smallholders, including poor regions. However, recent expansion is into non-smallholder focused regions.



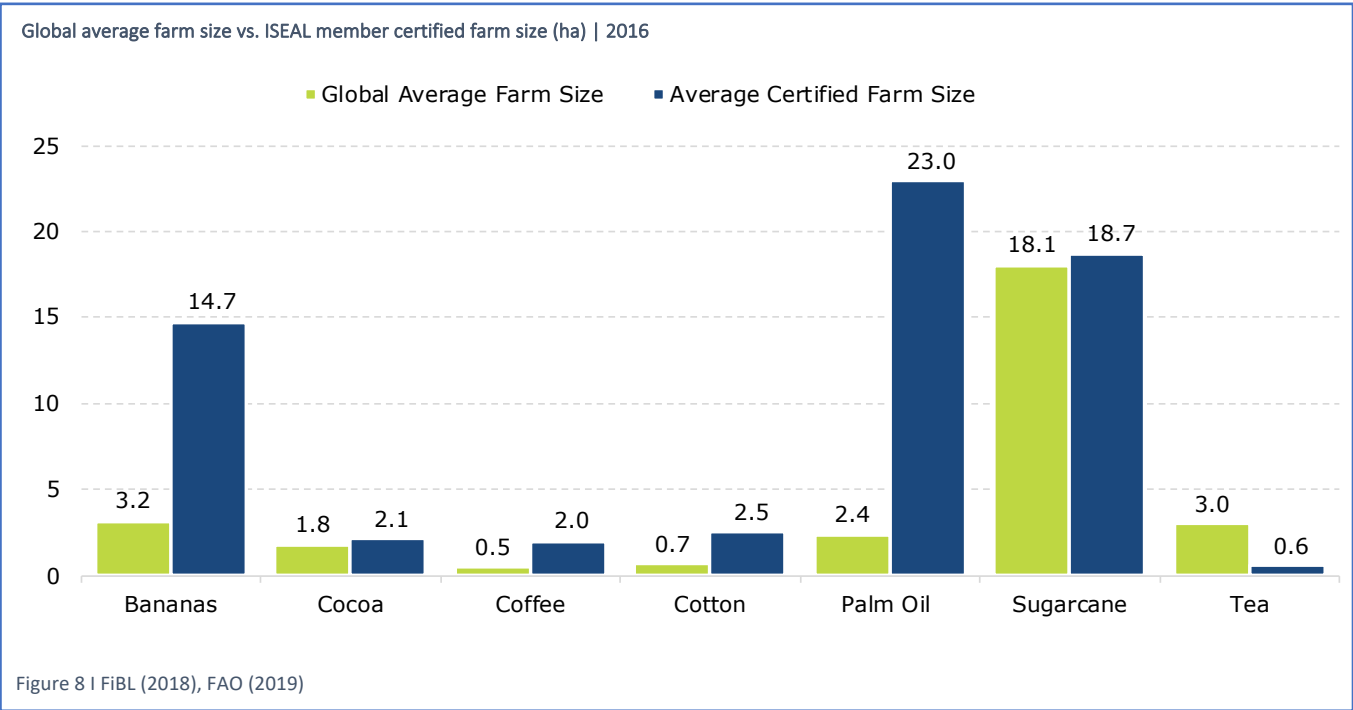


ISEAL member schemes have a strong and growing presence in all the major producing countries across the 7 commodities, including smallholder-dense and lower income countries.



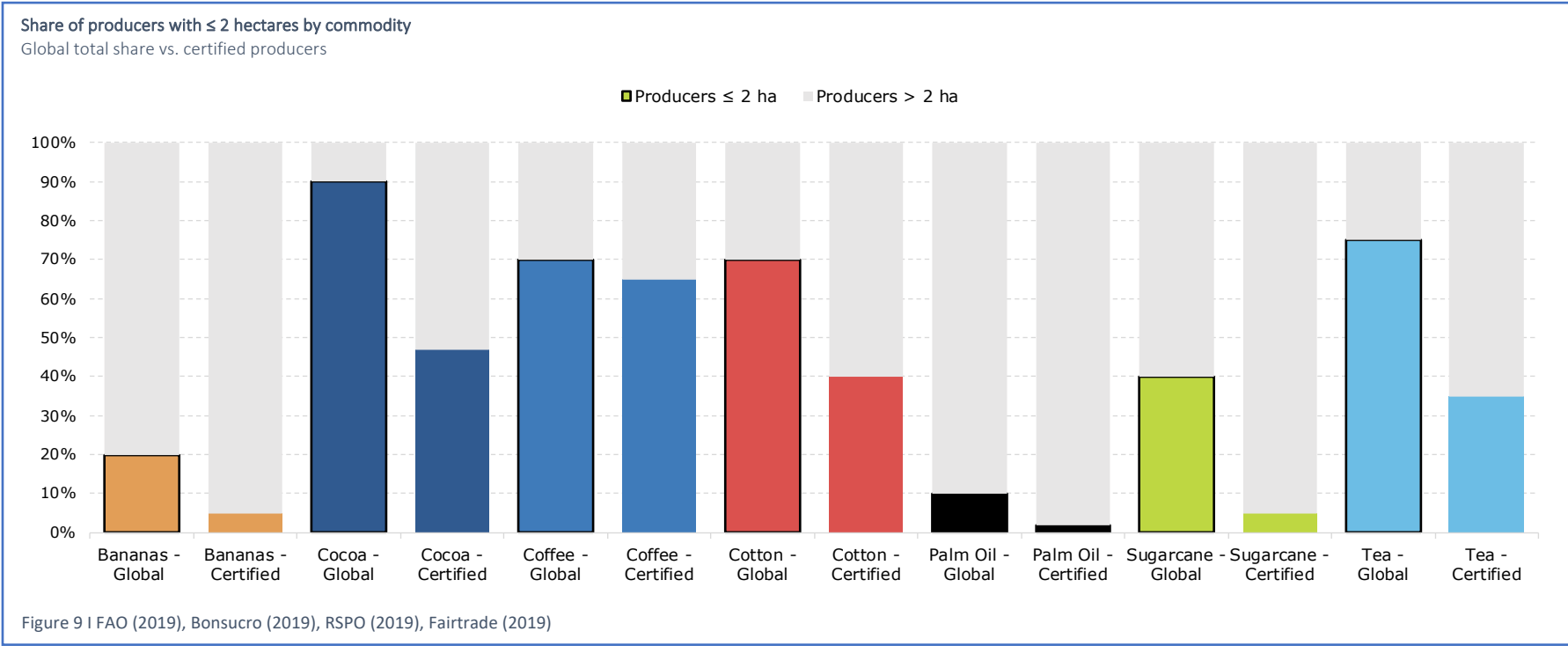
# Certified producers have higher average farm sizes than the global average for producers in the 7 key commodities.

Combining the total area harvested and number of certified producers and comparing the total average per crop at the global level, certified producers have higher farm sizes than the global average for all commodities. Considering that the most widely accepted definition of smallholders are farms with 2 or less hectares, it is clear to say that the majority of farmers working with certification are smallholders in cocoa, coffee, cotton and tea. It is not surprising that bananas, palm oil and sugarcane have higher farm sizes as these commodities are known to have higher than average farm sizes in general. For example, small banana producers in Ecuador are considered to have plantations between 0-30 hectares, and these small producers account for 79% of production.<sup>10</sup> Whereas the palm oil industry generally considers smallholders to be less than 25 hectares and Bonsucro considers sugarcane smallholders to have farms with less than 20 hectares.





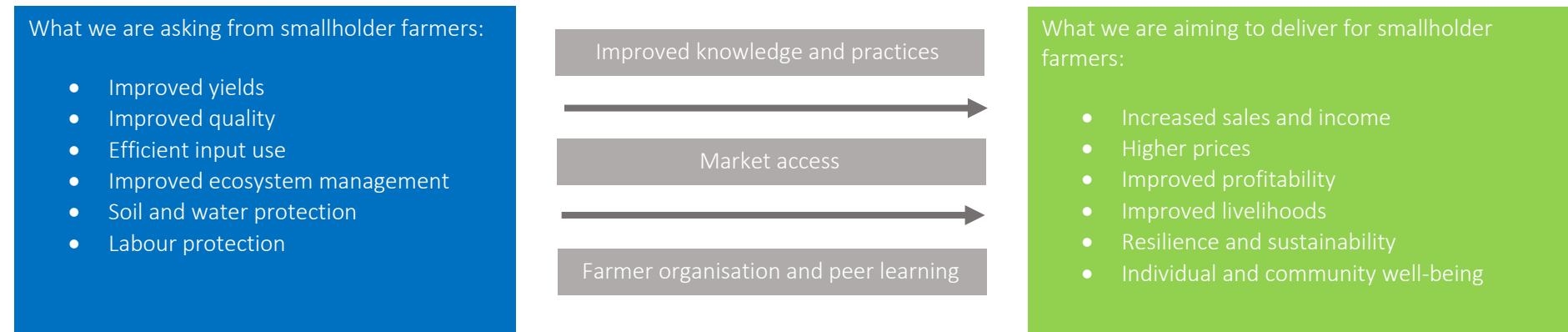
The share of producers with  $\leq 2$  hectares involved in ISEAL member schemes is less than the global average for all 7 key commodities, indicating that ISEAL member schemes have a higher concentration of medium and larger producers when compared to the global average. Coffee is the most aligned with the global proportion.



## How do standards' systems reach smallholders? Group certification plays a key role in accessing smallholders.

Generally, standard-setting organisations are not directly involved in preparing farmers towards certification. These processes are often led by other actors that are part of standards' systems such as capacity building organisations, producer organisations, exporters or marketing agents. In this context of market-led certification, market actors take the lead in deciding the regions and groups that become certified and preparing them towards certification. Unless this is done in close collaboration with standard-setting organisations (e.g. in a joint pilot or project), it is even more complicated for standard-setting organisations to be aware of what the pipeline for entities applying for certification looks like. Who schemes reach very much depends on the sector and how they are organized and what categories of smallholders are sitting there.

Farmers can become certified under the ISEAL member schemes under either individual or estate certification or under group certification. Nearly all smallholder farmers are certified under groups which are either created for the purpose of certification or were already pre-existing. When viewing the member schemes' theories of change in relation to how smallholders are featured, knowledge and learning, and group strengthening in relation to group forming for smallholder certification are very important aspects of leading to the intended impact of the schemes. Many of the newly formed groups are trader, marketing agent or NGO-led groups, while others are farmer-led whereby a large group of farmers are governed by elected members. Certified groups range in size. For example, ISEAL member certification group sizes in coffee and cocoa can range from under 10 farmers to 10,000 farmers, with an average of around 700 member farmers per group.<sup>11</sup> Under a group, the interventions are distributed amongst farmers in different ways. For example, technical assistance and capacity building for better farming practices may be implemented with a variety of intervention components, such as direct extension services or simply through training toolkits distributed to groups.





## The importance of groups in smallholder certification

For ISEAL member scheme smallholder farmers, group membership is virtually ubiquitous. Often these farmer groups have existed for many years or even decades before certification; in other cases, previously unaffiliated smallholder farmers have been organized into groups with the main purpose of administering and sharing the costs of certification. Most groups are cooperatives, which are member-owned business organizations that allow groups of smallholders to oversee crop production and marketing while providing a collective structure to help manage these activities. The services provided by cooperatives are variable but can include technical assistance and training, financial services and loans, provision of market information, distribution of farm inputs, and, in some cases, provision of processing equipment. Cooperatives also lend bargaining power to smallholders, minimizing the risk they would otherwise face entering the market on their own. In addition to increasing market access and providing technical, business, and financial support, the provision of training to members is often cited as a major benefit of membership in a certified cooperative. Training can cover topics such as farm management, cooperative capacity building, business education, and training on improved agricultural practices.<sup>12</sup>

### Why are groups used to organize smallholder farmers?

1. **Lower certification and input costs** Through farmer groups, smallholders can access inputs and services at a lower cost.
2. **Training becomes cost-effective** When farmers are organised in groups training for good agricultural practices, and access to inputs like seedlings, fertilizers and pesticides, can all lead to better productivity.
3. **Strengthened market leverage** Farmer groups are recognized as a respected partner in the value chain, which increases negotiation power.
4. **Organization is the only way to reach smallholders at scale** Strong farmer groups offer a better future for smallholder farmers, and a more sustainable future for the sector due mainly to increased training and education.

### Interventions farmers receive under group certification

1. **Capacity building** (e.g. professional farm management and good agricultural training)
2. **Premium-funded investments** (e.g. investments in community and investments in social infrastructure)
3. **Market and price** (e.g. price premium, floor price, access to more lucrative market niches via label, prepayment and credit)
4. **Labour standards** (e.g. workers' rights, worker association training and monitoring safe working conditions)



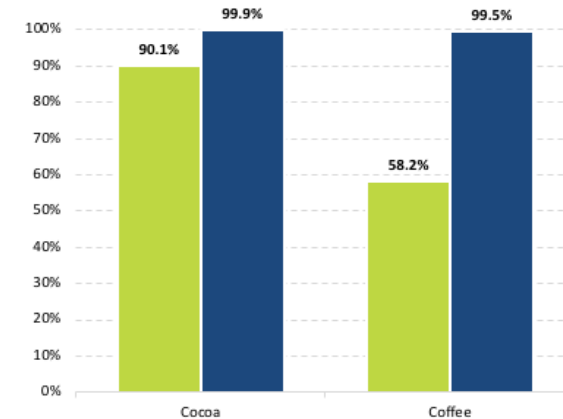
### How smallholders are organized in certification

Most smallholders are organized in groups under certification



### Group certification in coffee and cocoa

Share of certified certificates and farmers under group certification | 2016



Smallholders are largely reached by certification through producer organizations; 99.8% of certified cocoa farmers are under group certification and 99.5% of coffee certificates.

A certificate level analysis for cocoa and coffee certification showed that nearly all farmers, therefore also smallholder farmers, are organized under group certificates. Large estates or multi-sites account for a miniscule number of certified farmers.

#### Cocoa

Of the 967 cocoa certified certificates in 2015 by ISEAL member schemes, 90% were group certificates as opposed to individual or multi-site. 99.9% of the 513,761 certified cocoa farmers are certified under groups.

#### Coffee

Of the 1,934 coffee ISEAL member certified certificates in 2015, 58% were group certificates as opposed to individual or multi-site. 99.5% of the 183,896 certified coffee farmers are certified under groups.

Figure 10 | ISEAL (2019), FiBL (2019)

## The role of those entrusted with farmer organization and group formation is critical in deciding which farmers get certified and which do not.

ISEAL member schemes are largely not responsible nor aware of the farmers that are working with their programs. With that said, there are some known differences amongst schemes. For example, at the onset of Fairtrade their focus was explicitly on smallholders (Fairtrade 2019). Bonsucro acknowledges that the uptake for sustainable sugarcane farming has been slow among smallholder farmers, which led to its launch of a public consultation on its most recent draft of a Smallholder Production Standard. It will be a stepwise approach to reduce the costs of certification and complexity of reporting (Bonsucro 2019). RSPO has also acknowledged the importance of smallholders within its program and is developing a smallholder specific standard (RSPO 2019).

### Who decides who gets certified?

1. Implementing partners who ISEAL member schemes work with
2. Marketing agents who lead entry into certification
3. Supply chain partners who may lead certification
4. Farmer association or cooperative leaders (if they already exist)
5. In rare cases, directly standard systems
6. In even rarer cases, farmers themselves

### Key factors influencing which farmers get certified

1. Base asset and income level
2. Distance to market or point of sale or group centre
3. Base level of standard requirement
4. Group certification dynamics
5. Literacy
6. Geographic or topographic advantages

A few of the key barriers for smallholders working with certification are as follows:

1. **The poorest of the poor people working in agriculture are landless labourers, which constitute almost two-thirds of the extreme poor, and are entirely excluded from certification by default as they do not own property.**<sup>13</sup> Even amongst smallholder landowners there is strata because there is such a varied set of land sizes and schemes are often not working with the most rural, and smallest landowners.
2. **Without a group, there is no certification for small farmers; without the presence of a group, certification is otherwise cost prohibitive for smallholders.**<sup>14</sup> Considering that nearly all ISEAL member certified smallholder farmers are in groups, farmer groups can be considered the immediate context for smallholder producers. Given that groups act as the key filter, between the schemes and the producers themselves in many cases, their strengths and weaknesses directly affect the effectiveness of schemes, which also have implications on who ends up working with certification schemes.<sup>15</sup>
3. **Low awareness of certification.** Many smallholders, or farmers in general, are unaware of certification and therefore are unable to proactively become involved.
4. **Quality standards can act as a barrier to entry for more disadvantaged producers.** Larger producers appear to be better prepared to respond to stricter quality standards, while smaller producers struggle to overcome the structural barriers of the market and are likely to fall into a 'quality treadmill'.<sup>16</sup> For example, in the case of Fairtrade-organic bananas, producers able to comply with higher quality standards were able to reinvest funds to further improve their quality, while the poorest farmers who tended to have lower quality bananas were less able to sell their product as certified and therefore received less benefits.<sup>17</sup>
5. **Farmer group benefits can tend to exclude interests of the poorest farmers.** Several studies suggest that decision-making and access to inputs facilitated by farmer groups and the additional benefits from certification may also be shaped by unequal power within certified groups, making, for example, wealthier farmers with higher production volumes command more and better services as they can use 'their bargaining power to demand and services on their terms', while smaller and more remote producers tend to be neglected.<sup>18</sup>
6. **Group size matters.** Small groups tend to improve accountability between group-producer relationships, while a larger size can be more attractive for certification due to economy of scale benefits, also allowing groups to continue offering market access and extension support to the smallest and most marginalised producers, it can also create alienation between groups and its members, especially those with lower economic status, as studies show cases of elite capture being reported. The challenge is that certification schemes also often lack official policies for a more equitable redistribution of benefits amongst group members and this becomes harder to manage in larger groups.<sup>19</sup>
7. **Land size matters.** There is a threshold in the size of "smallholder" that can best benefit from certification. Findings from four case studies on Fairtrade bananas, for instance, suggest that the economic returns for producers with low volumes were limited, while producers with higher volumes were able to earn enough to re-invest in production (Smith, 2010) indicating that there is a threshold in size that makes sense for using certification as a tool for supporting the most marginalized farmers. If farmers are too small, some studies find that certification can actually have a negative effect on the farmer.
8. **Distance to the group is a large reason why farmers end up being excluded.** Distance, not only for certification but also governmental and other programs, ends up excluding farmers that are far away from either the purchasing or training location. This is mainly because distance significantly increases the costs of intervention.

## In-depth research and case studies provide useful insights and nuances on the varied characteristics of smallholders that ISEAL member schemes work with.

Making generalisations about the profiles of farmers working with ISEAL members schemes across 7 different schemes within 7 different commodities poses a challenge, as little research has been done looking specifically at the differences between the profiles of farmers certified compared to those who are not, nor have there been comparisons across commodities.

One of the most often discussed topics in certification is who schemes are working with, and this question is largely focused on whether certification is not only reaching large or medium-size farmers but also small producers, or in other words, the most marginalized farmers. When we talk about certification reaching the poor, it is more accurate to say small producers in poor regions. Evaluations often focus on the ability of smallholder producers to benefit from schemes and one study on Fairtrade concludes that ‘it may be more accurate to say that successful fair trade benefits small producers in poor countries as opposed to saying that fair trade benefits the poor’.<sup>20</sup> Even more so, much research already emphasises that indeed farm workers, rather than farmers, are usually amongst the poorest of the poor.<sup>21</sup> A large caveat to answer the question of who certification schemes work with is the large variance amongst regions, industries and local contextual factors, however when reviewing the research findings of the available impact reports there are some general conclusions and trends that emerge across the different agricultural industries and certification schemes. **We present to you highlights of anecdotes found in various impact reports across the schemes and commodities, including a systematic review by the International Initiative for Impact Evaluation (3ie) that looks at the effects of certification schemes and the conclusions about the distributional dynamics of certification, and 3 studies commissioned under the DIPI project by ISEAL and member schemes looking at these questions.**

## Characteristics of producers working with ISEAL member schemes

“Despite differing results on inclusivity, schemes are reaching the poor, however barriers are preventing increased reach.”

The majority of authors seem to agree that stringent quality and safety standards endanger small farmer participation in global value chains. This is because sourcing from a large number of small farmers is more difficult for companies, for several reasons: (i) higher transaction costs for monitoring conformity, (ii) need for more intensive farm extension, and (iii) need for financial resources. In general, vertical integration might benefit small producers by increasing income, productivity and product quality, providing guaranteed prices and sales, and improving access to capital. Nevertheless, evidence shows that these benefits are hypothetical as vertical integration in many cases led to the exclusion of small farmers. However, assistance programmes can provide farmers with the necessary capabilities to reduce transaction costs when using standards. In labour intensive production with small economies of scale, small farmers might also have cost advantages. However, the few studies carried out in this area point towards standards leading to small farmer exclusion. Impacts on farmer exclusion can depend on the type of value chains: exporters with well-organized outgrower schemes more often continued working with small growers, whereas exporters that had loose relations with suppliers were found to switch to larger producers leading to the exclusion of small farmers.<sup>22</sup>

“Many studies show that the income situation of certified farmers across different schemes are not significantly different, also indicating that there’s not a big difference in the types of farmers certification is working with.”

### Income

**Fact 1:** While household incomes of farmers engaged in certified production were 6% higher than those of households not engaged in certified production, the overall effect was not statistically significant.<sup>23</sup>

**Fact 2:** No statistically significant effect was found on assets and wealth. Certified producers on average had slightly higher wealth levels than uncertified producers who had been selected to be similar to them, and the overall effect was a 3% increase in assets, but this effect was not statistically distinguishable from zero.<sup>24</sup>

“Small farmers can’t even get into a group...”

### Group exclusion

Fairtrade attempts to support and subsidize cooperative groups of “smallholder” producers on the assumption that the benefits of this support are distributed evenly amongst the group. This assumption about egalitarian distribution is unwarranted. Interviews conducted with cooperative leaders in Ethiopia and Uganda by the FTEPR research team have repeatedly confirmed that there are large numbers of smallholder producers who have been unable to jump the hurdles excluding them from cooperative.

**“The low educated working in certification show a high correlation in manual agricultural wage labor.”**

**Certified smallholder farmers are also often agricultural wage workers**

Between a third and a half of adults in the short survey reported that they had worked for wages in coffee production in the 12 months prior to the interview. The Ugandan smallholder coffee production research sites a comparable, even slightly higher, proportion of adults that had worked for wages in coffee production, while the main Ugandan tea smallholder research sites between 40 and 50 per cent of adults had recently worked for wages producing tea. The relationship between low levels of education (as a proxy for poverty) and participation in manual agricultural wage labour also emerges in an analysis of the data on education captured in the short electronic questionnaire.

**“There is high variance in the types of farmers working with certification, and reasons are rarely explained in detail.”**

**Who can participate? Evidence of both inclusion and exclusion of smallholder farmers and indigenous communities; inclusion increases with local support programs.**

Certified or Fairtrade production takes place in very different contexts, with certified producer organisations varying in terms of the level of external subsidy/support they have received, the number of producers participating, the number of years of operation, the degree of financial viability and distance from markets, among other factors. The range of rural areas where there are Fairtrade certified producer organisations or other ethical trading schemes (and therefore the range of possible research sites within a country) varies wide, but the reasons for deciding to focus fieldwork in a particular rural area, or on one particular group of certified producers, are rarely explained in any detail.<sup>25</sup>

Not all producers are in the position to benefit from Fairtrade. Those in ecologically marginal or remote areas or who have less ability to pay for labour, for example, struggle to conform to the environmental and quality standards required. Utting-Chamorro (2005) points out that ever more stringent requirements may mean difficulties in implementation for smallholders, who would then need greater support. Marginality (brought about by poor education, harsh environment and remote locality) can be a barrier to successful participation in organic coffee growing and therefore effectively exclude some of those who the Fairtrade initiative is most supposed to assist. However, Barrientos and Smith (2007) note that Alternative Trade Organisations (ATOs) actively seek to support producers in marginal areas even though this might disadvantage them compared to the retailer own-brand Fairtrade chains that are now emerging which might seek fewer marginal groups. The majority of Fairtrade coffee producers in Caranavi Province, Yungas, Bolivia, are of both indigenous origin and are experiencing poverty. Similarly, the Fairtrade certified cooperative Coocafé represents primary societies that are all in marginal areas.<sup>26</sup>

A study on coffee certification in Colombia generated no evidence that certification is leaving behind small landholders, largely also due to the support of FNC, a local support program. FNC played a key role in leveling access to certification for small and large holders. FNC had low-cost, environmentally friendly technologies that were already in place in many farms before the adoption of certification. Thus, compliance did not require farmers to make large investments or radically change their agroecological practices. Once initial investments were carried out, the financial mechanism put in place by FNC allowed farmers to maintain the certification program without additional cost to its participants. FNC also channeled resources to help poor farmers upgrade infrastructure and equipment for waste management, pesticide application and storage, and household facilities. Finally, FNC took advantage of the group certification program created by SAN to include neighboring farms on a single certificate, reducing the costs of auditing.<sup>27</sup>

**Smallholders are included in certification but not without the help of a sponsor organisation.**

**Smallholders are included in certification but not without the help of a sponsor organisation | Fairtrade tea and sugar certification in Malawi<sup>28</sup>**

Certification costs are a significant deterrent to small producer organisations considering Fairtrade certification in Malawi, and all five organisations studied have only been able to attain certification with the help of a sponsor organisation.

**Uganda and Ethiopia certified tea and coffee farmers were all small farmers but were better connected than other farmers. The large farmers however control the group and command most of the resources.**

In Uganda, as in Ethiopia, there were no grounds for believing that the smallholder sites were selected explicitly. In fact, both the Fairtrade certified tea and coffee producer organisations in Uganda had many years in well-publicised partnerships with both Cafédirect and Fairtrade. The studied Fairtrade certified producers were in a typically poor, remote or low-yielding areas and there were not any large-scale Fairtrade certified coffee estates in either Uganda or Ethiopia, nor large-scale tea farmers in Uganda. There were differences in wages and labour market conditions between smallholder sites. One possibility is that Fairtrade producer organisations are always established in significantly poorer, more marginalized areas where an accumulation of disadvantages means that the smallholder farmers are unable to pay even the paltry wages offered by smallholders in other areas without Fairtrade producer organisations. Further evidence shows that the research sites dominated by a Fairtrade producer organization were no poorer or more disadvantaged than the comparable smallholder research sites without Fairtrade production.<sup>29</sup>

**Small farmers are included in groups; however, studies show that large farmers tend to control the group and most of the resources.**

**While schemes helped increase farmer organization, farmers were already organizing themselves before. | Fairtrade Cotton in Mali, Senegal, Cameroon and India<sup>30</sup>**

Smallholders were already organized into large, multi-level farmer organizations in W&CA. Fairtrade has strengthened these organizations (e.g. skills development, improved regularity of meetings, greater transparency of financial transactions). In the Indian case, Fairtrade has supported the emergence of a new farmer organization, with the support of the Promoting Body (PB).

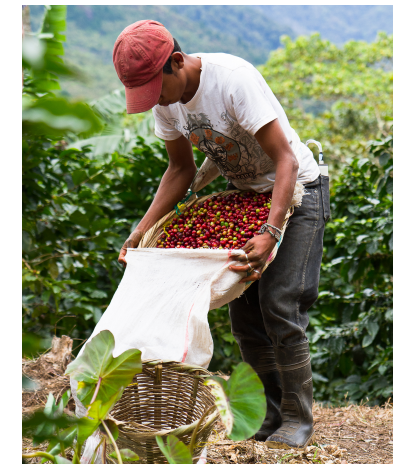
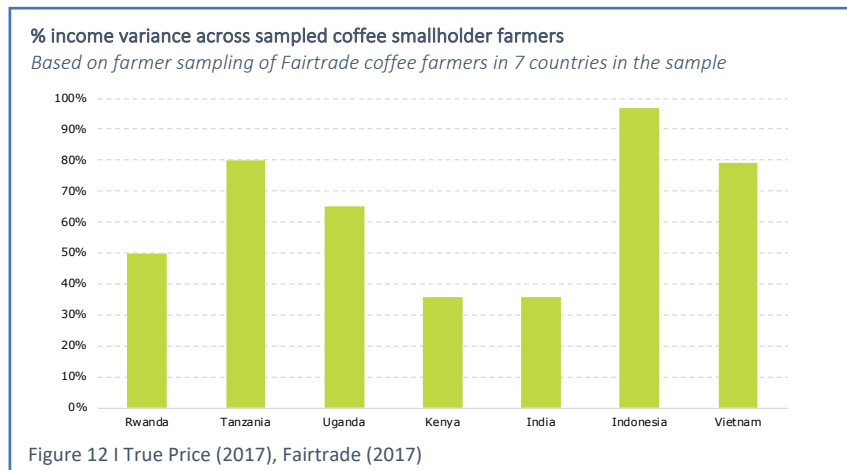
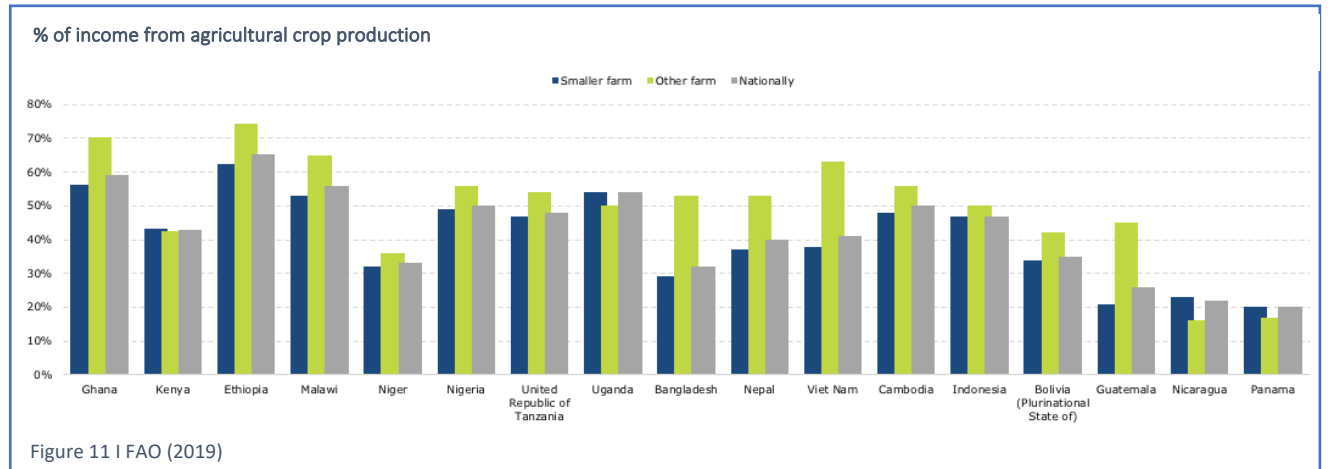


Income diversification is an important characteristic to consider when talking about the types of farmers working with certification; 40% of income for small farmers comes from agricultural crop production based on a study by FAO covering 19 of the most agriculturally focused low- and middle-income countries.<sup>31</sup>

Considering that small-scale farmers often rely on other streams of income outside of focus crop poses highly underestimated challenges to certification's aim of increasing effectiveness of the farmers expertise in one crop or income stream. Smallholder reliance of income from a focus commodity proves to be an important key to how farmers interact and are motivated by certification.<sup>32</sup> There is prevalence of small-scale farms with production systems that combine food crop production for own consumption, with production of export or market-oriented crops.

Income reliance on a focus commodity can vary greatly across contexts within different commodities and regions, which plays a role on the experienced benefits of certification and commitment levels to participate in programs and implement good practices. The timing of income from the crop is also important to consider. For example, coffee farmers in certain countries often receive income when school fees are due. For the sustainability of smallholder livelihood and progress out of poverty, there seems to be a balance between a large enough share of income from crop to incentivise participation in certification and a certain level of income diversification to decrease risk of income loss from outside factors such as price volatility and weather patterns.

Globally, on average, an estimated 40% of income for small-scale farmers comes from crop production. Looking at various studies in coffee, the global average is 50%, meaning that coffee farmers are more reliant on their main crop as an income stream than other, more diversified farmers. However, looking at various coffee studies shows that contextual factors create significant variance amongst farmers with the share of income from coffee averaging from 34%-97%.<sup>33</sup>



## Further insights on smallholder characteristics and group dynamics and its effects on who gains the most from certification<sup>34,35</sup>

1. Rainforest Alliance certified producers reach both medium and small farmers, however while there are marginalised farmers working with certification, their low productivity and farm size prevents them from accessing the benefits of certification.
2. Very small producers are formally excluded from certification, the rationale being that they require more extension services while producing small quantities, therefore not generating sufficient turnover for the farmer group to support them. Rainforest Alliance tea factories in Argentina were actually selecting larger farms that were already close to meeting all the requirements in order to minimise the costs of their incorporation in the production chain.
3. Smaller farmers work with Fairtrade certification, however there is a reported clash with the requirements for smaller farmers unable to afford diverting more efforts to the certified crop.
4. A higher household size increases the likelihood for a farmer to be involved in certification, a fact possibly linked to the increased labour requirements of certified production.
5. Education and literacy skills also appear to facilitate participation in certified groups due to the paperwork requirements at both farm and group levels, while language barriers and illiteracy can hinder participation.
6. Early adopters are larger and better-established farmers in terms of land tenure, farming experience, and length of local residence. Newcomers, on the other hand, who tend to be poorer and more marginalised farmers, are reported to face difficulties in joining certified groups, ending up instead on waiting lists, as groups, particularly successful ones, may become saturated and not able to accommodate more members.
7. Limited demand for certified products limits reachability of schemes. This can also apply at the group level due to limited demand for certified products. For example, veteran Fairtrade coffee groups are reported to dominate the market while new ones face difficulties in establishing new, long-standing relationships with Fairtrade buyers. Additionally, Pongratz-Chander (2007) suggests that Fairtrade organisations, but also development agencies and lending institutions, tend to work with groups that are stable, well-established, have proven to be democratic, and can be reliable providers in terms of volumes and quality. This means that it can be challenging for young groups with less experience to enter certified markets.
8. Overall, the synthesis of findings suggests that there are important and systematic pre-existing differences in wealth and resources between certified producers, groups and plantations and non-certified organisations or newcomers. Such differences are crucial not only in terms of impact attribution and correction of (self-) selection bias, but also in terms of certification reach. Despite claims about improving trading conditions for the "small-scale" and "economically disadvantaged producers" and addressing poverty of "smallholder" and indigenous farmers, it appears that schemes are not generally able to reach and deliver benefits to the farmers that need them the most. Tailoring training to overcome participants' limited literacy as well as gender constraints are also reported to be important. Nevertheless, even when training is successful, the capacity of the market to remunerate producers' effort to apply new practices can determine adoption or not. Furthermore, financial constraints can hinder producers' participation, as producers may not be able to pay the training costs, or even afford to divert time from farming to training.
9. Producers holding leadership positions in their groups or in plantation workers' committees, are reported to have a greater knowledge of schemes and their mechanisms, suggesting that training regarding certification issues has been less successful in reaching the mass of certified producers, but only the more active minority, and that the expected diffusion across the wider membership has not been effective. Overall this constitutes an important barrier because the lack of understanding about certification standards can be a major obstacle to standard compliance and uptake. This lack of knowledge can hinder producers' control over the group management and enable misuse of funds, lead to confusion and mistrust over the calculation and distribution of premia, and limit workers' capacity in addressing problems related to working rights.
10. The main barrier to adoption, however, appears to be the cost of applying new practices. Certification-recommended practices, such as renewing plants or harvesting in shorter intervals, may improve yields and quality in the long term, but in the short term they require extra labour, time and/or financial resources. Furthermore, uptake can be low for practices that clash with the household economy, such as eliminating plants that farmers consider important for their income, or simply shifting labour and financial resources from food crops, or other livelihood activities, to the certified crops. Finally, certain farm management practices, such as record keeping, can be bothersome and time consuming for farmers lacking the necessary literacy skills and discourage adoption of standards.
11. Entry fees required to sign up to certified groups, although usually low, can also be a barrier for poorer producers. Secondly, regulations related to attending meetings may include fines (or even exclusion), which adds pressure on poorer producers (Milford, 2014). These can lead some well-performing groups to have stricter membership regulations, which act as a mechanism to control the size of the membership and result in excluding producers not able to comply. Thirdly, direct costs of certification and inspection can be significant, as they are reported to put off some groups due to a lack of resources, or a lack of transparency on how these fees are used by the certifying bodies.

## KEY TAKEAWAYS: The reach and characteristics of smallholders in ISEAL member agricultural certification schemes

**1**

Smallholders play a central role in global commodity production and are key to supporting rural livelihoods and alleviating poverty. Income from agriculture forms only a part of overall household income thereby requiring holistic livelihood support strategies.

**2**

There is no global definition of who a smallholder is, and land size thresholds vary significantly by commodity and country. Smallholders are thus a heterogeneous group and schemes must understand smallholder characterization better to inform policy and target support.

**3**

ISEAL member schemes are reaching poor farmers, however not necessarily the most marginalized or smallest farmers in the regions where they work.

**4**

Certified farm sizes are, on average, larger than the average smallholder farm size in the focus crops. Indicating that globally certification tends to reach slightly better-off farmers and not the most marginalized – economically, socially or geographically.

**5**

Groups play a key role in facilitating access to smallholders across all key commodities. However, the role of those entrusted with group formation is critical in determining which farmers participate in certification and which do not. Schemes must pay more attention to this dynamic in the field and be aware of the choices made by them or their implementing agencies.

**6**

There is much scope to improve the internal monitoring and knowledge that schemes have on the characteristics of smallholders they work with. Innovation in the use of geo-spatial data and new assurance approaches along with a focus on this in evaluative research are key.

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