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# The balancing test: Is fairtrade cotton a sustainable policy for improving the livelihoods of Indian cotton producers?

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THE BALANCING TEST:  
IS FAIRTRADE COTTON A SUSTAINABLE POLICY FOR  
IMPROVING THE LIVELIHOODS OF INDIAN COTTON  
PRODUCERS?

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BY

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IS FAIRTRADE COTTON A SUSTAINABLE POLICY FOR IMPROVING THE  
LIVELIHOODS OF INDIAN COTTON PRODUCERS?

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This thesis determines if Fairtrade cotton can improve the livelihoods of cotton farmers in India. Interviews with Fairtrade cotton farmers and local staff members of a Fairtrade cotton organization provide insightful data on Fairtrade cotton. Results reveal that Fairtrade cotton contributes to the social, socioeconomic, and environmental development of cotton producers but not without limitations. Based on the theoretical framework that agricultural market expansion promotes farmers' development, this study determines if Fairtrade cotton is a viable strategy for increasing market access for cotton farmers in India.

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## LIST OF ACRONYMS

AOFG	Agriculture and Organic Farming Group
Bt	Bacillus Thuringiensis
ICAC	International Cotton Advisory Committee
IEA	Institute of Economic Affairs
IC	In Conversion
FAO	Food and Agriculture Organization
FLO	Fair Labelling Organization
MSP	Minimum Support Price
NCC	National Council on Cotton
PAN	Pesticide Action Network
PEB	Producer Executive Body
PBS	Public Broadcasting System
SHG	Self-Help Group
SSM	Special Safeguard Mechanism
WDR	World Development Report
WTO	World Trade Organization
UK	United Kingdom

# CHAPTER I

## INTRODUCTION

Cotton is one of the oldest crops known to humankind. It has existed for over 3,000 years and continues to shape the world in which we live in today. India is considered the birthplace of cotton, and throughout Indian history cotton has represented pride, wealth, and beauty. It continues to be a vital part of the agricultural and economic sector in India; the International Cotton Advisory Committee (ICAC) estimates that over 40 million households in India are involved in cotton production (Osakwe 2009).

Still a developing country, India has a population of 1.2 billion people according to the most recent Indian census in 2011. Three hundred million people live on less than a dollar a day and 700 million live on less than two dollars a day (Indian Express 2008). Rural small-scale cotton producers are among India's poor, and agricultural incomes are only a fraction of nonagricultural incomes (WDR 2008). The past decade exposed small-scale cotton farmers to the immense global inequalities existing within international trade policies for cotton. Many Indian cotton producers have struggled to survive and to cope with the numerous challenges of life as a rural cotton farmer. To combat these inequalities, an international organization known as the Fair Labelling Organization (FLO) implemented Fairtrade certified cotton policies in India. The word "Fairtrade" refers to a market-driven strategy to provide alternative solutions to the world's global trade inequalities. Fairtrade cotton strives to link marginalized producers to international markets otherwise unobtainable, and to pay them a sustainable price for their cotton. This thesis attempts to answer the primary research question: Does Fairtrade cotton benefit the livelihoods of cotton farmers in India? Throughout this thesis, the word "livelihood" refers to farmers'

ability to provide for their basic needs and those of their families. Livelihood is also attributed to farmers' financial and social state of well being.

To facilitate this research, I collaborated with *Zameen Organics*, a Fairtrade organization located in Hyderabad, India and managed by both international and local staff members. Zameen Organics also maintains regional offices throughout rural villages, home to the thousands of cotton farmers it represents. Interviews with cotton producers and staff members serve as primary-source data for this thesis. This Fairtrade organization defines itself as a “pioneering farmer-owned marketing company for Fairtrade, organic and pesticide-free cotton” (Zameen Organics 2009). Its mission is to improve the livelihoods of marginalized cotton farmers in India by building profitable supply-demand partnerships between strong organizations of small farmers in India and ethical brands worldwide (Zameen Organics 2009). Zameen Organics is affiliated with the Agriculture and Organic Farming Group (AOFG), an organization in India with ten years of experience working to empower cotton farmers.

Primary-source data identifies changes in farmers' livelihoods attributed to Fairtrade cotton by analyzing farmers' social, socioeconomic, and environmental development. The social development of producers includes changes in health, access to education, security, and women's empowerment. The socioeconomic development of producers focuses on changes to farmers' income, debt, and purchasing power. The environmental development discusses changes made to farmers' land, farming techniques, and overall environment. The three sectors of development selected correlate to the standards for producers set forth by FLO. As the umbrella group for the majority of Fairtrade Organizations worldwide, FLO is responsible for certifying Fairtrade producers and traders. The role of this organization is discussed in greater detail in upcoming chapters.

Research conducted for this project took place in rural India over a three-week period in the summer of 2009. Interviews with staff members and farmers from Zameen Organics serve as the primary-source data collected to complete this thesis. The time frame for this evaluation begins in 2006, when Fairtrade cotton was introduced to India, and ends after the collection of primary-source research in 2009.

The framework for this thesis is based on the theory that increasing market access for agricultural producers improves their livelihoods and promotes development. Theoretically, additional market access should lead to an increase in trade, creating more revenue for farmers. Fairtrade cotton functions as a niche market, accessible to cotton farmers when sufficient demand exists. This project aims to assess Fairtrade cotton as a strategy for increasing market access and also attempts to answer the following questions: Does Fairtrade cotton create sufficient market access for marginalized small-scale farmers in India? Is Fairtrade cotton a viable and sustainable strategy for expanding market access for producers?

Increasing market access, a powerful strategy for development, can lead to poverty alleviation for rural sectors of developing countries. The 2008 World Development Report (WDR), titled *Agriculture for Development*, calls for a greater investment in agriculture in developing countries as a means to reduce global poverty. It indicated that global poverty rates decreased from 28 percent in 1993 to 22 percent in 2002. According to the report, the reduction is attributed to declining rural poverty rates, noting that urban poverty rates remained unchanged during this time. In the report, the WDR team identified four policy objectives to reduce global poverty, including improving market access for the agricultural sector (WDR 2008).

In the past, Fairtrade pioneered development strategies to help producers of various commodities reach international markets. During the Latin American coffee crisis in 2001–2,

Fairtrade helped link coffee producers in Central America to markets in North America, which were willing to pay Fairtrade prices for coffee (Bacon 2005). In 2003, I spent time in Nicaragua and worked with a Fairtrade coffee cooperative and its producer members. I witnessed how Fairtrade coffee benefited the cooperative and the individual coffee producers during their time of crisis. Although the Fairtrade system is far from perfect, I viewed positive changes in the lives of disadvantaged coffee producers.

Coffee, the flagship and most profitable Fairtrade product, maintains a simple supply-chain in comparison to cotton. Coffee beans get exported directly to roasters and then become available at the retail level for the end consumer to purchase. Cotton, on the other hand, undergoes a multi-level manufacturing process before becoming a garment. End consumers do not purchase cotton; they buy apparel with Fairtrade Certified cotton. This extra value-added step, along with the complexity of the cotton supply-chain, makes cotton a Fairtrade product with distinct challenges of its own. It is vital for Fairtrade stakeholders to understand the characteristics of Fairtrade cotton and the many levels in-between the producers and consumers. To better address the needs of cotton farmers, Fairtrade policy makers need to take into consideration their dependency on the apparel sector. This thesis is notable because it provides insight on the relationship and constraints between the cotton farmers and the apparel sector.

The purpose of this research is to determine if Fairtrade cotton benefits marginalized cotton producers in India. Consumers in developed countries purchase apparel made with Fairtrade Certified cotton; however, little is known about how these sales are impacting the lives of producers. Since cotton cultivation is the first step along the supply-chain, Fairtrade stakeholders decided that certifying apparel must begin at the farm level before reaching the

manufacturing level. For this reason, Fairtrade cotton's capacity to improve the livelihoods of cotton growers is crucial for the continuance of the Fairtrade apparel sector.

This topic provides insight into a sector that has not been explored in depth by Fairtrade organizations or academia. The Fairtrade community acknowledges the lack of information available on the impact of Fairtrade cotton. FLO released a report: *The Benefits of Fairtrade 2<sup>nd</sup> edition—A Monitoring and Evaluation Report of Fairtrade Certified Producer Organizations for 2008*. In this report, FLO conducted thirty-three case studies to determine the impact of Fairtrade on producers, yet none of these studies dealt with the cotton commodity. FLO stated that it could not identify any impact studies on Fairtrade cotton. The organization points out that the majority of studies have been conducted on coffee, largely in part because Fairtrade coffee producers account for 60 percent of all Fairtrade producers worldwide (FLO 2008).

This chapter provides a general introduction to Fairtrade and explains its role in the international economic sector. It defines Fairtrade and gives a brief market overview to provide a frame of reference in regard to its market share, including the opinions of experts within the field of international development.

Chapter II provides a historical context of the international cotton sector and explains how past and current trade policies have affected the lives of cotton producers in India. The debate over international cotton subsidies is discussed, illustrating their impact on global cotton prices and the livelihoods of small-scale producers alike. This chapter also identifies the consensus among scholars on the relationship between global cotton prices and cotton subsidies given by developed countries. The response of the United States to criticism over the subsidies is addressed, as well as the impact of World Trade Organization (WTO) meetings and their failure to establish an *Agreement on Agriculture* acceptable by all members.

Chapter III focuses on Fairtrade cotton and identifies the standards and requirements that apply to small-scale cotton producers. This chapter highlights the three main Fairtrade principles for producers: social development, socioeconomic development, and environmental development and identifies recent changes made to Fairtrade cotton policies.

Chapter IV explains the methodology used to collect primary-source information in India. This project utilizes qualitative methods to gather information on the Fairtrade cotton sector, including: questionnaires for cotton producers and interviews with staff members from a Fairtrade Organization in India. This chapter also describes and explains the limitations of the research.

Chapter V presents primary-source data and conclusions based on the gathered results. This chapter answers the fundamental thesis question: Does Fairtrade cotton benefit the livelihoods of cotton producers in India? This chapter states the benefits and the shortcomings of Fairtrade cotton within three areas of development: social, socioeconomic, and environmental. The final section addresses the principle challenges of the Fairtrade cotton sector and how they impact the livelihoods of the cotton farmers.

Chapter VI and VII identify areas of concern regarding the structure and the sustainability of Fairtrade cotton, and offers recommendations. Chapter VI utilizes relevant secondary-data sources to show market trends and provide sales analysis for Fairtrade cotton. Chapter VII summarizes how Fairtrade cotton has impacted the livelihoods of cotton farmers in India. It concludes by addressing the inadequacy of international trade policy and determines if Fairtrade is a viable strategy for expanding market access for producers.



## **1.1 WHAT IS FAIRTRADE?**

FLO defines Fairtrade as “a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for small producers in the Southern hemisphere, who have been economically disadvantaged or marginalized by the conventional trading system” (FLO 2009). The Fairtrade system strives to address global inequalities by offering producers a fair and sustainable price for their products. Throughout the Fairtrade industry, the price paid to Fairtrade producers is known as the Fairtrade Minimum Price. Unlike the conventional market, this price is fixed and does not fluctuate. Fairtrade producer organizations also receive an additional payment known as the Fairtrade Premium, which is intended to support various development projects. These two Fairtrade monetary policies are the foundation of the Fairtrade system and will be explored in Chapters III–VI.

The majority of Fairtrade products are agricultural commodities such as coffee, tea, cocoa, and sugar. FLO introduced the Fairtrade market for seed cotton in 2005. In 2006, Fairtrade cotton became available in India for the first time. During this same year, apparel made with Fairtrade certified cotton became available to consumers primarily in developed countries throughout Northern Europe and Australia. Fairtrade certified cotton did not become available to consumers in the United States until 2010.

### **1.1.1 An Overview of the Fairtrade Market**

The rising sales of Fairtrade products triggered immense growth for the Fairtrade organization. This growth led to an increase in Fairtrade participation of producers, traders, and consumers

across the globe. Total sales for all Fairtrade certified products reached \$4.6 billion worldwide in 2009 (FLO 2009). Fairtrade sales have had an impressive growth rate and from 1998 to 2007, overall sales grew by over 40 percent annually and 22 percent from 2007 to 2008. Even during the global economic recession, Fairtrade maintained a positive growth rate of 15 percent from 2008 to 2009 (Mohan 2010, 28). Although Fairtrade products are now available in over seventy countries, the top 12 Fairtrade markets are located in the European Union, Australia, and North America. In 2009, a total of 827 Fairtrade certified producer organizations and 1,170 traders existed throughout sixty developing countries on four continents. As of 2009, Fairtrade producers, traders, and their communities had received Fairtrade payments totaling approximately \$74 million (Mohan 2010). Yet, in spite of its impressive growth rate, Fairtrade sales only represent 0.01 percent of the total food and beverage industry worldwide (FLO 2009).

### **1.1.2 Current Literature on Fairtrade's Impact on Producers**

Many scholars agree that Fairtrade can benefit producers, but its potential impact is limited and should not be considered a strategy to combat international trade inequalities (Mohan 2010; Taylor 2002; Booth and Whetstone 2007; Weber 2007). In a 2010 document published by the Institute of Economic Affairs (IEA), *Fair Trade without the Froth*, author Susil Mohan claims that Fairtrade is a niche market: "Fair Trade is not a long-term strategy, and the model is not appropriate for all producers. It is also unable to address structural problems within trading systems" (Mohan 2010, 11). The author points out that Fairtrade represents a small share of the global market and based on size alone, it cannot be considered a strategy to eliminate global poverty as some Fairtrade organizations suggest (Mohan 2010). The author also states that

Fairtrade offers only a limited solution to global poverty because it creates specialty trade avenues for a fraction of the world's poor. In a separate document, *Poverty Alleviation through Participation in Fair Trade Coffee Networks*, author P. Taylor claims that Fairtrade, along with other economic strategies, should be part of a diversified plan for development (Taylor 2002). The author states that Fairtrade makes several significant impacts to the lives of marginalized producers, but it cannot expect to solve their problems over the long term. Likewise, Mohan believes the Fairtrade movement should not exaggerate its ability to reduce global poverty or discount more comprehensive solutions that may exist. Mohan acknowledges that reform is needed to improve trade inequalities, yet argues that conventional trading mechanisms, such as free trade and economic liberalization, are more equipped to reduce poverty than the Fairtrade movement (Mohan 2010).

My research aims to examine the role of Fairtrade cotton in India and to determine if it is having a positive and worthwhile impact on cotton producers. I believe this research will prove that Fairtrade cotton provides many benefits to Indian producers, such as promoting their development and improving their livelihoods. These benefits are contingent on farmers having sufficient access to Fairtrade markets. Fairtrade cotton producers can only gain increased market access if a flourishing international demand for Fairtrade cotton exists. In this case, the Fairtrade cotton system becomes dependent on sufficient market demand, and without it, the system cannot sustain itself or fulfill its promises to producers. For this reason, I believe this research will conclude that Fairtrade cotton provides short-term benefits to farmers' livelihoods but fails to provide a sustainable solution to the rural poverty of Indian cotton farmers.

## **CHAPTER II**

# **INTERNATIONAL COTTON SUBSIDIES AND THE INDIAN COTTON CRISIS**

This chapter describes the political and economical factors that shape the international cotton market and explains their impact of the lives of small-scale cotton producers in India. The first section focuses on the debate over cotton subsidies and international trade policy involving cotton. The second section illustrates the dire condition of rural cotton producers in India and reveals their struggle to cope with years of declining cotton prices.

### **2.1 HISTORICAL DEBATE ON SUBSIDIES**

The World Trade Organization (WTO) has hosted much international political debate over cotton subsidies and their affect on developing countries. It is useful to understand the past and current debate over cotton subsidies before considering how Fairtrade cotton has impacted the lives of Indian producers. International cotton subsidies have played a pivotal role in influencing India's agricultural sector, economy, and the standard of living for Indian cotton farmers. Similarly, African cotton farmers have also been affected by international cotton subsidies. This section will address the consequences endured by both countries. While many reports in the field of international relations only criticize cotton subsidies, this chapter attempts to present both sides of the argument.

### 2.1.1 Impact on Cotton Prices

Within the field of international relations, scholars and stakeholder organizations debate the impact of cotton subsidies on world cotton prices and developing world economies. Many academic scholars agree that tariffs and domestic subsidies distort cotton prices. A trade and policy report for the Food and Agriculture Organization (FAO) titled *The Impact of Domestic and Trade Policies on the World Cotton Market* uses model-based assessments and evaluates existing empirical knowledge to determine the impact cotton subsidies have had on world market prices. The report concludes that if all trade-distorting policies were eliminated, the world price for cotton would have risen between 3.1 and 4.8 percent (Poonyth 2004; Sarris, Sharma, and Shui 2004). Indian economist G. Chandrashekhar also believes that the removal of U.S. cotton subsidies would push world prices up in the short term and enable Indian farmers to export more cotton: “Cotton exports from India are a possibility if international prices remain high—over .50 cents a pound” (Chandrashekhar 2006, 8). He argues that trade-distorting cotton subsidies encourage more production, manipulate global cotton supply, and depress world prices (9). Likewise, a report by the International Cotton Advisory Committee (ICAC) indicates that the removal of U.S. cotton subsidies would increase the price of cotton by \$.11/pound (Oxfam 2002). The World Bank estimates that cotton prices could increase as much as 13 percent if all subsidies were eliminated (Global Subsidies Initiative 2008). India’s Commerce Minister Kamal Nath stated, “These huge subsidies in U.S. must end to bring about equality in global cotton trade, which is creating imbalances and had affected farmers” (PTI News Agency 2005). Although the reports vary in the percent of price increase for cotton, they are united by a

common theme: eliminating or decreasing U.S cotton subsidies would increase the world market price of cotton.

### **2.1.2 Cotton Subsidies from Developed Countries**

U.S. cotton subsidies, historically controversial, contributed to the collapse of various WTO negotiations. A series of reports from Oxfam International examines how cotton subsidies given to farmers in developed countries affect the livelihoods of small-scale, often-marginalized farmers living in developing countries. These critical reports argue that subsidies granted by a few of the world's most powerful countries are responsible for the depression of global cotton prices. From 2001 to 2003, the United States accounted for nearly half of the world's cotton subsidies (Danshwar, Poonyth, Sharma, Shangnan 2004).

Oxfam International's 2002 report, *Cultivating Poverty: The Impact of U.S. Cotton Subsidies on Africa*, is one of the first of its kind to raise international awareness to the suffering endured by cotton producers in developing countries. This report focuses on the plight of cotton farmers in eight African countries affected most by the subsidies. Nearly 10 million African households depend on cotton as their only source of income. This Oxfam International report put the developing world's dependency on cotton into a global perspective, claiming that approximately one billion people in developing countries have direct or indirect involvement in the cotton sector of the economy. The report cites hardships felt by countries all around the globe, from India to Peru. As of 2002, the Indian government claimed to have lost revenues of \$1.3 billion, the Argentinean government \$1 billion, and the Brazilian government \$620 million, all due to U.S. cotton subsidies (Oxfam 2002).

During the past decade, United States subsidies have led to an increase in domestic cotton production and exports. Under the 2002 Farm Act, American farmers received a guaranteed price of \$.52/pound of cotton, which was \$.19 above the international price. They also received additional payments from the government, further increasing their income. The Oxfam report states that American farmers received nearly \$.73 above the world market price for cotton in 2002. During that year, American cotton subsidies totaled \$3.9 billion, which surpassed the total value of American cotton production at \$3 billion; therefore the U.S produced cotton at a net cost. This advantage led to an increase in U.S. cotton production, and from 1998 to 2001, U.S. cotton exports nearly doubled in volume (Oxfam 2002).

For years, large privately owned cotton plantations have controlled the majority of the U.S cotton industry, and only 25,000 American farmers received government subsidies paid by American taxpayers (Oxfam 2002). Meanwhile, millions of African and Indian farmers depend directly on revenues from cotton production. Historically, large American cotton plantations have dominated the cotton sector.

The effects of U.S. cotton subsidies did not go unnoticed; in 2003, the WTO panel found that U.S. cotton subsidies were a breach of WTO rules and regulations. After the Cancun round collapsed in 2003, a panel formed to address Brazil's complaint against the United States, claiming that it had violated WTO rules on cotton subsidies: "The panel found that the U.S. used hidden export subsidies to circumvent its WTO commitment to reduce export subsidies. These subsidies are therefore contrary to WTO rules and must be removed" (Charveriat, Benicchio 2004, 1). The U.S. subsidies violated the *Agreement on Agriculture and the Subsidies and Countervailing Measures*, previously signed by the United States during the Uruguay Rounds. The panel found two specific hidden U.S. subsidies incorrectly labeled by the U.S. government

as “non-trade distorting.” The panel also concluded that these hidden subsidies resulted in a major prejudice against Brazil’s exports due to the suppression of U.S. cotton prices. This decision brought about a clear consensus among WTO members (from developed and developing countries alike) that the U.S. needed to drastically reduce their cotton subsidies. Although no clear timeline was given, the panel implied that the U.S. had to withdraw subsidies by 2005.

In 2005, members from the G20 group of developing nations met in New Delhi, India, to discuss strategies on trade reform. The purpose of the meeting was to create unity among the leaders of developing nations prior to the upcoming WTO summit in Hong Kong. India organized the meeting, which encouraged other developing countries to demand a pro-development outcome in support of their underprivileged farmers. They agreed that if developed countries did not abide by WTO rulings to sufficiently reduce subsidies, then they would resist pressure to liberalize their markets. In the end, the 2005 summit concluded with minimal results.

### **2.1.3 Collapse of the Doha Development Round**

The 2008 WTO Doha round on trade negotiations came to a halt when the United States, China, and India failed to reach an agreement on farm subsidies. For seven years, WTO members have attempted to reach an agreement that would reduce trade barriers on farm protections. According to Indian representatives at the WTO, the main reason for the meeting’s collapse was the failure of the United States to address its multibillion-dollar trade-distorting cotton subsidies (Financial Express 2008). The United States reduced cotton subsidies in 2007 by about 10 percent, not enough to satisfy the WTO or the international community. India, with the support of other



developing nations, pushed for a more balanced agreement. India upheld its longstanding conviction claiming that small-scale cotton farmers would get a better price if U.S. cotton subsidies were eliminated (India Express 2008).

India declared that a trade agreement would only be reached if it addressed the livelihood, security, and rural development of developing countries. India, and other developing nations, collectively rejected the U.S. proposal to reduce farm subsidies, stating the reduction was not enough and that many trade-distorting issues affecting cotton remained unresolved (Financial Express 2008). The Special Safeguard Mechanism (SSM) remained unsettled at the WTO negotiations. Under the SSM, developing countries like India can legally impose the SSM tariff to curb sudden surge in imports, therefore guarding against price devaluation of sensitive agricultural goods (Indian Express 2008). If the WTO proposal during the 2008 Doha Round had been accepted, it would have created new restrictions to the SSM. India would have been required to wait for an import surge of 40 percent more than the average of the previous three years before it could impose the SSM and collect additional tariffs. India argued that this new restriction would devastate the livelihoods of farmers by making them more vulnerable to cheap foreign imports. During an interview with the newspaper, *Indian Express*, the Indian commerce minister stated “There was no question of trading off commercial interests with livelihood security. Developed countries must, in fact, reach out to the poorest and undeveloped countries” (2008).

#### **2.1.4 U.S Response to International Criticism**

The National Cotton Council of America (NCC) defended the U.S. cotton industry, reassuring the WTO that it would reduce trade-distorting subsidies if other countries agreed to meet certain conditions. United States responded to the 2008 Doha collapse by stating India and China selfishly protected their interests by blocking the trade agreement (Klapper 2008). The NCC claimed the trade playing field was uneven, since U.S. tariffs on foreign agriculture were lower than those of other countries. The U.S. imposed only a 12-percent tariff on goods entering the U.S market, yet the average tariff worldwide was 62 percent and India's tariff on agricultural goods was 114 percent (NCC 2005). The NCC affirmed the U.S. was open to negotiating cotton subsidies, but in return wanted developing countries to reduce tariffs on cotton imports, allowing U.S. cotton to penetrate their markets.

#### **2.1.5 India's Domestic Cotton Subsidies**

India contested cotton subsidies of developed nations, even though it also has a history of subsidizing domestic cotton farmers. In August of 2007, *Wide Angle*, a program of the Public Broadcasting System (PBS), produced a documentary series on the Indian Cotton market. The episode titled "The Dying Fields, Global Cotton Industry: Farmer Suicides in India" explained the Indian government program during the 1970s called the Monopoly Cotton Procurement Scheme. This domestic subsidy guaranteed farmers a fixed rate for cotton independent of world market prices. Due to corruption and mismanagement, the program was discontinued in 2003, leaving Indian farmers vulnerable to fluctuating world prices. In 2008, the Indian government

instituted another program called the Minimum Support Price (MSP), once again providing farmers with a guaranteed price for cotton. The Indian government paid farmers the MSP for harvested cotton, and it was adjusted annually by the Commissions on Agricultural Costs and Prices, an organization monitoring trends in domestic and international prices (Mittal and Reimer 2008).

The NCC criticized India's domestic support for cotton farmers, and controversy continued to surround the topic. According to the NCC, in 2008, the Indian government purchased 11.7 million bales of cotton from farmers at a rate of approximately \$.72/pound when the international price for cotton ranged from \$.55 to .58/pound. The NCC also claimed that India failed to report this subsidy to the WTO, and has not been transparent with their trade-distorting subsidies. The NCC argued that the MSP led to an increase in Indian cotton production. In 2008, the year the MSP was introduced, India produced a record high level of cotton. During the same year, India became the second-largest producer of the world's cotton, surpassing the United States (NCC 2008). Frustrated with another failed WTO attempt for a fair *Agreement on Agriculture*, India may have created the MSP as a way to protect its farmers from decreasing cotton prices, and to proactively address the cotton crisis at hand.

Addressing India's domestic cotton policies allows for a well-rounded analysis of global cotton subsidies. These subsidies have also impacted the Fairtrade cotton sector, a dynamic explored in greater detail in Chapter V and VI when implications of the MSP are revisited.

## 2.1.6 Potential Outcomes of a Successful WTO Agreement

Some analysts of international trade policies believe that Indian cotton farmers could have benefited from a successful WTO *Agreement on Agriculture*. (*Agreement on Agriculture* is a treaty of the World Trade Organization. Members hold separate meetings to negotiate agricultural policies and discuss regulations on domestic support, market access and export subsidies.) The Doha Development round aimed to increase agricultural trade by improving access to foreign markets for all members. The Food and Agriculture Organization identifies China as the largest importer of the world's cotton (FAO 2011). A successful agreement could have reduced China's tariffs, enabling India to export more cotton to China. Increased access to the Chinese market could have grown India's agricultural sector and benefited Indian farmers considerably (Nassar 2007).

In the end, the group failed to reach a trade agreement, and all members walked away from the 2008 Doha Development round without a trade-liberalizing agreement on cotton policies. The conventional international trading system, involving the WTO and its member countries, did not effectively foster change among developed nations. During the time of primary research in 2009, the conventional trading system only minimally reduced trade-distorting cotton subsidies. Marginalized small-scale cotton farmers in India remained subject to price instability and depressed cotton prices.

## **2.2 THE CRISIS OF INDIAN COTTON FARMERS**

During the past decade, the cotton-farming sector in India has failed to provide a sustainable source of income for small-scale farmers. This section provides an overview of the plight of cotton farmers, and exposes the underlining problems within India's cotton sector. Palagummi Sainath, an award-winning expert on rural poverty in India, claims that "poverty has assaulted rural India"; farmers can no longer afford to send their children to schools, are relocating to urban cities in search for work, are heavily in debt, and are committing suicide out of desperation and despair (Renton 2011).

### **2.2.1 The Decline of Cotton Prices from 1996 to 2008**

Once known as White Gold, cotton brought prosperity to Indian cotton farmers; unfortunately this good fortune proved as volatile as fluctuating cotton prices. Between 1996 and 2003, the price of cotton declined by 55 percent; during the 2001–02 harvest season, cotton prices reached its lowest level in thirty years (FLO 2005). A massive increase in global cotton production occurred fueled by subsidized developed nations. "Between the period of 1990-2005, the import of cotton lint increased at a compound growth rate of over 75 percent" (Philip and Jenniah 2006, 5). The "dumping" of cheap cotton imports into India's domestic economy destroyed the competitive advantage of small-scale cotton farmers in India. (In International Trade, the term "dumping" refers to the practice of selling or "dumping" commodities in a foreign country for less than market value prices, undercutting producers in poor countries).

### **2.2.2 Bt Cotton and Pesticides**

Indian farming techniques have gone through changes within the past years and some farming methods have harmed the lives of millions of cotton farmers. In 2002, the Indian government introduced and promoted the use of *Bacillus Thuringiensis* (Bt) cotton, a genetically modified cotton seed supposedly resistant to the Bollworm pest. The cotton crop is highly susceptible to damage created by Bollworms and Bt cotton seeds assured to provide a higher cotton yield, but sold for approximately four and half times the cost of normal cotton seeds (Gentleman 2006).

When higher yields of cotton failed to materialize, due to weather or unforeseen circumstances, farmers plunged into a cycle of debt and defaulted on loans. Small-scale producers in India depend on rainfall as their source of irrigation, and without it, cotton yields are not prosperous. Even when yields were higher, farmers faced low cotton prices and increasing cost of inputs, making it difficult to earn a sustainable living. In 2006, more than half of all cotton farmers growing Bt Cotton borrowed money to finance the purchase of the costly seeds and the expensive pesticides needed to grow them. Unlike organic cotton seeds, Bt cotton seeds are not reusable and farmers must purchase new seeds every season.

In addition, pesticides are harmful to the agricultural sector in India and are known to contaminate water sources, damage the ecosystem, and interfere with biodiversity. Cotton uses more pesticides globally than any other major crop and the United Nations recommends that small-scale farmers avoid using pesticides in the Code of Conduct on the Use of Pesticides (Sanfilippo 2007). The Pesticide Action Network (PAN), a charitable organization in the UK working to eliminate the dangers of pesticides, also states that “the use of pesticides on small-scale cotton farmers in developing countries has unacceptable negative impacts on the health of

farmers and their families and on the environment” (Sanfilippo 2007, 3). Chapter V explores the impact of Bt cotton and pesticides on farmers in greater detail.

### **2.2.3 Cotton Producer Suicides and the Cycle of Indebtedness**

In the past decade, an estimated 100,000 cotton producers in India have committed suicide; indebtedness is believed to be the principle reason behind the phenomenon. This number may also be underestimated due to poor recordkeeping standards in rural areas and because many female producers who have committed suicide are not counted as “farmers,” even though it is their only source of income (Renton 2011). In 2008, the Global Subsidies Initiative estimated that a cotton farmer commits suicide every eight hours in the cotton belt state of Maharashtra, where research for this project took place.

Indian cotton farmers are often in debt to a bank or more commonly, a third-party middleman charging high interest rates. Factors contributing to the debt problem include: increase in cost of inputs for Bt seeds, high cost of pesticides, low yields due to droughts, and the declining price of cotton (Philip, Jenniah 2006). Primary-source data collected for this thesis took place within two Indian states, Maharashtra and Andhra Pradesh, both plagued with high percentages of farmers in debt. The National Sample Survey Organization in India published a report in 2005: *Indebtedness of Farmer Households*. This report concluded that 55 percent of rural farmers in Maharashtra were in debt, and 82 percent Andhra Pradesh were in debt, the highest rate among all Indian states. A farmer survey report conducted in 2004 concluded that farmers’ household income has decreased or remained stagnant for the past ten years, despite the rising cost of living (Philip, Jenniah 2006). This imbalance further perpetuated the cycle of debt

for many Indian cotton farmers, and living in debt became part of their daily life. Chapter V discusses the impact of Fairtrade cotton on the debt cycle in greater detail.

In conclusion, despite multiple international attempts to create harmony among developed and developing nations, the WTO summits fell short of solidifying an *Agreement on Agriculture* acceptable to all members. News of the cotton farmers' crisis spread to international communities through various media outlets, including documentaries, newspapers, and academic journals. In 2006, the international community responded, and an alternative trading system was introduced in India known as Fairtrade. During that year, the Fairtrade Foundation published a briefing paper, *Redressing a Global Imbalance: The Case for Fairtrade Certified Cotton*, in which the organization explained its intent for Fairtrade cotton:

The aim of Fairtrade certification is to improve the situation of the farmers at the very bottom of the supply chains, recognizing that cotton farmers, like the many other agricultural commodity producers we work with, are at the sharp end of exploitation and injustice in international trade (Fairtrade Foundation 2005, 4).



## CHAPTER III

### FAIRTRADE COTTON STANDARDS AND RECENT REGIONAL POLICY CHANGES

This chapter highlights important Fairtrade standards for cotton producers and explains recent changes to Fairtrade cotton policy affecting India. In 2009, FLO published two reports: *Generic Fairtrade Standards for Small Producers' Organization* and *Fairtrade Standards for Seed Cotton for Small Producers' Organizations*. Both reports contain requirements pertaining to Fairtrade cotton producers in India, which are discussed below.

All Fairtrade producers and producer organizations must undergo a certification process before selling their products to the Fairtrade market. They must adhere to the specific standards put forth by FLO, ensuring the ethical production of products. Standards and certification policies also provide producers with a structured guideline for achieving goals. FLO identifies three standards for small-scale cotton producers: social, socioeconomic, and environmental development. Each standard is then divided into three different requirement levels:

1. Minimum Requirements: must be met prior to becoming a Fairtrade certified producer
2. General Requirements: producers must meet when becoming Fairtrade certified producers
3. Progressive Requirements: producers must meet over a certain period of time. Producer organizations must show continuous improvement. Progressive requirements vary depending on the amount of benefits cotton producers receive from Fairtrade (FLO 2009).

This chapter outlines FLO's expectations of producer organizations; in the upcoming chapters, these standards are further analyzed when applied to observations made and data collected during field research in India. Chapters V and VI determine if these standards were upheld by producers' organizations or if they felt short of the requirements.

## **3.1 SOCIAL DEVELOPMENT**

Fostering social development among producer organizations through sustainable trade constitutes the first Fairtrade standard. FLO standards require that producer organizations have the capability to sell their product to markets and have access to democratic decision-making processes. Individual producers and their families become part of local producer organizations, also known as cooperatives. Belonging to a producer organization benefits the individual farmer in various ways, such as: increasing access to foreign markets, providing collective bargaining purchasing power, and creating a community offering support and education. Fairtrade cotton aims to empower individual small-scale producers by promoting social, economic, and environmental development within their producer organization (FLO 2009).

### **3.1.1 Development Plan**

During the first year of certification, producer organizations create a development plan assessing the social, economic, and environmental needs of members and their families. Operable within three years of certification, the development plan indicates how Fairtrade benefits are being utilized to promote the development of its members. The development plan must include a Fairtrade Premium Plan to address the allocation of Fairtrade Premium funds, which is explained in the upcoming section (FLO 2009).

### **3.1.2 Small-scale Producers**

FLO requires that the majority of cooperative members are small-scale producers, and Fairtrade products can only be sourced from members. Farmers are recognized as small-scale producers when their labor represents a considerable share of the total amount of labor on their farm, the majority of collected income is the result of their labor, and collective marketing is needed to sell crops to outside market (FLO 2009).

### **3.1.3 Democratic Elections**

FLO requires that producer organizations are democratically organized and operated. Democratic structure ensures that all members of the producer organization receive the benefits of Fairtrade. The organization's administration must be transparent to allow for accountability. The democratically elected General Assembly is the decision-making body within the cotton co-op, and has voting rights for all members. All members are encouraged to take part in free, fair, and transparent board elections. FLO requires that the General Assembly meets at least once a year to review the annual report and budget. During this meeting, the development plan should be discussed, explained, and finalized (FLO 2009).

The progressive requirement includes continual business strategic planning by members and requires approval by the General Assembly. Over time, members should become more involved within the organization; the board should review members' overall involvement and their commitment to the organization (FLO 2009).

### **3.1.4 Non-discrimination**

As a minimum requirement, producer organizations cannot discriminate against members or restrict new membership on the basis of “race, color, sex, sexual orientation, disability, marital status, age, religion, political opinion, ethnicity or social origin” (FLO 2009). Organizations must allow equal participation in the following activities: voting rights, the right to be elected, access to markets, or access to training, technical support, or any other benefit of membership (FLO 2009).

The progressive requirement of nondiscrimination obliges producer organizations to identify disadvantaged members and offer them additional support. Members are considered disadvantaged if discrimination is based on their minority status, income, land area, age, or gender. Particular attention should be given to the participation of female members. Paying women growers directly (not their husbands) for cotton is a progressive requirement specific to cotton farmers and is discussed in greater detail in Chapter V (FLO 2009).

## **3.2 SOCIOECONOMIC DEVELOPMENT**

The second Fairtrade requirement, socioeconomic development, supports sustainable production practices for small-scale cotton producers through monetary support. Fairtrade cotton buyers pay the Fairtrade Minimum Price, Fairtrade Premium payment, and in some cases provide pre-financing for producers. Socioeconomic development ensures producers a fair price for cotton,

covering the cost of production and providing for their basic needs. Over time, the producer organization should grow stronger and more self-sufficient (FLO 2009).

### **3.2.1 Fairtrade Premium**

The Fairtrade Premium is a monetary amount paid by the cotton buyer to the producer organization in addition to the Fairtrade Minimum Price for cotton. The Fairtrade Premium for cotton is .07 USD per kilo of Fairtrade seed cotton. This money is used to finance projects based on the individual needs of the community in areas such as education, healthcare, agricultural, loans, and infrastructure. These additional funds contribute to the development of the organization and enable cotton farmers to reach their goals outlined in the Development Plan (FLO 2009).

Rules for allocations of the Fairtrade Premium vary from country to country, and the Fairtrade sector must adhere to domestic laws. According to India's Foreign Contributions Regulations Act, funds cannot be allocated directly to producers (Jauch 2007). Instead, the premium is paid into a bank account set up for Fairtrade cotton producers, and buyers are required to deposit the premium into this account within thirty days from the end of the calendar quarter (Jauch 2007). The Producer Executive Body (PEB), an organization of producer members representing various regional areas, assumes responsibility for allocating the Fairtrade Premium to other individual farmers (Zameen Organics 2009-10).

The organization then creates the Fairtrade Premium Plan once funds become available. The plan aims to ensure that developmental goals are met through sufficient planning and budgeting. The plan also outlines mechanisms for achieving these goals. Once a year, the board

will present a qualitative and financial report on the implementation of the Fairtrade Premium Plan to the General Assembly (FLO 2009).

### **3.2.2 Organic Cotton Premiums**

In addition to the Fairtrade Minimum Price and the Fairtrade Premium, cotton farmers can also receive a premium for organic cotton. The Standards Committee at FLO sets the minimum organic premium 20-percent higher than the Fairtrade Minimum Price for cotton. The reason for the organic premium is two-fold: typically organic cotton has lower yields for the first three to five years, and organic production requires crop rotation limiting farmers to produce only one cash crop, resulting in less revenue earned (FLO 2010). The extensive process of converting to organic cotton takes time and careful planning, and the organic premium protects farmers during the transitional period. Chapter V revisits the organic cotton premium and explores its impact on the livelihoods of cotton farmers in India.

### **3.2.3 Pre-financing**

FLO implements policies to assist cotton producers, and helps them secure financing for their crops. Prior to becoming eligible for financing, a cotton producer must be Fairtrade-certified and have sold cotton to a Fairtrade-certified trader, meeting all the quality and shipping requirements set forth by FLO-CERT, a third-party certifying organization. After this relationship has been established, and if the trader is interested in purchasing again, the producer can request pre-financing up to 60 percent of the contract value from the trader (FLO 2009).

According to FLO-CERT certification policy, the trader is obligated to provide pre-financing to the producer unless the trader has a legitimate business reason to deny the request. In return, the producer is responsible for paying any interest accrued from the cost of the borrowed amount or on terms more favorable for the producer (Jauch 2007). It is most desirable for cotton producers to receive the Fairtrade Minimum Price and the Fairtrade Premium payment within 30 days of delivery. All Fairtrade cotton ginners are required to adhere to these terms. All late payments are charged 1 percent interest (Jauch 2007).

### **3.2.4 Producer Organization Independence**

The Fairtrade system aims to support the producer organizations by promoting their development. Producer organizations should become more sustainable over time and gradually assume more control and involvement in their business relations. They should educate themselves about the supply chain and trading practices, making them more involved with the entire trading process, including relations with buyers, exporters, contacts, and negotiations (FLO 2009).

Producer organizations also hope to see increased efficiency and investment returns. Improved efficiency can lead to an increase in sales and a decrease in cost operations. Producer organizations should also recognize the commitment level of certain members and provide constant training and personal development to maximize their human capital (FLO 2009).

### **3.3 ENVIRONMENTAL DEVELOPMENT**

To the best of their ability, Fairtrade cotton producers are expected to protect the natural environment of the land they cultivate. Farmers maintain a balance between environmental protection and product productivity through various agricultural techniques, including crop rotation, cultivation techniques, crop selection, and careful use of nonorganic inputs (FLO 2009). In Chapter V, data analysis shows how Indian cotton producers successfully created this balance and maximize profits by protecting the environment.

#### **3.3.1 Internal Control System**

The producer organization is expected to investigate the impact of the production process on the land, and to implement an environmental plan called the Internal Control System. This system outlines protocols for protecting and avoiding adverse impacts. In addition, a monitoring system should be in place to evaluate the effectiveness of the plan and simultaneously be able to gauge the overall status of the environmental impact assessment (FLO 2009).

#### **3.3.2 Agrochemicals**

FLO expects the cotton-producer organizations to eventually eliminate the use of agrochemicals during cotton production and to adopt organic cotton farming. Agrochemicals, in this context, refer to “all synthetic inputs directly or indirectly used in the production of agricultural products



or in the maintenance of processing equipment” (FLO 2009, 15). Pesticides also are considered to be agrochemicals and should be eliminated.

### **3.3.3 Genetically Modified Cotton**

Cotton farmers are prohibited from using genetically modified cotton seeds, commonly known in India as Bt cotton. The producer organization needs to ensure that farmers are not growing Bt cotton, and create a written plan that outlines how the organization will monitor its own members to ensure that genetically modified cotton is not grown for intended Fairtrade-certified cotton (FLO 2009). In Chapter V, data analysis shows how Fairtrade cotton impacted the usage of agrochemicals and Bt cotton by producer organizations.

## **3.4 RECENT CHANGES TO FAIRTRADE COTTON POLICY**

Fairtrade cotton has undergone two main structural changes within the last few years, allowing Indian cotton farmers to secure a higher income from selling it. Prior research conducted by FLO determined that adjustments were necessary for small-scale cotton producers; changes were implemented during the summer of 2008.

### **3.4.1 Regional Territories of Fairtrade Cotton**

Presently, the regional territory of a country determines the Fairtrade Minimum Price for cotton. FLO established six different regional territories throughout Asia and Africa, and India falls into the South Asian territory. Prior to July 2008, individual countries had their own Fairtrade Minimum Price; only nine countries participated in Fairtrade cotton, compared with seventy-six now actively involved. FLO's extensive research and analysis on minimum prices resulted in a decision to adopt regional Fairtrade Minimum Prices for cotton, expanding access to Fairtrade cotton for farmers worldwide (FLO 2009).

### **3.4.2 Increase in Fairtrade Minimum Price**

Also in July 2008, FLO increased the Fairtrade Minimum Price allocated to cotton farmers for cultivating Fairtrade cotton. The average price paid to cotton farmers in all regions increased by 24 percent per kilo from the previous amount. During the time of research, the Fairtrade Minimum Price for farmers located in the South Asian region was .53 USD per kilo of cotton (FLO 2009).

The Fairtrade system ensures a more favorable trading platform for cotton producers. Typically, the Fairtrade Minimum Price is higher than the conventional market price; however, if it is not, FLO raises the Fairtrade Minimum Price to match the conventional price. Therefore, the conventional price cannot exceed the Fairtrade Minimum Price, guaranteeing farmers' better trading options. In Chapter II, the Indian domestic subsidy, the MSP, was introduced; Chapter V further explains how it caused an increased in the conventional price of cotton, causing

competition for the Fairtrade Minimum Price. The upcoming chapters explore how Fairtrade producer organizations respond to increasing conventional prices and how this response impacts cotton producers.

## **CHAPTER IV**

### **METHODOLOGY**

I collected primary-source data during field research in India using qualitative methods. I interviewed three groups of subjects: Fairtrade cotton farmers, Zameen Organics extension officers, and Zameen Organics managerial staff. For all three, I developed a different set of questions, based on their individual characteristics and functions within Zameen Organics. I developed a questionnaire for farmers and interview questions for employees of Zameen Organics. Applying the right format to the appropriate subjects proved imperative for this research, and over a two-week period, I interviewed a total of fifty one subjects in Southern India.

The methodological framework for determining Fairtrade's impact on farmers aligns with FLO's standards and requirements for producers outlined in the previous chapter. All three sets of questions directly relates to FLO's three principles for producers: social, socioeconomic, and environmental development. Qualitative methods attempted to identify the positive or negative impacts of Fairtrade cotton within all three sectors of development. Since changes in development can affect the livelihoods of farmers, identifying these changes became an essential part of this research.

## 4.1 COTTON FARMER QUESTIONNAIRE

I designed the questionnaire to identify changes in farmers' standard of living since their involvement with Fairtrade cotton. Over an eight-day period, I interviewed forty-two farmers from two different states, two different regions, eight different clusters. They answered close-ended questions, and I asked the same questions to all farmers interviewed throughout various regions. This format easily revealed patterns among farmers and helped to determine the impact Fairtrade had on their lives. A nonintrusive data-collecting method, the questionnaire worked well for farmers, who were unaccustomed to foreign visitors and interactions of this nature. The majority of cotton farmers spoke and understood English, and when necessary, Zameen Organics staff members assisted with translation.

Prior to field research, Zameen Organics staff members reviewed a draft of the questionnaire, which was later revised to incorporate their input. Their experience and knowledge made the questionnaire more effective and enhanced its results. They also advised me to limit the number of interviews to ten a day, mentioning that farmers grow impatient while waiting to be interviewed. I averaged about five interviews a day and the questionnaire consisted of twenty-three questions, divided into the following six sections: background information, change in living conditions, change in economic position, change in access to education, support from producer organizations and FLO, and acknowledgment of Fairtrade principles.

The questionnaire had some limitations and did not quantify all the impacts attributed to Fairtrade cotton. The data fell short of its objective to collect data on quantitative changes in farmers' income from 2006 to the time of research. During the interview process, I collected data on changes in income; however, I decided not to include this information in my data analysis.

The information collected could not be verified and data was missing from over half of the participants. Other studies on Fairtrade share this limitation and have focused on producers receiving a higher price for their products, instead of measuring changes in income attributed to Fairtrade (Hout 2010). In addition, the questionnaire only represented a small cross-section of Fairtrade cotton farmers working with Zameen Organics, instead of a larger population with a more diverse background. Nonetheless, the research reveals insights into the world of Fairtrade cotton, a sector which, as mentioned, lacks data within the field of Fairtrade studies. In the future, more fundamental research will be required to determine the continuing impacts of Fairtrade cotton.

## **4.2 EXTENSION OFFICER INTERVIEWS**

Eyewitness accounts from three extension officers provided vital information on the realities of the Fairtrade cotton sector and its impact on cotton farmers. Extension officers are staff members of Zameen Organics who work directly with farmers in the fields, assisting them with daily operations of growing and cultivating cotton. I developed seven open-ended interview questions tailored to highlight their personal experiences with cotton farmers. I designed the questions to identify changes in farmers' quality of life, confidence, and motivation levels since joining Zameen Organics. The questions related to the impact Fairtrade cotton had on the livelihoods of cotton farmers in their region. Extension officers have more contact with farmers than other Zameen Organics staff members; each officer oversees approximately three hundred farmers.

The open-ended format allowed extension officers to incorporate their personal opinions, thoughts, and actions in their answers.

### **4.3 MANAGEMENT STAFF INTERVIEWS**

The questions given to Zameen Organics managerial staff measured both the direct and indirect impacts of Fairtrade cotton on producers. Often, the benefits of Fairtrade may affect the producer organization or other stakeholders instead of the producers. For this reason, the questions developed for staff members related to the involvement of three stakeholders: the producers, the producer organization (Zameen Organics), and the International Fairtrade Labeling Initiative (FLO).

The management staff is responsible for the organization's overall operations, and they are knowledgeable about the international Fairtrade cotton market. They answered open-ended interview questions, structured to exemplify their individual positions within the organization. Once again, the open-ended interview format allowed staff members to elaborate and explain their unique perspectives on the subject. Six staff members holding different positions within the organization participated, including regional manager, accountant, director of quality control, business development manager, technical manager, and sales and marketing manager. The staff interviews consisted of twenty-six questions, divided into the following four sections: background information, direct impact on producers, indirect impact on producers, and market demand.

In the last section of the interview, staff members offered information and insight on the declining demand for Fairtrade cotton. Although I did not have access to financial documents of

Zameen Organics to quantify the decline in Fairtrade cotton sales, staff members did provide valuable information pertinent to my analysis.

Chapter VI further evaluates the Fairtrade cotton market and presents relevant secondary-source data, showing annual sales figures for Fairtrade cotton and commonalities between the local Indian and international Fairtrade cotton markets. Both markets are interdependent of each other: India, the producer of Fairtrade cotton, depends on sales from international consumers, and consumer markets rely on production from India and other Fairtrade cotton-producing countries. In this chapter, Annual reports from the international *Fair Labelling Organization* and the British *Fairtrade Foundation* provide sales figures and identifies market trends for Fairtrade cotton and other Fairtrade products from 2006-09.



## **CHAPTER V**

### **DATA COLLECTION AND ANALYSIS**

This chapter determines that Fairtrade cotton does benefit the livelihoods of farmers, but, not without significant limitations. Demand constraints prevent Fairtrade from being a sustainable strategy for increasing market access for cotton farmers in India. This chapter begins by providing background information on the different regions visited and explains the data collection process. The next section outlines the results of the data, divided into three subsections of farmer development. The last section identifies the principle challenges facing Fairtrade cotton and addresses the sustainability of the market-driven trading system.

FLO classifies Zameen Organics as a Fairtrade “trading” company because it links cotton farmers to Fairtrade cotton buyers, both domestically and abroad. In doing so, it provides farmers with access to otherwise unobtainable markets. Zameen Organics purchases cotton through its network of over 5,000 farmers located throughout two states in India. The farmers are geographically grouped into 24 different cluster organizations and then further divided into 300 village organizations. The village organizations, known as Small Farmer Organizations (SFOs), each consist of 15–20 farmers. They qualify as small-scale producers (defined in Chapter III), owning an average of five acres of land, the majority of which is used for cultivating cotton, their primary source of income.

Data collection was made possible through my collaboration with Zameen Organics staff members. Prior to my trip to India, I had Internet-based conferences with Zameen Organics personnel via Skype to develop an itinerary for visits to local clusters and SFOs. They helped facilitate the planned schedule and honored my request to interview farmers from diverse

backgrounds. Farmers were selected, at random, to participate in the questionnaire and were given a predetermined location, date, and time when the interviews would take place. The meetings transpired at the village offices of Zameen Organics, farmers' houses, or local gathering places.

In India, I was stationed at Hyderabad, a large southern city located in the state of Andhra Pradesh. I worked here with Zameen Organics staff members, and Hyderabad became my base before taking trains and buses into various regions to conduct interviews. Although the lengthy travel to different geographical locations took days, it enabled me to collect data from diverse groups of cotton farmers. Upon arrival to a new region, I was greeted by hospitable local Zameen Organics staff members, who provided living arrangements and transportation. Each day, we traveled together into different local clusters and villages within the region, meeting with cotton farmers and conducting research.

In culturally diverse India, customs and mentalities can vary from region to region. The farmers from the two states I visited had different experiences and perspectives on Fairtrade cotton. I witnessed the varying challenges that can arise while implementing Fairtrade cotton in different territories within the same country.

I first visited Kagaznagar, a region located within the state of Andhra Pradesh and known among other Indians to be inhabited by predominately "tribal" residents. The word "tribal" refers to the original human inhabitants of the land with ancestral roots stretching back many generations. In most cases, the farmers from Kagaznagar had limited mobility and minimal exposure outside their geographical area. I interviewed eight farmers in Kagaznagar from four different clusters: Kagaznagar, Wankhidi, Bambara, and Kanergam. Although farmers participated in the questionnaires, they appeared apathetic toward Fairtrade and lacked

enthusiasm. They did not understand the underlining purpose of Fairtrade and demonstrated unwillingness to learn about the system. In addition, farmers from Kagaznagar viewed local Zameen Organics staff members as outsiders because they are Indian and not considered “tribal”. This atmosphere made Kagaznagar the more difficult region of the two for conducting research. Farmers’ apprehensiveness toward Fairtrade created an environment of mistrust and impacted the overall effectiveness of the Fairtrade system. The problems involving the Kagaznagar region will be discussed in greater detail in upcoming sections.

I then traveled to the state of Maharashtra, India, and conducted research in a region called Amravati. Farmers in this area demonstrated a greater knowledge of Fairtrade and had a better understanding of the international cotton market. I interviewed 34 farmers from four different clusters: Punjab Rao Deshmuk, Sahayog Shendriya Shetkam, Warhad Shendriya Bhatkuli, and Kalpavruksha Shendriya Sanstha. In contrast to the Kagaznagar region, farmers in Amravati expressed excitement toward Fairtrade and a desire to learn more about the system. Zameen Organics implemented Fairtrade practices with more ease and faced less resistance from farmers, contributing to the overall impact of Fairtrade cotton in this region.

Reiterating their instrumental role in this project, Zameen Organics staff members assisted with the logistical planning vital to the data collection process. Thanks to their support, primary-source research was made possible for this project.

## **5.1 RESULTS FROM COLLECTED DATA**

This section presents research results from farmer questionnaires and Zameen Organics staff interviews. Results focus on determining the impact of Fairtrade cotton and revealing contributions made to improving the livelihoods of farmers. The analysis is divided into three subsections: social development, socioeconomic development, and environmental development. Each section begins by describing the positive impacts of Fairtrade cotton on producers, followed by its limitations. The last section identifies the principle challenges facing the Fairtrade cotton system in India and how they are affecting the lives of cotton producers.

### **5.1.1 Social Development**

Social development refers to improvements made to the quality of life of cotton producers attributed to the Fairtrade system. This section explores changes in producers' quality or access to health, security, urban migration, education, and equal gender participation. Improvements made in these areas contribute to the personal growth of farmers as individuals and as members of cotton producer organizations.

Results from the farmers' questionnaires identify several significant improvements Fairtrade made to their quality of life. All the farmers noticed improvements in their health once they stopped using pesticides when farming cotton. During interviews, they mentioned having less skin irritations, a decrease in headaches, and fewer doctor visits. Fairtrade may not be responsible for all the health improvements, as 23 of 42 farmers surveyed categorized themselves as organic farmers before joining Zameen Organics. Without further research, it is difficult to

determine if these farmers were completely pesticide-free prior to joining Zameen Organics, or if they infrequently used pesticides from time to time during farming. Nonetheless, Fairtrade cotton played a strategic role in sustaining organic farming methods adopted by farmers and enforced pesticide-free cotton farming.

Joining Zameen Organics and being involved with Fairtrade cotton increased farmers' sense of economic security and confidence. Interviews with extension officers confirmed that Fairtrade impacted farmers' level of self confidence. One extension officer described the notable difference in farmers' confidence levels: "After the first year of Fairtrade, farmers began to develop a self-confidence that they did not have before Fairtrade or even during the first year; now 70 percent of farmers [have] more self confidence" (Interview 1, 2009).

Extension officers explained how farmers in the Amravati region progressed toward becoming more economically independent. During a staff interview, an extension officer described how farmers began to make their own decisions, started a nongovernmental organization, and submitted their own grant proposals. This extension officer noticed a 50-percent increase in efficacy levels among farmers, attributing the increase to the Fairtrade Premium, which farmers viewed as a financial guarantee. Additional income also minimized farmers' necessity to travel to neighboring towns or villages as day laborers seeking supplemental income. Of the farmers interviewed, 16 of 42 farmers indicated a reduction in the need to travel to outlying towns for work.

The majority of cluster organizations created and instated a development plan as FLO requires (as explained in Chapter III). The charitable trust organization AOFG led a national project on organic cotton and provided Zameen Organics with a grant. In a 2007 project proposal, AOFG stated that farmers, the key stakeholders in the project, contributed to the

development plan by providing ground-level resources and experiences during local monthly meetings. Capacity-building training provided by AOFG and Zameen Organics enabled farmers to use improved techniques for organic farming. According to the project proposal, farmers became more involved with making key decisions for their organizations through democratic processes. Although I attended village meetings, further research is required to determine if cluster organizations fully instated the development plan as required by both FLO and AOFG.

In addition to social development benefits, interviews also revealed significant shortcomings of Fairtrade cotton in India. As mentioned in Chapter III, gender equality is a Fairtrade principle and nondiscrimination of gender is a minimum social development requirement outlined by FLO. Regrettably, this research did not include interviews with female producers, and the analysis of 42 interviews is based solely on the responses from male farmers. Although Zameen Organics encouraged females to participate in the questionnaire, they did not attend the meetings on days interviews took place.

In rural Indian societies, women rarely leave their homes, making female participation or leadership a challenge for Zameen Organics and Fairtrade cotton. Zameen Organics facilitated monthly meetings for each village, struggling to encourage females to attend. As an organization, Zameen Organics tried to involve women, but societal norms proved difficult to overcome. During an interview, a staff member expressed frustration when discussing female participation: “Women are not coming to meetings. They give practical reasons such as taking care of the kids. Unless there is a change domestically, women will not start coming to the meetings” (Interview 2 2009). In many cases in rural India, women are marginalized within society and are not treated equally to men. Female farmers did not have a visible presence within the producer organizations. Women played a marginal role in any decision-making processes, and it is

unlikely that many women participated in democratic elections since they are not present at meetings to vote.

Research also concluded that FLO's progressive requirements for nondiscrimination of gender did not appear to be implemented. During field visits, I did not observe any members making efforts to increase female involvement. During interviews, I asked numerous male farmers why their wives did not attend cluster meetings or participate in the questionnaire. The farmers explained how they themselves had to travel far distances, on foot or by bicycle, just to participate. To the husbands, female participation seemed unfeasible since their wives took care of the children and assumed all other domestic responsibilities. Male members seemed complacent toward the subject of gender equality within their organization. FLO also requires that, in time, women are paid for the sale of cotton, but I did not observe any evidence suggesting that this was occurring. In fact, direct payments to women were not mentioned by producer members or Zameen Organics staff members at any time during research.

Women also lacked equal representation within Zameen Organics positions of employment. Although Zameen Organics employed 19 extension officers, only two of them were female. Of the 90 farmer trainers, only 10 were women. Two of six Zameen Organics staff members interviewed were female, but only one was of Indian Origin.

AOFG started a program called the Self-Help Group (SHG) aimed to help women save money for starting their own businesses. An extension officer mentioned during an interview that income generated from Fairtrade assisted with these programs, and helped to develop 18 SHGs within the Amravati region. The extension officer also indicated that although the SHG was conceptually a great program, it appeared to be mismanaged at Zameen Organics, lacking administrative oversight. During my research, I was not able to evaluate the effectiveness of the

SHGs due to limited information about them. Perhaps the SHGs worked well within other AOFG programs, but not at Zameen Organics. Further research is necessary to determine how the SHGs impacted the lives of female farmers and what should be done to improve them in the future.

Producer interviews also indicated that the Fairtrade cotton system had a minimal impact on improving children's access to better education. According to FLO standards, the Fairtrade Premium should be partially used to fund educational programs for organization members and other social programs. Only four of 42 farmers interviewed stated that their children received a better education after joining Zameen Organics. These four stated that the income generated from Fairtrade cotton prices made private schooling possible. Overall, the farmers interviewed appeared to have a marginal focus on education and a lack of desire to improve their children's education options. Only two farmers mentioned saving money to send their children to private schools in the upcoming school year.

Cotton farmers' limited understanding of the Fairtrade cotton system and its main principles revealed another shortcoming. The following seven Fairtrade principles serve as the project's foundation: basic needs, gender equality, no child labor, Fairtrade price, Fairtrade Premium/development, long-term buyer relationships, and democratic decision-making policies. I measured the farmers' knowledge of the Fairtrade system by asking them to identify as many of the seven Fairtrade principles as possible. The farmers' responses slightly varied from village to village, but overall, farmers did not comprehend the meaning of Fairtrade. The figure below shows the number of Fairtrade principles farmers were able to mention. The majority of the farmers interviewed could not identify any Fairtrade principles, and none were able to name more than three.



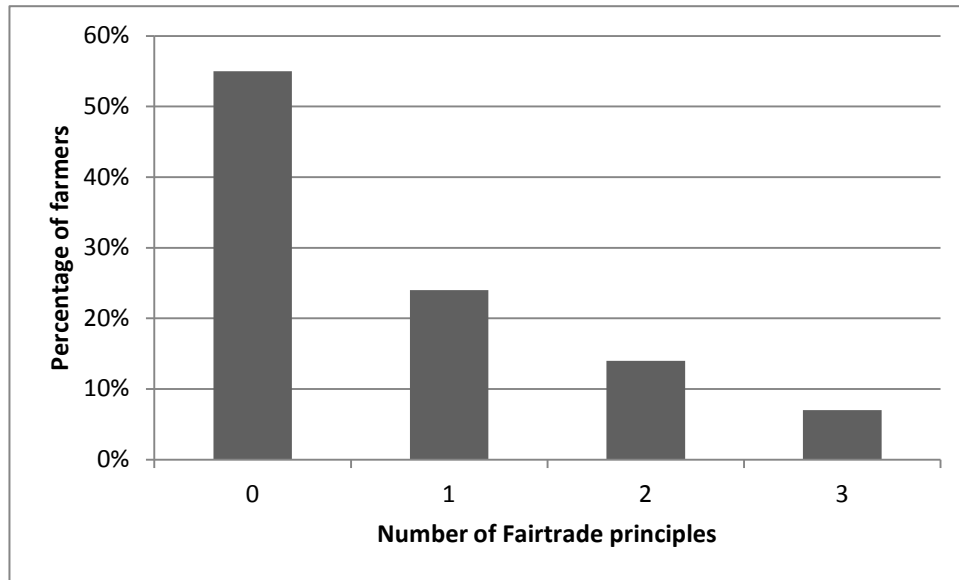


Figure 1. Farmers' Knowledge of Fairtrade Principles

Although Zameen Organics made efforts to educate farmers about Fairtrade principles, the farmers still showed difficulty in understanding the concepts. Staff members listed the seven principles on chalkboards and posters at monthly meetings, but this strategy did not effectively convey the meaning of the principles. The figure below shows the breakdown of the farmers' responses by principle. The most widely known principle, "no child labor," was still only recognized by seven of 42 farmers. "Gender equality," "Fairtrade price," and "Fairtrade Premium/development" were each mentioned by five farmers. Although acknowledgement and understanding of the Fairtrade system is a fundamental part of farmer empowerment, the research data indicated that farmers had limited awareness of the Fairtrade principles.

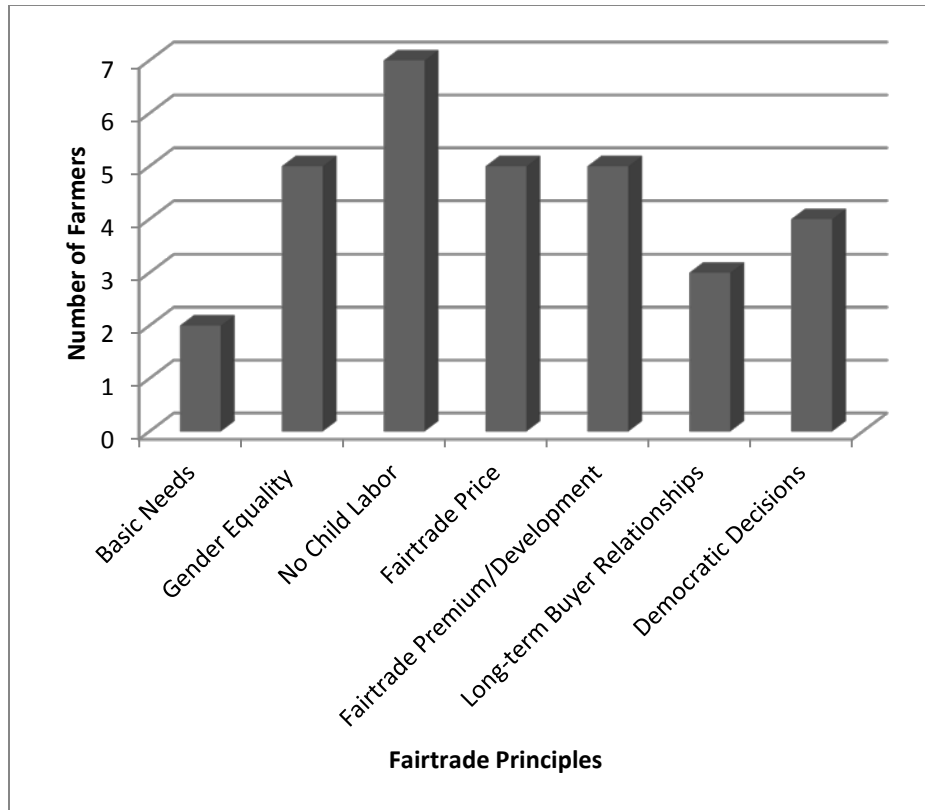


Figure 2. Fairtrade Principles Acknowledged by Farmers

### 5.1.2 Socioeconomic Development

In this section, socioeconomic development refers to improvements made in farmers' standard of living attributed to Fairtrade revenues. The Fairtrade Minimum Price, Fairtrade Premium, and organic premium all provided additional income to farmers, ultimately impacting their standard of living.

By providing additional income, Fairtrade cotton positively impacted the livelihood of cotton producers. The majority of farmers interviewed confirmed that Fairtrade prices helped increase their income. The table below compares conventional cotton prices to the Fairtrade

Minimum Price from 2006 to 2009. During 2006–08, farmers selling cotton on the Fairtrade market received higher prices for cotton; in 2009, the Indian government subsidized farmers and conventional cotton prices increased. The upcoming section discusses fluctuation cotton prices in greater detail.

Table 1. Conventional Cotton Prices vs. Fairtrade Minimum Price per Quintal in USD, 2006–09

<b>Year</b>	<b>Conventional cotton price</b>	<b>Fairtrade Minimum Price</b>	<b>% increase</b>
2006–07	\$36	\$44	18
2007–08	\$44	\$48	8
2008–09	\$60	\$54–60	0

All 34 farmers from the Amravati region stated that Fairtrade increased their income. The data gathered during interviews with farmers and Zameen Organics staff members indicated that Fairtrade increased farmers’ income due to three main factors: Fairtrade Minimum Price, organic premium, and savings on the cost of inputs spent previously on expensive pesticides prior to becoming organic. These three factors benefited farmers’ livelihoods by increasing their profit margins from cultivation of seed cotton.

In the Kagaznagar region, the implementation of Fairtrade proved more challenging than in neighboring Amravati. Less receptive to the notion of Fairtrade, the Tribal Indians had lower turnouts in meetings and seemed apathetic during cluster meetings. During interviews, I asked farmers if their income changed since their involvement with Fairtrade cotton. Three of five farmers in Kagaznagar revealed that Fairtrade did not help them increase their income. Although their cluster was Fairtrade-certified, these three farmers were still in the process of becoming

Fairtrade-certified as individuals. It is possible that these three farmers might have answered this question differently had they already been certified as individuals. Another farmer from this region who answered “No” stated that he expected to earn higher profits in the upcoming year because of Fairtrade.

In addition to the Fairtrade Minimum Price, cotton farmers also received additional premiums for certified organic cotton. Farmers receive an organic premium during their second year of cultivating chemical and pesticide-free organic cotton. Organic premiums increase for three consecutive years, ranging from 1 to 12 USD per quintal of organic cotton. This system known as, “In Conversion” (IC) years, indicates farmers’ level of organic farming (Interview 10 2009). Organic certification begins at level IC0, once farmers eliminate chemical pesticides and reduce chemical fertilizers to a minimum. After the first year, they advance to level IC1, once chemical fertilizers are completely eliminated and replaced with organic fertilizers. The following harvest will complete two years of chemical-free cotton and advances the farmer to level IC2. The following year, the farmer advances to IC3 and earns the highest available organic premium.

Data gathered during farmer interviews indicated that 98 percent of farmers surveyed earned an organic premium. Figure 3 below indicates that 57 percent of farmers qualified as IC2 level organic farmers. According to Zameen Organics staff, an acre of land used solely for cotton cultivating yields approximately four quintals per year. At the IC2 level, farmers earned a maximum of 4 USD per quintal. On average, farmers surveyed owned five acres of land; IC2 farmers could potentially earn up to 80 USD per year in organic premiums (Gross National Income per capita in India is 1,330 USD). The organic premium associated with the IC system contributed to farmers’ increased income and their socioeconomic development (IFAD 2010).

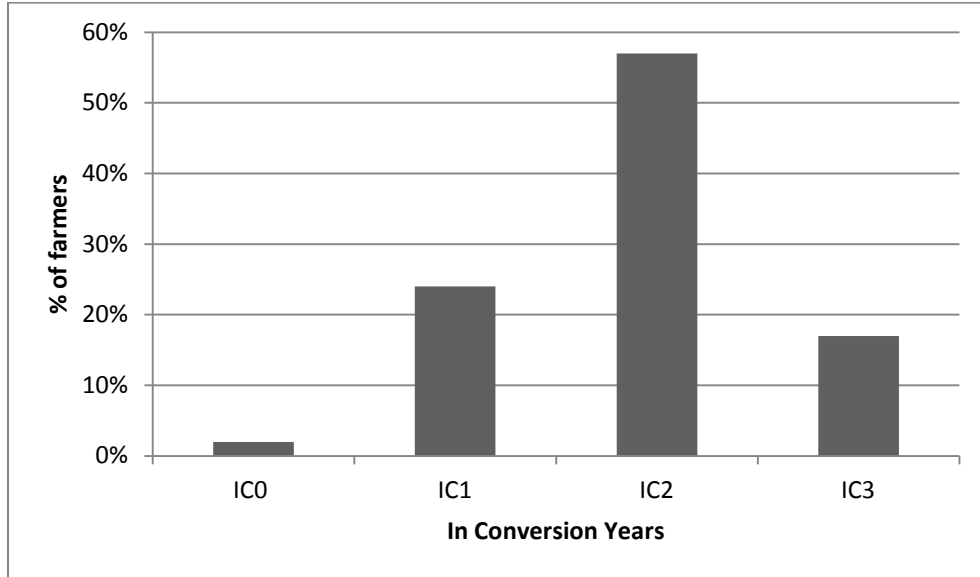


Figure 3. In Conversion Levels of Organic Farmers Interviewed

In addition to the Fairtrade Minimum Price and the organic premium, the Fairtrade Premium payment also provided supplemental income for some farmers interviewed. Buyers of Fairtrade cotton are required to pay .07 USD per Kilogram of cotton or 7 USD per Quintal of cotton to the Fairtrade Premium fund (FLO 2009). Data collected from farmers in the Amravati region and Zameen Organics staff interviews indicated that the Fairtrade Premium helped provide for farmers' basic needs and improved their livelihoods. During interviews, farmers claimed that the extra income helped to purchase many items, including: compost used in organic farming, collective buying from dairy farms, processing dal grown on their farms, uniforms and books for their children, and wedding decorations.

As described in Chapter III, the Fairtrade Premium is a Fairtrade standard of socio-economic development, but primary-source research reveals unequal distribution of the Fairtrade Premium within the two regions of India. Farmers in the Amravati region received the Fairtrade Premium; however farmers in the Kagaznagar region did not. During interviews in Kagaznagar,

farmers became angry with Zameen staff members over payments owed. The tension between farmers and staff members hindered Fairtrade's ability to make the same impact in Kagaznagar as is Amravati. The shortage of funds and other constraints of the Fairtrade Premium will be discussed in greater detail in an upcoming section.

Collectively, the Fairtrade Minimum Price, Organic Premium, and Fairtrade Premium helped most farmers increase revenues and improved their standard of living. Two farmers from different villages mentioned a change in eating habits. During an interview, one farmer explained, "Now I am eating two times a day and before I was only eating once. I also bought a fan for my house and newer clothes. Now I am not embarrassed about how I look and I am going to more social functions like weddings and parties" (Interview 4 2009). Other farmers expressed a change in their social lives due to increased revenues, such as improved relationships with their spouses. Some farmers mentioned saving money and planning for their futures for the first time ever. Both farmers and Zameen Organics staff members mentioned during separate interviews that the elimination of pesticides resulted in fewer visits to the doctor; this allowed farmers to save money previously spent on health-care expenses

Fairtrade cotton provided farmers with higher incomes, and enabled them to reduce their debts. Nearly 75 percent of farmers interviewed stated that increased incomes helped them to accomplish this. The remaining 25 percent also included farmers who claimed to be debt-free before joining Zameen Organics. If these farmers were excluded from the data, the percentage of indebted farmers who benefited from Fairtrade would have exceeded 75 percent. Eleven of 42 farmers interviewed specifically mentioned owing money to a bank and were able to reduce this debt due to Fairtrade revenues.

It is possible that debt reduction also helped reduce farmer suicides within both regions of India studied. Suicides among Indian cotton farmers were prevalent, especially in the state of Andhra Pradesh, home to the Kagaznagar region. As mentioned in chapter II, thousands of farmers from this state and others had committed suicide, and many of them were indebted cotton farmers (Philip and Jenniah 2006). The startling number of suicides among cotton farmers in this region prompted me to include a question about the phenomenon in my questionnaire. None of the farmers interviewed had knowledge of any farmers associated with Zameen Organics who had committed suicide. A few farmers knew of farmers in nearby villages who committed suicide as a result of the debt burden. Zameen Organics staff members confirmed that none of their farmers had committed suicide.

The inability to pay a debt is a cultural embarrassment in rural India. Although primary-source data does not prove that Fairtrade directly prevented suicides from occurring, it does indicate that Fairtrade helped reduce debts, easing the cultural strain endured by indebted cotton farmers.

Fairtrade also helped farmers acquire raw materials necessary for cotton cultivation. Nearly 20 percent of farmers interviewed said they received loans in the form of cotton seeds from Zameen Organics. Even though the majority of the farmers were not recipients, the cotton-seed loan was distributed to farmers in Kagaznagar, who were the most in need.

Although farmers had more buying power to purchase new material things, only a few farmers made structural improvements to their homes. The majority of farmers interviewed lived in Kutcha-style houses made of dirt floors, dry leaves, bamboo sticks, mud, and twigs. Only four of the farmers reported making improvements to their homes since joining Zameen Organics.

Three of the four farmers upgraded their homes from a Kutcha to a Pucca-style house, with tile instead of dirt floors and a more secure roof.

The increased income from Fairtrade also did not impact farmers' access to basic facilities such as electricity, water, toilets, or kitchens. Farmers from the Kagaznagar region only had access to water and electricity, but lived without toilets or kitchens. Fairtrade cotton did not provide greater access to these facilities for any of the farmers in Kagaznagar. However, all of the farmers from the Amravati region had access to all of the above facilities. Eight of the farmers from this region reported that the government provided a loan to install toilets in their homes, an upgrade unrelated to Fairtrade. For this reason, it is possible that the Amravati farmers did not need or desire additional changes to their domestic living conditions.

### **5.1.3 Environmental Development**

This section discusses how Fairtrade cotton impacts the environmental development of cotton producers. Chapter III outlined the standards for Fairtrade cotton, prohibiting the usage of pesticides or genetically modified cotton. For this reason, Fairtrade cotton further encouraged organic farming techniques, which have led to improvements in farmers' health and economic security. This research did not identify any limitations on Fairtrade cotton's impact to environmental development.

Fairtrade cotton positively impacted both the producers and the environment. The reduction of pesticides enriched India's soil and helped preserve its farmland. Zameen Organics maximized cotton yields by providing technical field assistance to farmers. With the exception of



only one farmer, all indicated during interviews that they received technical farming assistance from Zameen Organics. Farmers attended field schools where they learned different cotton-growing techniques, and how to diversify their crops to improve overall revenues. Organic cotton production had long-term financial benefits for Indian farmers. “After the first two years of organic farming, the net profit of organic farming is higher than conventional farming. The soil stabilizes and farmers’ yields increase” (Interview 5 2009). Not only did organic farming increase yields, it decreased the cost of farming inputs and improved farmers’ overall health.

Although Fairtrade cotton contributed to the social, socioeconomic, and environmental development of cotton farmers, prevalent deficiencies affect the overall sustainability of the system. With the onset of the global recession, the Fairtrade cotton industry is undergoing a steep decline in demand. All the above benefits and improvement made to farmers’ livelihood are contingent on maintaining a steady demand for Fairtrade cotton. Without it, the Fairtrade benefits witnessed by producers will come to a halt. The upcoming section discusses how Zameen Organics copes with this decline and how it is impacting farmers.

## **5.2 CHALLENGES OF FAIRTRADE COTTON**

This section discusses the three most prevalent challenges facing Fairtrade cotton in India: decline in demand, cost of Fairtrade cotton, and India’s domestic cotton subsidies. Each challenge impacts farmers differently and interferes with the development process. Zameen Organics has informed the international Fairtrade community of its unique circumstances and hopes to initiate changes within current Fairtrade policies.

### **5.2.1 Decline in Demand**

The global recession created disparities between the supply and demand of Fairtrade cotton, impacting the livelihoods of Indian cotton producers. Based on reports from Zameen Organics, the organization enjoyed yearly increases in Fairtrade cotton production and sales from 2006 to 2008 (Zameen Organics 2009). The 2008–09 harvest marked the first time Zameen Organics was unable to sell all of its cotton to the Fairtrade market, and it was not alone. According to staff interviews, other Fairtrade and organic cotton-producing organizations had a surplus of Fairtrade cotton and a shortage of buyers. During an interview, a staff member explained how Zameen Organics had the equivalent to 240,238 USD of Fairtrade cotton left over from 2008–09 still in storage and unable to sell. During various informal conversations with Zameen Organics staff members, they mentioned having numerous sales inquires and prospects in previous years, but no new prospects for the 2010–11 season. Zameen Organics did not anticipate for the drastic decrease in demand, which remains its most prevalent challenge.

Zameen Organics aims to increase producers' market access by linking Fairtrade cotton producers and buyers; however, this proved to be a challenge in the wake of the global recession. At the time of research, Zameen Organics purchased cotton from farmers, paying them Fairtrade and organic premiums upfront before securing a buyer for the cotton. Zameen Organics had intentions of finding buyers for the cotton, but the global recession had taken its toll and Fairtrade cotton sales were dismal. Paying for cotton upfront was not financially sustainable for Zameen Organics. With an abundance of cotton already in storage, it had to stop purchasing more from farmers. One staff member announced, "We are not going to risk anything anymore. From now on, farmers will be paid when cotton is sold. Zameen cannot continue to buy cotton

from farmers at the Fairtrade Minimum Price without being paid for it in return” (Interview 6 2009).

While conducting field research, informal conversations with Zameen Organics staff members revealed that farmers in Amravati began selling cotton on the conventional market due to the lack of Fairtrade demand. During an interview, one farmer described: “When I was selling my cotton to Zameen Organics my income increased, and I felt secure for the first time. Since Zameen Organics stopped buying my cotton, I no longer feel secure” (Interview 7 2009). Not all of the farmers seemed aware of the economic downturn and the problems facing Zameen Organics. This downturn could cause farmers to lose confidence in the Fairtrade cotton system and revert back to their old ways of financing and selling cotton.

### **5.2.2 High Cost**

The higher cost of Fairtrade cotton in comparison to conventional cotton remains a controversial issue for Zameen Organics and the International Fairtrade cotton community. During interviews, staff members discussed how Fairtrade cotton buyers are expected to pay two additional payments for Fairtrade cotton: the Fairtrade Minimum Price and the Fairtrade Premium. Zameen Organics staff members agreed that expecting cotton buyers to bare both additional payments only discourages the sale of Fairtrade cotton.

Zameen Organics experienced difficulty collecting the Fairtrade Premium payments, and some buyers paid late or didn't pay at all. Although buyers were required to pay the Fairtrade Premium three months after procurement, payments for 2007–08 were received late. The Fairtrade Premium dilemma forced Zameen Organics to make some difficult decisions regarding

the allocations of Fairtrade Premium funds to farmers. As previously mentioned, farmers from Kagaznagar and Amravati had different perceptions of Fairtrade cotton, partially due to unequal Fairtrade Premium payments. While conducting field research, Zameen Organics Staff members explained that during 2007–08, farmers from Kagaznagar received their Fairtrade Premium funds either late or not at all. During the same year, farmers in Amravati did receive Fairtrade Premiums; however, due to the shortage of buyers they would not receive the majority of the Fairtrade Premium for cotton sold in 2008–09. At the time of the research, the Amravati farmers did not know that they were not going to receive payments. It is possible that the mistrust experienced by the farmers in Kagaznagar for failing to receive the Fairtrade Premium during 2007–08 would also manifest within the consciousness of the Amravati farmers.

The shortage of Fairtrade cotton buyers translated into a shortage in Fairtrade Premium payments. Even when buyers did exist, Zameen Organics had no guarantee that they would pay the Fairtrade Premium on time, or at all. According to a staff member, “Fairtrade does not engage in legal action to protect contracts between buyers and producers. A buyer can back out of a contractual agreement or refuse to pay the Fairtrade Premium and no ramifications against them will occur” (Interview 8 2009). The Fairtrade cotton system suffers in its inability to hold buyers accountable to their procurement contracts. According to Zameen Organics staff members, the PEB, the elected group that decides how to invest the Fairtrade Premium, was still owed 8,890 USD in 2008–09 for uncollected Fairtrade Premium payments.

Zameen Organics relies on the Fairtrade Premium payments to financially sustain three different operations of Fairtrade. First, it supports all regional cost including all FLO certification. Second, it pays for cluster development cost, including the salaries for extension officers and farmer trainers. Third, the Fairtrade Premium is intended to fund village-

development programs proposed by farmer community leaders. AOFG gave Zameen Organics a grant to pay for all the certifications and other company fees in 2009; however, the PEB will be responsible for all payments in upcoming years. Without funding from AOFG or sufficient buyers paying the Fairtrade Premium to the PEB, it is uncertain who will cover the operational cost of Fairtrade cotton. As a requirement, Fairtrade cotton producers pay fees to FLO to become certified and to maintain their certification. In the past, AOFG covered all these dues, and producers may be unpleasantly surprised to learn about the expenses associated with maintaining their status as a Fairtrade-certified producer.

The Fairtrade Minimum Price also deterred buyers and retailers from procuring Fairtrade cotton. With the lingering global recession, textile industry leaders showed an aversion to paying the Fairtrade Minimum Price. Potential growth in market share existed, but most textile manufacturers did not want the risk of buying Fairtrade cotton at a higher cost, unknowing if they could sell it to wholesalers. “Alok Industries is Zameen Organics’ largest customer, yet only 1% of the cotton they purchase is Fairtrade” (Interview 9 2009). If Alok had a greater demand for Fairtrade cotton, it would purchase greater volumes to meet the needs of its customers.

Consumers pay a premium for Fairtrade garments, but only a small portion of the money gets distributed back to the cotton farmers. Textile manufacturers have a multilevel supply chain, and procuring cotton seed is only the first step in the long process. During an interview, a Zameen Organics staff member explained how different levels of the supply chain place their individual markups on Fairtrade textiles. The majority of the retail premium gets allocated along the supply chain, leaving only a small percentage for the farmers at the bottom. The numerous markups along the supply chain make Fairtrade garments more expensive than regular clothing and more of a risk for retailers to carry in stores.

### **5.2.3 Organic Cotton Premium**

In addition to the decline in demand, Zameen Organics' customers began purchasing lower IC grades of organic cotton to reduce cost. During an interview, a Zameen Organics staff member explained how buyers realized they could buy ICO cotton cheaper than IC1–IC3 cotton and still sell it as Fairtrade cotton, but not organic. As of 2009, Alok Industries only had interest in purchasing ICO cotton; to meet the demand, Zameen Organics had no choice but to sell IC1–IC3 cotton at the ICO cotton price. As a result, Zameen Organics lost profit because they had already paid farmers for the full amount of the IC organic premium. This shift in cotton buyers' behavior led to a decrease in demand for higher IC cotton grades and forced Zameen Organics to reevaluate the price structure for organic cotton premiums.

The additional income provided an incentive for farmers to remain organic. It also guaranteed a financial cushion, offsetting the profits lost during the initial years of organic farming when yields tend to be lower. Without the organic premium payments, farmers may revert back to using pesticides and other harmful chemicals to grow cotton. As mentioned above, the majority of farmers interviewed were already at the IC2 level, which means they would qualify for the highest organic premium the upcoming year. Without sufficient demand, these farmers will not receive the full organic premium promised by Zameen Organics and they may lose confidence in Fairtrade cotton. Research reveals that the current IC organic premium structure is not sustainable or a reliable source of additional income for farmers.

#### **5.2.4 Indian Domestic Cotton Subsidies**

The MSP, the Indian government cotton subsidy, created competition for certified Fairtrade cotton traders like Zameen Organics. The MSP provides farmers with a guaranteed price for cotton higher than the conventional market price, making it a viable option for farmers in need of selling their harvest. This option became especially attractive to farmers when Zameen Organics stopped buying cotton at the Fairtrade price.

In addition to the global economic downturn, Zameen Organics also had to compete with the MSP program and match the government's price for cotton. During interviews, Zameen Organics staff members explained how in 2009 the Indian government declared that it would purchase cotton for 60 USD per quintal, thus exceeding the Fairtrade minimum price of 54 USD per quintal. In actuality, farmers only received 56–57 USD per quintal from the government, which still surpassed the Fairtrade Minimum Price. Since Fairtrade guarantees to match conventional market prices, Zameen Organics had to increase the Fairtrade Minimum Price paid to farmers for cotton. Staff members of Zameen Organics deemed the inflated government prices as corrupt, claiming they only existed to persuade farmers in light of the upcoming election. They doubted that the government would pay these high prices for cotton in following years; nonetheless, matching the government's cotton price was yet another financial obstacle for Zameen Organics to overcome. Although Zameen Organics pleaded for farmers' loyalty, some still chose to sell cotton to the government instead.

Table 2. Benefits and Limitations of Fairtrade Cotton

Development	Benefits	Limitations
Social	<ul style="list-style-type: none"> <li>• Improvements to farmers' health</li> <li>• Increased level of security</li> <li>• Increased self confidence</li> <li>• Decreased migration to urban areas</li> </ul>	<ul style="list-style-type: none"> <li>• Limited female participation and involvement in decision making</li> <li>• Minimal improvements to children's education</li> <li>• Limited understanding of the Fairtrade cotton system and fundamental principles</li> </ul>
Socioeconomic	<ul style="list-style-type: none"> <li>• Increased revenues</li> <li>• Increased purchasing power</li> <li>• Reduced cost of inputs</li> <li>• Increased supplemental income</li> <li>• Reduced farmer debt</li> <li>• Loans for cotton seeds</li> </ul>	<ul style="list-style-type: none"> <li>• Limited access to Fairtrade markets</li> <li>• Unpaid Fairtrade Premiums</li> <li>• Shortage of Fairtrade cotton buyers</li> <li>• Lack of long-term trade agreements</li> <li>• Lack of demand for IC2 and IC3 organic cotton</li> <li>• Limited improvements of access to basic facilities</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• Promoted organic cotton farming</li> <li>• Reduced the usage of pesticides</li> <li>• Provided technical farmer training</li> <li>• Reduces damage to the land and environment</li> </ul>	

Source: Interviews with Zameen Organics cotton farmers, extension officers and staff members 2009.

In conclusion, primary-source research indicates that Fairtrade cotton improves the livelihoods of cotton producers in India, yet the overall sustainability of the system remains in doubt. Table 2 lists the benefits and limitation of Fairtrade cotton in the three areas of producer development. Notably, the main benefits of Fairtrade cotton stem from all areas of development: improvements made to producers' health (social), increase in producers' revenues (socioeconomic), and the reduction of costly inputs by promoting organic cotton farming



(environmental). Fairtrade successfully impacts all three levels of development, but falls short of realizing the core principles of Fairtrade as described in Chapter III.

With the benefits also came the limitations of Fairtrade cotton, prevalent in all areas with the exception of environmental development. Fairtrade cotton had the greatest impact on farmers' socioeconomic development by increasing farmers' revenues. Fairtrade cotton had the weakest impact on the social development of cotton producers, falling short of achieving a fundamental Fairtrade principle: gender equality. Although evidence showed that Fairtrade cotton positively impacted cotton farmers in all three areas, the continuation of these developments are contingent on Fairtrade's ability to overcome its current challenges, primarily the decline in the demand for Fairtrade cotton.

## **CHAPTER VI**

### **FAIRTRADE COTTON MARKET ANALYSIS**

During the wake of the global recession, international Fairtrade cotton sales in retail stores plummeted, alarming Fairtrade cotton producer organizations dependent on procurement from overseas retailers. To be considered sustainable, Fairtrade cotton must secure long-term trading relationships with Fairtrade buyers. Without these relationships, cotton producers will not continue to receive the benefits of Fairtrade. In this chapter, the Fairtrade cotton market is discussed to determine if Fairtrade cotton is a sustainable strategy for expanding international market access to marginalized cotton farmers.

#### **6.1 FAIRTRADE COTTON SALES**

Fairtrade cotton sales experienced a positive growth rate until the beginning of the recession. The figure below shows the rapid growth in retail sales for items produced with Fairtrade-certified cotton from 2005 to 2008; however, sales decreased from 2008 to 2009 by 15%. In its Annual Review for 2010–11, titled “Challenge and Opportunity,” FLO claims to be in the process of reviewing seed cotton standards and reviewing the Fairtrade Minimum Price, the Fairtrade Premium, and the overall Fairtrade cotton model. The report does not reveal any specific information on how these standards might be changed or improved in the future.

Table 3: Retail Sales of Fairtrade Cotton products

Year	No. of Fairtrade Cotton Items Sold	Year-to-Year Growth Rate %
2005	688,170	
2006	1,551,000	125
2007	14,184,000	814
2008	27,573,000	94
2009	23,346,000	-15

Source: Computed from FLO Annual Reports 2006–07, 2007, 2008–09

Fairtrade cotton sales did not withstand the recession as well as other Fairtrade products. During the recession, the average growth rate in sales for all Fairtrade products in 2008–09 was 15%; during this same year Fairtrade cotton sales, per item sold, fell by 15% (FLO 2009). Reports from the Fairtrade Foundation in the United Kingdom (UK), a FLO affiliate, also indicate that Fairtrade cotton sales performed poorly during 2009. Its Annual Reports provide sales data in value (British Pound) by product. The figure below indicates that almost all Fairtrade products maintained a positive growth rate in 2009 with the exception of only three: honey, flowers, and cotton. From 2008 to 2009, cotton sales dropped by 36%, making it the worst performing Fairtrade product that year.

Table 4: Sales of Fairtrade Certified Products in the UK from 2005 to 2010 by

Value (Unit: £ Million)

PRODUCT	2005	2006	2007	2008	2009	% growth rate 2008–09
Coffee	65.8	93.0	117	137.3	157.0	14
Tea	16.6	25.1	30	64.8	68.1	5
Cocoa products	21.9	29.7	25.5	26.8	44.2	65
Honey products	3.5	3.4	2.7	5.2	4.6	-11
Bananas	47.7	65.6	150	184.6	209.2	13
Flowers	5.7	14	24	33.4	30.0	-10
Wine	3.3	5.3	8.2	10.0	16.4	64

Cotton	0.2	4.5	34.8	77.9	50.1	-36
Other	30.3	45.7	100.8	172.6	219.4	27
TOTAL	195	286.3	493.0**	712.6	799.0	12

Source: Fairtrade Foundation UK ([www.fairtrade.org.uk](http://www.fairtrade.org.uk)). Growth rate computed by information from *Fairtrade Foundation UK Facts and Figures on Fairtrade 2011*.

The recession also impacted consumers' purchasing behavior at the retail level. Fewer consumers were willing to purchase higher-priced apparel items made with Fairtrade cotton. As a result, some big box retailers revoked on their future commitments to source from Fairtrade cotton. Prior to the recession, British retailers Marks and Spencer, Tesco, and J Sainsbury committed to purchase up to twenty-three million garments bearing the Fairtrade Certified mark. (Pay 2009). Anticipating a sharp spike in demand for Fairtrade and organic cotton, more farmers became Fairtrade-certified and concentrated on cultivating cotton instead of diversifying their crops. In 2009, the recession curbed the market growth and consumers and retailers scaled back on Fairtrade cotton purchases. Victoria Morton, head of non-food business development at Fairtrade, described the situation to *The Times* (London): "Farmers may now have to go back to selling cotton for whatever price they can get, which has an impact on families getting into debt and many repercussions on health, education, food and water" (Butler 2009).

The Fairtrade cotton scheme is based on a demand-driven model controlled by current consumer purchasing behavior and retailer trends. Only a few major British retailers were responsible for the majority of Fairtrade sales in 2007–08. British retailer Marks and Spencer purchased one-third of the world's Fairtrade cotton in 2007, making it the largest retailer of Fairtrade cotton and the UK the global leader in Fairtrade cotton sales (Pay 2009). Marks and Spencer also initiated a five-year eco-plan to convert whole clothing lines to Fairtrade cotton (Advertising Age 2007). Other big box UK retailers such as Tesco and Sainsbury followed suit,

becoming the second- and third-largest Fairtrade retailers. Fairtrade producer organizations anticipated that the year-to-year sales growth would continue and consequently prepared themselves by introducing more farmers to Fairtrade producer organizations.

As the recession in 2008–09 impacted the retail industry, sales for Fairtrade cotton apparel began to decline. Marks and Spencer and Tesco purchased far less Fairtrade cotton than anticipated. The heavy reliance on a few major retailers makes the Fairtrade cotton industry vulnerable. If only one retailer decides to stop buying Fairtrade cotton, thousands of Fairtrade cotton farmers' lives are in jeopardy. Although Fairtrade cotton has achieved an impressive overall growth in six years, its presence at most moderate-sized retail levels is still minimal. TransFair Germany, the German Fairtrade labelling initiative, stated in its 2008 annual report, “despite some widely publicized sales campaigns, Fairtrade cotton has not yet established itself firmly at the retail level” (TransFair Germany 2008).

The nature of the textile industry and high-street fashion presents a challenge for Fairtrade apparel. Smaller retailers have found it difficult to maintain an ethical supply chain that meets consumers' retail needs of short-lived trends, quick turnaround time, style requirements, and full sourcing transparency (Purvis 2007). The demands of the fashion industry are often incompatible with Fairtrade policies such as: long-term trading relationships, pre-ordering, fair price, and ensuring ethical production practices along the supply chain (Pay 2009). The needs of retail merchandisers often conflict with the requirements of Fairtrade cotton procurement. Market analysis indicates that the higher price of Fairtrade cotton is just one of the many barriers prohibiting Fairtrade cotton from becoming mainstream within retail stores.

### **6.1.1 Limitations of a Market Demand-Driven Model**

While Fairtrade cotton shields producers from fluctuating international prices, it cannot provide protection from volatile shifts in market demand. Zameen Organics can only guarantee producers a Fairtrade price if their cotton gets sold to the Fairtrade market. Data analysis from interviews indicates that farmers' greatest immediate need is the ability to sell more cotton to the Fairtrade market. Even though the Fairtrade industry promotes and advertises its products, it cannot control consumer demand. The benefits of Fairtrade can be affected by volatile changes in consumer demand at any given time.

In addition to cotton, evidence shows that other Fairtrade commodities experience similar demand constraints. Although coffee has the highest sales volume, many coffee producers are unable to sell portions of their harvest to the Fairtrade market (Mohan 2010). In the 2007 report, "Does Fair Trade Coffee Help the Poor: Evidence from Costa Rica and Guatemala," author C.E.H. Berndt provides examples of coffee producers in Guatemala who can only sell 23 percent of coffee to Fairtrade buyers. Berndt cites another cooperative in Costa Rica where producers only sell 20 percent of coffee as Fairtrade on average. "As robust as the growth in Fair Trade coffee appears, consumer demand lags well behind supply. This excess supply results in price drops, unsold inventories, or the sale of the Fair Trade-grown coffee on the open market as conventionally grown specialty coffee" (2007, 15–16). This report revealed supply-and-demand imbalances within the Fairtrade coffee sector even before the global economic downturn occurred.

The data analysis from interviews revealed a parallel demand constraint within the cotton sector. Lack of demand for Fairtrade products is a common theme among the program's critics.

These critics state that Fairtrade has limited impact on producers and cannot be seen as a long-term strategy for poverty alleviation (Mohan 2010, Booth and Whetstone 2007, Weber 2007).

Data analysis results in Chapter V supports the critics' views and indicates that Fairtrade cotton cannot independently generate sufficient market access to resolve the state of poverty for Indian cotton farmers.

### **6.1.2 Limitations of Guaranteed Prices**

Providing a guaranteed price for a commodity, in the form of a subsidy or Fairtrade prices, may have negative impact, especially during economic recessions. Fairtrade, a relatively new trading strategy, faced a global recession for the first time in its history during 2008–09. In 2007, a year before the recession, authors Philip Booth and Linda Whetstone warned about the possibility of a Demand Shock, which occurs when a particular market experiences a sudden and steep change in demand. In a document published by the Institute of Economic Affairs titled, “Half a Cheer for Fair Trade,” the authors explained how this significant decline in demand for Fairtrade products would cause a demand shock. They also suggested that the existence of a fixed price may adversely affect the Fairtrade market, causing its decline in demand to be even greater than regular markets without a fixed price (Booth and Whetstone 2007). As predicted, a demand shock for Fairtrade cotton occurred during the global recession much in part to European retailers scaling back on purchases. As a result, Fairtrade producer co-ops, like Zameen Organics, accumulated a surplus of unsellable Fairtrade cotton.

In 2008, the Indian government purchased cotton from farmers at fixed prices, and subsequently, international demand for Indian cotton exports decreased. Similar to the Fairtrade cotton scheme, the Indian government purchased cotton from farmers at prices higher than the conventional market price. As mentioned in Chapter II, this Indian cotton subsidy, known as the Minimum Support Price (MSP), paid farmers an artificially higher price for cotton, making Indian cotton more expensive and less desirable than other competing cotton from other countries. In 2009, Indian cotton exports plummeted 72 percent, and the MSP is considered to be the catalyst behind the sharp decrease in international cotton sales (ICAC 2009).

Fixed prices for cotton such as the MSP and the Fairtrade Minimum Price can adversely impact farmers. The Fairtrade Minimum Price for cotton shares commonalities with India's MSP: both provide cotton producers with a fixed price above conventional market prices. The MSP impacted the entire cotton export sector, yet Fairtrade cotton only impacts a small percentage of the market. Nonetheless, data analysis from interviews indicates that fixed prices for Fairtrade cotton have become an additional deterrent for buyers in a downward economy. Farmers benefit from artificially high fixed prices only if procurement volumes, along with consumer demand, remain consistent.



## **CHAPTER VII**

### **CONCLUSION**

Fairtrade cotton positively impacted the livelihoods of cotton producers in India; yet without sufficient consumer demand, this economic model lacks sustainability and could harm the farmers it wishes to help. Policy leaders need to rejuvenate the Fairtrade cotton model by providing new solutions to both existing and contemporary challenges.

Fairtrade cotton contributed to the overall development of producers and helped them reach new levels of social, socioeconomic, and environmental development. Fairtrade helped farmers socially by improving their health conditions, decreasing urban migration for employment, and increasing their level of security. Fairtrade cotton also improved the livelihoods of cotton producers by promoting their socioeconomic development. Overall, farmers earned higher incomes attributed to Fairtrade prices and organic premiums. Increased incomes helped farmers avoid the cycle of debt so common in the lives of Indian cotton farmers, and suicides were nonexistent within Zameen Organics. Farmers' environmental development flourished due to Fairtrade cotton. By successfully eliminating pesticides and promoting organic farming techniques, Fairtrade cotton enabled farmers to reduce input cost and improved their health by removing contact with dangerous toxic chemicals.

While improving farmers' lives, Fairtrade cotton still faced several limitations and failures to meet critical core objectives. It fell short of promoting female participation within producer organizations; consequently women had low levels of visibility during village meetings. In addition, Zameen Organics lacked female representation within all levels of

management positions and leadership roles. Data results did not indicate any improvements occurring to gender equality among the Fairtrade cotton community in India studied. Other Fairtrade shortcomings include: minimal improvements in children's education, limited improvements made in farmers' access to basic facilities, and Zameen Organics' inability to teach farmers the principles behind the Fairtrade model. Overall farmers still do not comprehend the purpose of Fairtrade cotton or why foreign nationals living in their homeland insist they convert to Fairtrade from conventional farming methods.

Zameen Organics and many other Fairtrade organizations struggle to improve gender relations within historically patriarchal societies. Perhaps Fairtrade policy makers should re-evaluate their goals, objectives, and strategies for promoting gender equality. The SHG initiative intended to foster female business endeavors by providing small loans to women. Designed by AOFG, an organization with years of experience in economic development, the program may have successfully lifted female farmers out of poverty. If implemented properly by Zameen Organics, the SHG may have provided women with new opportunities for earning their own income, which leads to socioeconomic development. Small-business loans for women-owned operations conceivably could have had greater results in achieving gender equality than the current tactics use by Fairtrade organizations. Fairtrade should introduce new microfinancing initiatives for women, and if successful, it would increase female participation and improve gender equality.

The Fairtrade cotton industry needs to put forth a more practical path for retailers wishing to source from Fairtrade cotton. The "bring to market" obstacles facing Fairtrade apparel prevent Fairtrade cotton from becoming a sufficient model for expanding market access for marginalized small-scale producers. Creating a single Fairtrade premium at the end of the supply

chain, payable by the end-consumer, would simplify and reduce the cost associated with Fairtrade apparel. This one-time premium would replace the current system, which places multiple premiums at various steps throughout the supply chain. The majority of the extra cost for Fairtrade apparel gets distributed along the supply chain instead of in the hands of farmers where it belongs. ALOK Industries, Zameen Organics' largest customer, controls multiple levels of the supply chain within their vertically integrated textile manufacturing facilities. Applying the premium at the end of the supply chain is underway at ALOK. Its centralized supply chain makes this change feasible, yet it could be more complicated to implement at conventional textile manufacturing facilities.

Several Fairtrade policies for cotton are undergoing evaluation by international stakeholder organizations. The Fairtrade Foundation in the UK decided to conduct a transparency study on the garment supply chain to identify and evaluate the various markups. *Better Cotton Initiatives* (BCI), a program promoting sustainable cotton production, developed a trading system without premiums; however, the standards have not been finalized. Re-constructing the supply chain mark-ups would lower the cost of Fairtrade apparel, making it more desirable for retailer procurement and end-consumers alike. Fairtrade stakeholders, aware of complications, have had open dialogue with Zameen Organics regarding the challenges they face. Understanding the ground level reality of Zameen Organics will be critical to developing new solutions for a more sustainable Fairtrade future.

This research presents new empirical knowledge about the realities of Fairtrade cotton through the experiences of producers and their organization. Listed below are lessons that emerged from data analysis. During an economic downturn, the demand for Fairtrade cotton may suffer more than other products, perhaps due to its dependency on the volatile apparel sector.

Tiered premiums for organic cotton do not function properly; since they are not marketable, buyers need incentives to pay the additional expense. Paying farmers the Fairtrade Minimum Price for cotton before securing procurement can be detrimental to the organization and the producers. Committing funds to the Fairtrade Premium without securing payment from buyers can lead to distrust among farmers when funds are not available. Producer organizations should take precautions when annual sales rely heavily on only a few main customers. At any time, a country can implement domestic policies that interfere with the local sector, such as India's MSP subsidy; Fairtrade organizations should have a plan in place in the event that this occurs.

Although limited in scope, the demand-driven Fairtrade economic model attempts to provide what international trading organizations have not: a balanced and fair trading platform for producers in less developed countries. In the absence of an acceptable global solution, Fairtrade innovators and supporters created their own alternative trading system. For more than twenty years, socially conscious consumers have been purchasing Fairtrade products, hoping to make a difference within the lives of marginalized producers. The longevity and growth of Fairtrade is a testament that many consumers are aware of distorted trading policies and want a system that provides producers with a sustainable income. Despite all efforts, data analysis shows that Fairtrade cotton is not generating enough consumer-demand to satisfy the needs of thousands of poverty-stricken cotton farmers in India. The sale of Fairtrade products, which represent only a fraction of the global economy, cannot be expected to fill the void of a legitimate WTO "*Agreement on Agriculture*" or a true "*Development Round*".

As a witness during several Fairtrade farmer cluster meetings, I believe the intentions of the Fairtrade cotton community are commendable. Unsatisfied with the status quo and unwilling to wait on global leaders to act, they created their own trading system aimed to alleviate poverty.

International trade policymakers have failed to reduce global subsidies in a timely manner, provide equal negotiation opportunities to leaders of developing countries, and adhere to the objectives of the original *Doha Development Round*. Fairtrade provides consumers with an alternative solution, although it falls short of achieving real sustainable development for producers.

Fairtrade cotton makes positive impacts to the livelihoods of producers, yet the sustainability of the trading system is in jeopardy and requires reform. Fairtrade cotton faces grave challenges, most of which stem from a lack of demand and a surplus of supply. The economic crisis in 2009 had a major impact on the declining demand for Fairtrade cotton, resulting in detrimental repercussions for cotton producers. Without sufficient demand, the Fairtrade cotton model cannot continue to pay farmers higher premiums for cotton, or maintain the many improvements it has made to cotton farmers' lives.

The Fairtrade cotton sector requires further research to identify the current trade barriers facing producer organizations in India. Future studies should analyze Fairtrade cotton export markets and discover new avenues into the apparel sectors. The Fairtrade cotton sector requires further investigation into finding new initiatives for increasing demand. Business and trading ventures with new apparel sectors should be explored such as the hospitality and collegiate apparel industries. Fairtrade should continue perusing main street fashion apparel but also target other sectors of the economy purchasing high volumes of cotton.

The future of Fairtrade cotton may be unknown; nonetheless, the efforts and persistence of the Fairtrade community have awakened consumer consciousness to the ailments within international trading policies. An unprecedented number of global consumers, aware of unequal trade policies, choose to spend their money in ways to hopefully improve the lives of people they

will never meet. In addition to improving the lives of cotton producers, Fairtrade continues to educate millions of people about the hardships of cotton producers in developing countries.

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Interview 2 2009. Interview by the author to Zameen Organics staff member. Hyderabad, India:  
August

Interview 3 2009. Interview by the author to Zameen Organics farmer. Amravati, India: August

Interview 4 2009. Interview by the author to Zameen Organics farmer. Amravati, India: August

Interview 5 2009. Interview by the author to Zameen Organics staff member. Hyderabad, India:  
August

Interview 6 2009. Interview by the author to Zameen Organics staff member. Hyderabad, India:  
August

Interview 7 2009. Interview by the author to Zameen Organics farmer. Amravati, India: August

Interview 8 2009. Interview by the author to Zameen Organics staff member. Hyderabad, India:  
August

Interview 9 2009. Interview by the author to Zameen Organics staff member. Hyderabad, India:  
August

Interview 10 2009. Interview by the author to Zameen Organics staff member. Hyderabad, India:  
August

## APPENDIX A

### Questionnaire for Zameen Organics Cotton Farmers

#### Background Information

1. Number of years working with the cotton farming co-operative?
2. Number of members in the family?

#### Changes in quality of life: before 2006 and present (or since the beginning of Fairtrade cotton)

3. Did you have access to the following household facilities before 2006?
  - a. Electricity
  - b. Water
  - c. Toilet
  - d. Kitchen

Do you currently have access to these household facilities? Y/N

4. Do you have greater access to health care services since 2006 or since the beginning of Fairtrade?
  - a. Yes
  - b. No
  - c. Unsure
5. Has migration to urban areas stopped or decreased since 2006 for your family?
  - a. Yes
  - b. No
  - c. Unsure
6. Do you think that Fairtrade cotton has helped to decrease the amount of farmers committing suicide?
  - a. Yes
  - b. No
  - c. Unsure

7. Has Fairtrade cotton helped to reduce your exposure to pesticides and other harmful chemicals?
- a. Yes
  - b. No
  - c. Unsure

Change in Economic position due to access to Fairtrade premium

8. Have the Fairtrade premiums helped increase your income?
- a. Yes
  - b. No
  - c. Unsure
9. Have the Fairtrade premiums helped you to decrease your debt owed?
- a. Yes
  - b. No
  - c. Unsure
10. Has your profit potential increased as a result of Fairtrade cotton?
- a. Yes
  - b. No
  - c. Unsure

Access to Fairtrade Market

11. Do you have sufficient access to the Fairtrade and organic cotton market?
- a. Yes
  - b. No
  - c. Unsure
12. Have you noticed an increase in opportunities to sell cotton to the Fairtrade market?
- a. Yes
  - b. No
  - c. Unsure

Support from Fairtrade organizations (Zameen Organics) or other NGOS

13. Do you receive training and/or technical assistance from Zameen Organics?



- a. Yes
- b. No
- c. Unsure

14. Do you receive other types of Non-financial support from Zameen Organics?

- a. Yes
- b. No
- c. Unsure

15. Do you receive financial support from Zameen Organics?

- a. Yes
- b. No
- c. Unsure

#### Acknowledgment of Fairtrade system

16. Do you know what Fairtrade cotton is and how it can affect you?

- a. Yes
- b. No
- c. Unsure

17. Do you understand the difference between Fairtrade cotton and organic cotton?

- a. Yes
- b. No
- c. Unsure

#### Children's Access to Education

18. Do your children have more access to education than they did before 2006?

- a. Yes
- b. No
- c. Unsure

19. Do your children have more access to organic farming training and other types of land cultivation training now than they did in 2006?

- a. Yes

- b. No
- c. Unsure

### Conclusion

20. Is Fairtrade cotton having a positive impact on your life and overall quality of living?

- a. Yes
- b.No
- c. Unsure

21. Is Fairtrade cotton having a negative impact on your life and quality of living in anyway?

- a. Yes
- b. No
- c. Unsure

## **APPENDIX B**

### **Interview Questions for Zameen Organics Extension Officers**

1. How long have you worked as an E.O
2. Do you notice a change in the quality of life of the farmers that you represent?
3. Do you notice a change in the farmers' level of confidence since working with Zameen Organics?
4. Have you noticed a change in the farmers' level of motivation to improve their quality of life since joining Zameen Organics?
5. How has your cluster chosen to spend the Social Premium?
6. What do you see as the biggest challenge facing farmers and the organic cotton industry?
7. Is Fairtrade beneficial for the women

## APPENDIX C

### Interview Questions for Zameen Organics Staff Members

#### Background Information

1. What is your position with Zameen Organics and please describe your job responsibilities?
2. How long have you been working with Zameen Organic?

#### Direct impact: Fairtrade cotton's impact on cotton farmers

1. How is the fairtrade cotton industry impacting the income/salary of cotton farmers?
2. How is the fairtrade cotton industry impacting farmers' access to education for their children?
3. How is the fairtrade cotton industry impacting farmers and their family's access to health care services?
4. How is the fairtrade cotton industry impacting farmers' access to training and technical/agriculture support to improve their farming techniques or increase their access to the fairtrade cotton market?
5. How is the fairtrade cotton industry impacting the status of women in the home and within the community?
6. How is the fairtrade cotton industry impacting the number of suicides occurring within the farmers' villages?

#### Direct impact: Fairtrade cotton's impact on Zameen Organic

1. In general, how is the fairtrade cotton industry impacting Zameen Organic as an organization?
2. What are the financial impacts of the fairtrade cotton industry on Zameen Organics (ex: increased access to credit, ability to expand as an organization)?
3. What are some of the non-financial impacts of the fairtrade cotton industry on Zameen Organic?
4. As a certified fairtrade organization, does Zameen Organics receive support from the FLO? If yes, please explain.

#### Indirect impact: Zameen Organics' impact on cotton farmers

1. In general, is the fairtrade cotton industry enabling Zameen Organics to have a positive impact on cotton farmers?
2. Does the fairtrade cotton industry provide financial benefits to Zameen Organics that, in return, benefit the cotton farmers?
3. Does the fairtrade cotton industry provide non-financial benefits to Zameen Organics that, in return, benefit the cotton farmers?

4. As a certified fairtrade organization, does Zameen Organics receive support from FLO that, in return, benefit the cotton farmers?\_If yes, please explain.

#### Market Demand

1. In general, is there a shortage or a surplus of fairtrade cotton at Zameen Organics?
2. Has a time occurred when Zameen Organics could not support the demand for fairtrade cotton?
3. Do farmers have sufficient access to the fairtrade cotton market?
4. What are some prohibiting factors preventing farmers from accessing the fairtrade cotton market?
5. Do farmers have knowledge about the fairtrade cotton industry and do they understand the difference between fair trade cotton and organic cotton?
6. With the current international economic downturn, does Zameen Organics anticipate a change in the demand for fair trade cotton? If yes, how will they adapt to this change as an organization?

#### Conclusion

1. In general, is the fairtrade cotton industry having a positive impact on the cotton farmers lives?
2. What are some of the current problems/issues within the fairtrade cotton industry?
3. Is the fairtrade cotton industry having a negative impact on cotton farmers or on Zameen Organics in anyway?
4. Are there any additional benefits of the fairtrade cotton industry not previously addressed in this questionnaire?