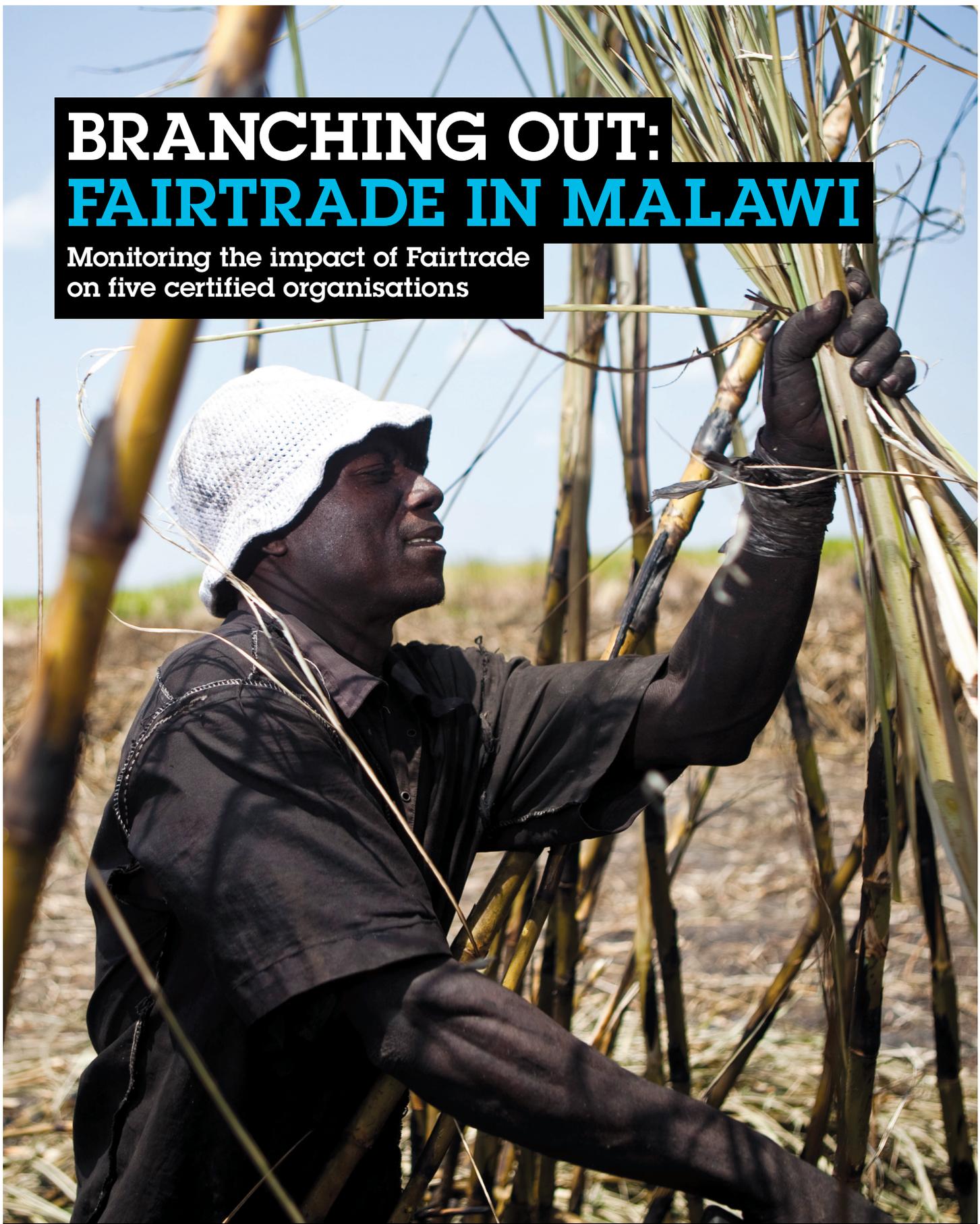


BRANCHING OUT: FAIRTRADE IN MALAWI

Monitoring the impact of Fairtrade
on five certified organisations



Phase two of a longitudinal study
March 2013



This phase of the assessment was carried out by Natural Resources Institute, University of Greenwich in collaboration with the Malawi Fairtrade Network, Fairtrade Africa and the Fairtrade Foundation, UK. The research team comprised Barry Pound (Natural Resources Institute) as lead researcher with Frank Olok (Malawi Fairtrade Network), Alexander Phiri (Bunda College and Natural Resources Institute) and Vidya Rangan (Fairtrade Foundation).

This report was written by Barry Pound, Natural Resources Institute and edited by the Fairtrade Foundation with particular input from Vidya Rangan and Beth Middleton.

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DISCLAIMER

The opinions expressed in this report are those of the authors, and do not necessarily reflect the views of the institutions they represent.

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ACRONYMS

AFO	Association field officer	MFTN	Malawi Fairtrade Network
AGM	Annual general meeting	MK	Malawi Kwacha
COFTA	Co-operation for Fair Trade in Africa	MT	Metric tonne
CORDAID	Catholic Organisation for Relief and Development Aid	NASFAM	National Smallholder Farmer Association of Malawi
DFID	Department for International Development	NGO	Non-governmental organisation
EOT	Eastern Outgrowers Trust	NRI	Natural Resources Institute, University of Greenwich, UK
EP	Eastern Produce Malawi	NSTDC	National Smallholder Tea Development Committee
EU	European Union	PO	Producer organisation
FGD	Focus group discussion	RFA	Rainforest Alliance
FLO-Cert	The independent Fairtrade certification body	SANPLATS	Sanitary platforms (concrete-based latrines)
FOB	Free on board	SAT	Sukambizi Association Trust
FTA-SAN	Fairtrade Africa Southern Africa Network	SME	Small and medium-sized enterprises
GoM	Government of Malawi	STECO	Smallholder Tea Company
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics	SVCGT	Shire Valley Cane Growers Trust
KCGA	Kasinthula Cane Growers Association	SWOT	Strengths, Weaknesses, Opportunities and Threats analysis
KCGL	Kasinthula Cane Growers Limited	TAM	Tea Association of Malawi
MAC	Marketing Action Centre	VEA	Village extension agent
MASFA	Mchinji Area Smallholder Farmers Association	VSO	Voluntary Service Overseas
MATECO	Malawi Tea Company	WO	Worker organisation

PREFACE

Farmers in Malawi face considerable challenges. Smallholder farmers lack the necessary resources, technical know-how and capacity to improve production and to access markets, leaving them unable to better their standard of living and putting at risk their household food security, their children's education, or their access to basic healthcare and social services. Fairtrade aims to address some of these challenges by opening avenues to markets for what smallholders grow, building direct farmer-consumer links and strengthening a local network that can be the platform that represents them and advocates on their behalf with government and business.

We are committed to monitoring and increasing the impact Fairtrade is having for farmers, workers and their communities in the country. This report *Branching out: Fairtrade in Malawi*, is the second in a series that aims to understand and analyse how Fairtrade is making a difference and what can be done to deepen this impact. It builds on the report from the first phase *Taking root: Fairtrade in Malawi*, that was published in 2011 based on research conducted in 2009-10.

This first phase of research, conducted by the Natural Resources Institute (NRI), University of Greenwich confirmed that Fairtrade had started to bring significant, tangible benefits to farmers and workers in Malawi and to their communities but needed to overcome some important challenges in order to grow and increase those benefits – in other words, Fairtrade had taken root and we needed to help it flourish. So, in 2012 we returned to Malawi to continue the assessment and learning but this time in collaboration with our regional producer network – Fairtrade Africa, country network – Malawi Fairtrade Network and research partner – NRI. Our objective was to draw from the findings of the first phase, analyse whether challenges raised then had been addressed and how and document progress made along select indicators in each of the three sectors – tea, sugar and groundnuts.

The second phase study provides further evidence that Fairtrade has contributed to encouraging progress for the producer groups studied in Malawi and that many of the challenges identified in the first phase are gradually being overcome. Although still a long way to go, Fairtrade has gradually enabled farmers' standard of living to improve with a high proportion of certified farmers now able to pay school fees for their children, ensure household food security, increase their assets and experience more stability in incomes.

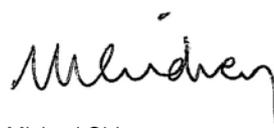
There has been some positive progress in addressing issues of low production. Many farmers value the increased investment in capacity building and the Fairtrade Premium has been invested in agricultural inputs (such as improved access to seed and fertiliser) and extension advice such as training for farmers and workers, improving administration or office/organisation facilities and resources. Workers on the one Fairtrade certified tea plantation that was studied note improved relationships between workers and management and an improvement in working conditions owing to Fairtrade.

Alongside these demonstrable impacts, clear messages emerge from farmers and workers that highlight where more needs to be done to drive even greater impact and sustain existing impact. Farmers want to improve the production, sales and quality; want higher prices for their sales and most importantly, also want to become increasingly independent from their buyers and move up the value chain. Workers want and need higher wages that are commensurate with the work they do and respectful of rising living costs in Malawi. While the Fairtrade system is responding to these challenges, responsibility also rests with other actors including companies that source from Malawi as well as other development actors active in the country. Our study makes specific recommendations on which actors can and should contribute to addressing these issues and we hope they are seriously engaged with.

We hope this study helps demonstrate how Fairtrade is branching out in Malawi through collaborative partnerships. Our focus needs to be on building, sustaining and deepening such partnerships that can effectively address the sizeable challenges highlighted in this study and support farmer and worker organisations in their journey towards a sustainable future.



Doreen Chanje
Chairperson, Malawi Fairtrade Network



Michael Gidney
Chief Executive, Fairtrade Foundation

SUMMARY

The Fairtrade system is committed to understanding how its systems and certification have an impact on farmers and workers in developing countries. In 2009, the Fairtrade Foundation initiated a long-term study to learn what difference Fairtrade is having on groundnut, tea and sugar farmers and workers within Fairtrade-certified organisations in Malawi.

The five Fairtrade-certified organisations studied were: the Joint Body of Satemwa Tea Estates Limited (worker organisation), Sukambizi Association Trust and Eastern Outgrowers Trust (both smallholder tea producer organisations), Kasinthula Cane Growers Association (smallholder sugar cane producer organisation) and Mchinji Area Small Farmers Association (smallholder groundnuts producer organisation).

The first phase of this study was undertaken in 2009/10 by the Natural Resources Institute (NRI), and provided a baseline against which future changes could be assessed. It confirmed that there were tangible and significant benefits that Fairtrade was starting to have on farmers and workers' households as well as developing a national presence. However, it also presented clear challenges that needed to be addressed for deeper, sustained impact. These included the need for more support to help organisations scale up production, deepen participation and move up the value chain. There was also a clear message that positive impacts from Fairtrade will last over time only if benefits are equitably distributed among participating households and organisations.

The second phase in 2012, reported here, was undertaken jointly by the Fairtrade Foundation, Fairtrade Africa, the Malawi Fairtrade Network and the Natural Resources Institute. Our objectives were to study how Fairtrade had grown, what important changes were underway at the organisational and national levels, understand how and where Fairtrade is contributing to development impact and analyse if challenges identified earlier were being addressed.

The first phase of this study adopted a participatory livelihoods approach to develop a comprehensive understanding of Fairtrade's impact on farmers – their families, communities and the region. Drawing from this, the second phase focussed on select indicators across economic, institutional and social dimensions of impact and used a combination of methods including semi-structured interviews and focus group discussions to gain insight into changes at the farmer-level, organisation-level and sector-level. An explicit aim was to understand how these changes have progressed, how they are linked to Fairtrade strategies, and consequently what further challenges need to be addressed to deepen and sustain impact.

We summarise the key findings from this phase of the research through three product reviews below.

Groundnuts

The Mchinji Area Small Farmers Association (MASFA) is, to date, the only Fairtrade-certified organisation in this sector in Malawi. At the producer organisation-level, MASFA indicates good production trends on account of farmers expanding the land dedicated to groundnut cultivation (and reducing tobacco cultivation) and their adoption of good agricultural practices. However, they need to do more to improve the quality of shelled groundnuts if they are to achieve the specifications required for Fairtrade markets.

An important development is the establishment of the Afri-Nut processing facility in the capital city Lilongwe, partly owned by the National Smallholder Farmers Association of Malawi (NASFAM) and the NGO Twin, and therefore by the MASFA farmers. The processing plant presents opportunities for adding value and maintaining the quality of shelled nuts for export. A steady Fairtrade Premium income from such sales would make a huge difference to MASFA, attracting members and enabling the Association to act with improved resources and greater ambition. The premium received on Fairtrade sales up to 2010 has been used successfully for constructing a shelter at the local hospital and for two multi-purpose buying/warehouse/community facilities.

A SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis of MASFA's achievements and prospects by men and women groundnut farmers reveals that they are disappointed with the lack of Fairtrade Premium income and the continued limitations of the purchasing system. However, these have been offset by the good work and support given by MASFA's extension service,

improved access to seed for members and the emergence of groundnut as the predominant cash crop in Mchinji District. The evidence from this study, and from a separate impact assessment by NASFAM, points to an improvement in the standard of living of farmers in large part due to income from the sale of groundnuts. Given the development challenges in the region, Fairtrade certification has had only a modest impact on the lives of groundnut farmers in the region. However, farmers' expectations are that more benefits can be realised in the near future.

The active local market for groundnuts has raised prices, and caused the buyer (NASFAM Commercial) to revise its purchasing process, which, however, continues to be unsatisfactory in a number of respects (cash flow, transparency, and no price incentive for quality apart from the prospect of Fairtrade Premium income). It is hoped that the Afri-Nut processing facility is able to start up quickly and capitalise on the present optimism of groundnut producers and the good level of groundnut production by members. The Fairtrade minimum price for Fairtrade groundnuts is low compared to production costs and is in urgent need of upward revision.

Tea

We studied three Fairtrade-certified tea organisations: Sukambizi Association Trust (SAT) with over 6,500 smallholder tea farmers; Eastern Outgrowers Trust (EOT) with over 5,000 members, and Satemwa Tea Estates Limited that employs approximately 4,200 workers represented by the Satemwa Joint Body. The three organisations are at differing levels of development, maturity and capacity.

Since 2009, SAT has increased its membership and moved towards autonomy from the estate to which it sells its produce by opening an Association office and appointing a professional administrator. Data indicates that production has remained stable (averaging 7.7 million kg greenleaf/year) but productivity has marginally improved on account of increased membership and better farming practices that are attributable to Fairtrade and other interventions. The proportion of sales to Fairtrade has increased significantly from 41.4 per cent in 2009 to 66.4 per cent in 2011 resulting in a healthy flow of premium income to SAT that has been invested in a range of health, education and infrastructure projects greatly valued by members and the local community.

The SWOT analysis done by SAT members reveals that they value Fairtrade Premium projects, good leadership of the organisation and improved access to markets. However, they feel the price paid for their tea is too low (indicating limited impact of the Fairtrade minimum price) and continue to feel too dependent on the estate to which they sell their tea (Lujeri). They see future opportunities to expand production and also harbour a desire to work towards greater command of the value chain by developing their own processing facility. SAT now has its own Development Plan, with milestones and budgets.

The picture emerging at EOT is largely similar. The membership of EOT has also increased significantly (by 43 per cent) since 2009, and it has nearly doubled its production of greenleaf tea, although the proportion of sales on Fairtrade terms has reduced marginally. Sustainability of the organisation has been enhanced by the establishment of income-generating enterprises (including tea nurseries and a grain mill). EOT members also enjoy a wide range of benefits from premium projects (schools, water, bridges, food security, clinics and ambulance) that have been funded from Fairtrade Premium income. Many of these benefits are shared with others in the community. In their feedback, EOT farmers reported they value the good relationship they have with their buyer, and good leadership of the organisation, as well as benefitting from market stability and premium-funded projects. They also, however, feel they receive a low price for their tea and feel over-reliant on Fairtrade Premium funds to sustain planned projects. They want to see improved sustainability of the organisation.

As a result of the premium projects and income from tea, standards of living for SAT and EOT producer families have increased modestly, such that most can now afford school fees and around 50 per cent have acquired bicycles and cell phones. Both organisations are progressing in terms of setting up an autonomous institutional base.

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The Satemwa workers Joint Body is well established and respected by both workers and management. Communication and relations are good with both. A problem has been noted with a lack of continuity of Fairtrade understanding and management experience following elections of the Joint Body in 2011. An annual work plan has been drawn up for the wide range of premium-funded projects. With respect to workers at Satemwa, three social impacts were noted by workers in their SWOT analysis. Firstly an improvement in relationships between workers and management, mediated by the Joint Body; secondly, the benefits from Fairtrade Premium-funded community projects and projects that increase the food security of workers' families; thirdly, the influence of Fairtrade on working conditions (maternity leave, leave entitlements, protective clothing and overtime). For workers at Satemwa, working on the estate seems to be one of a number of sources of household income, and often not the primary source. Although Satemwa management claims it provides its workers with wages that are above the national minimum, the workers themselves still feel the wages are inadequate.

It is clear that the smallholder tea sector in Malawi continues to face many challenges and remains dependent on big estates for their patronage and support. The study of both Sukambizi and EOT shows that smallholder tea farmers believe they are receiving low prices for their greenleaf which are not able to cover costs of production. Smallholders are nominally included in the negotiation of the tea price, but lack technical knowledge and evidence to put their case strongly to the purchasing organisations.

For the moment, improvements in income can be gained from focussing on improving productivity from their plots by improving tea husbandry and harvest operations to more closely mimic the estate's standards and productivity, and by expanding the acreage under smallholder tea. This is assisted by the new nurseries being established using part of the Fairtrade Premium income. However, in the long run, value-addition and ability to influence prices of greenleaf and made tea are the most definitive ways of ensuring economic improvement. Fairtrade has a role to play in such a context by providing support to smallholder organisations that are ambitious to set up their own processing facilities through development of a long term feasibility and financial plan, and in helping to investigate current tea production costs.

There is scope for Fairtrade, through the local liaison officer and the country network, to play a stronger role in supporting the three organisations to build their capacity and skills through partnering with other local development organisations. The country network can also play a crucial role in fostering an exchange of experiences and ideas across the three organisations.

Mulanje and Thyolo Districts, where the three tea organisations are located, are environmentally fragile and immensely important. Although the SAT Development Plan has a comprehensive environment policy, none of the Fairtrade Premium at SAT appears to be earmarked for environmental projects, and only 2 per cent of the EOT premium budget is allocated to soil erosion and afforestation.

Sugar cane

Kasinthula Cane Growers Association is the only Fairtrade-certified small farmer organisation in this sector in Malawi. Since the baseline study in 2010, Kasinthula has seen a number of organisational adjustments, including the formation of the Kasinthula Cane Growers Association to represent the farmers, significant increases in membership, the formation of the Kasinthula Workers Union to represent the workers of KCGL and importantly a debt-servicing plan in place that will remove a huge burden of interest payments and enable KCGL to make a profit.

Both production and productivity of cane sugar have been fluctuating since 2006 owing to unreliable irrigation facilities and the disruption caused by expansion, but with the added land brought under the scheme, 2012 production trends are expected to be strong. All the sugar cane produced at Kasinthula is sold to a single sugar mill (Illovo Sugar (Malawi) Ltd) and all the sugar produced is sold on Fairtrade terms, producing large amounts of premium income (Euros 682,076 in 2011). Owing to the debt situation and KCGL not yet making any profit, farmers receive a set monthly payment from KCGL plus benefits (in kind) from a 40 per cent share of the Fairtrade Premium. In the absence of a Fairtrade minimum price for sugar, premium income has been the main avenue of impact on KCGA farmers.

Research shows that the Kasinthula farmers' standard of living has improved significantly since 2009 and is well above that of their non-member neighbours (who do not grow sugar cane commercially and have little or no access to irrigated land). The potentially negative impact of this concentration has been mitigated by the wide range of premium-funded social development projects that benefit the wider community, and also by the inclusion of more farmers from the region into the Association as it expands (KCGA has 482 members now compared to 282 in 2010, and includes members from 20 surrounding villages compared to only 6 in 2010).

KCGA farmers were also approached for their views on their organisation's strengths and weaknesses. They value the assured market for their crop, premium-funded benefits and technical support and wish to expand production and reduce reliance on hired labourers and contractors. It will be important to see how Fairtrade can help them fulfil these aspirations.

As with the other two sectors, Kasinthula stakeholders are aware in a general way of the risks posed by climate change. However, none have a clear idea of specifically what might happen or how to mitigate its impacts.

Fairtrade at the national level

There are now nine Fairtrade certified organisations covering five Fairtrade certified products (tea, sugar, groundnuts, coffee and honey) in the country. In 2008, Fairtrade stakeholders formed the Malawi Fairtrade Network (MFTN) to be an umbrella organisation to promote and advocate the interests of Fairtrade-certified producers, processors and exporters in Malawi. An important change since the first assessment has been the firm establishment and growth of this network. At present, the network is focussing on creating greater awareness; creating partnerships; involvement in the draft national export strategy by the Ministry of Industry and Trade; working with donors and working with Fairtrade Africa to build markets.

MFTN is raising awareness of its activities and Fairtrade in general through advocacy events with policy-makers, bureaucrats and political leaders. The MFTN is promoting food security for its members by advocating for decent and reliable incomes for farmers, long-term contracts, access to credit sources and income diversification.

To achieve these, MFTN influences policy formulation (including the policy for export promotion) and export-oriented events (fairs, trade missions), supports efforts to increase quality and yield (e.g. by encouraging extension efforts by processors and other stakeholders), advocates the reduction or exemption of taxes on inputs and equipment, supports greater involvement of smallholders in value addition, improves access to credit and finance, and promotes sales to domestic markets.

In five years' time, MFTN hopes to have about 20 producer organisations certified Fairtrade in Malawi and hopes to bring in smallholder farmers growing cotton, legumes (pigeon peas), rice and essential oils. There is interest among farmer groups in all these products but sustainable markets need to be ensured before they are certified. The focus will be on smallholder production rather than estate production.

Fairtrade's future in Malawi

Crosscutting challenges

Here we highlight key crosscutting challenges that need to be addressed in order to broaden Fairtrade's reach and deepen its impact in Malawi.

- Certification costs are a significant deterrent to small producer organisations considering Fairtrade certification in Malawi, and all five organisations studied here have only been able to attain certification with the help of a sponsor organisation.
- The Executive Committees or Boards of the producer and worker organisations are made up of producers or estate workers. These have modest education qualifications and little experience of management or running an organisation of thousands of members. All need technical and managerial capacity development support. The Fairtrade liaison officer must provide stronger

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support to organisations on audit preparation and compliance with Fairtrade Standards and in collaboration with local support organisations can play a pivotal role in assessing and supporting their capacity needs as well.

- There is limited awareness of Fairtrade within the government of Malawi. The Malawi Fairtrade Network has a key role to play in advocacy and promotion of Fairtrade to the government of Malawi, civil society and the private sector.
- It was noted in 2009/10 that the producer and worker organisations were very dependent on the organisations that purchase their raw materials (the estates and NASFAM). There has been a good initial response towards reducing this dependency, although the tea estates and NASFAM still provide many useful services to their producer organisations.
- In three of the four smallholder producer organisations there is an issue around purchasing and pricing of the raw commodity (greenleaf tea and shelled groundnuts), creating distrust and tension between two adjacent links in the value chain. There was no evidence that production costs had been calculated for any of the products, strengthening the producer's claims that they were not being paid a fair price. Better communication and more understanding of the value chain and marketing dynamics would reduce tension and enhance co-operation.
- A concern raised in 2009/10 was the lack of incentives for farmers to produce a quality product. In the case of tea, the estates are now starting to insist on specific quality measures. However, there is no quality premium paid for MASFA groundnuts, despite the need for a high quality product to meet export and health specifications. Sugar cane farmers receive a fixed monthly allowance irrespective of the quality or quantity of cane delivered. This is due to change next year, and the new payment system should provide some incentive to farmers to produce more, and better quality, cane.
- The Fairtrade Premium is envisioned as a tool for development and empowerment of the community as a whole. This research highlights that there is a worrying tendency for organisation members to vote in their General Assemblies for premium income to be used for the direct benefit of individual members. The implications of such a trend need to be assessed as it could lead to antagonism between Fairtrade farmers and wider members of the community.
- While there have been modest improvements in the standards of living of producer organisation members, incomes are still only covering their families' basic needs and in some cases allowing modest savings. Those Associations that are well established are considering moving further along the value chain in order to get improved incomes for members.
- The research has shown that Fairtrade Premium earnings vary hugely between products. This is in part due to there being an established infrastructure and international market for tea and sugar, with relatively high volumes of production and proportions of sale to Fairtrade compared to the situation for groundnuts. While some discrepancy is expected across products, differences of this magnitude, when considered at a national level, present a picture in which Fairtrade appears to impact some farmers more positively than others.
- Although the research generated some gender-differentiated impact information, this study was not able to analyse gender issues in any depth. More research is needed to understand this area and in the area of environmental impact.

Key recommendations

This second phase of assessment indicates that there has been encouraging progress in all five Fairtrade-certified organisations studied in Malawi. Many of the challenges identified in 2009/10 at the organisational level have been at least partially addressed – some through Fairtrade’s contribution and others through interventions by other actors. This is particularly noteworthy considering the limited formal education and training that the leadership of these organisations have access to. This reflects the growth in organisational and institutional capacity of the organisations and also reflects well on the effectiveness of the governance standards set by Fairtrade International.

The table below captures some of the main recommendations emerging from two phases of the assessment with suggestions on who is best placed to address them and how. A detailed list of recommendations is provided in the main report.

Recommendation	By whom?	How?
Raise awareness and knowledge of Fairtrade among national actors and develop a mechanism for reflection of the Fairtrade model within Malawi	Malawi Fairtrade Network; Fairtrade Africa	Literature, media, visits, field events, lobbying and advocacy. Discussion forum
Reduce certification and audit costs for current and potential organisations	Fairtrade International and FLO-Cert	Reduce costs; provide or publicise grants or loans
Reconcile the differences in premium income for the different products	Fairtrade International	Cross-commodity comparisons
Support all POs with cost of production and market studies	Fairtrade International; Fairtrade Foundation	Cost of production and processing studies.
Find ways of monitoring and rewarding good quality produce at the farmer level	NASFAM, tea estates and KCGL	Develop grades, pricing incentives and sanctions
Commission studies to better understand the impact of certification on gender rights, roles and responsibilities to ensure there are no hidden losers from the changes brought about by certification	Fairtrade Africa/country networks	Studies
Encourage POs to leverage additional (external) funding for premium projects	Malawi Fairtrade Network/ Fairtrade Africa	Assist POs to write proposals supported by membership and community demand
Assist POs with feasibility studies for moving up the value chain	Fairtrade Foundation /Twin – with contribution from PO premium funds	Support/encourage feasibility studies
Support capacity building linked to premium projects that diversify income and reduce dependency and vulnerability	Training institutions, Fairtrade International, Fairtrade Foundation	Work with POs/WOs to identify where capacity building can add value to premium investment

We hope that this report and its recommendations act as a guide to help focus future interventions by all partners involved in taking Fairtrade forward in Malawi. The research process will continue with a holistic impact assessment planned for the third phase in 2014-15.

Background and objectives

The Fairtrade system is committed to understanding how its systems and certification have an impact on farmers and workers in developing countries.

In 2009, the Fairtrade Foundation initiated a process to learn how Fairtrade was making a difference in Malawi over a length of time. Malawi was chosen given the significance of commodities like tea, sugar and groundnuts – where Fairtrade operates – to farmers' incomes and the country's economic growth and the opportunity to study Fairtrade's impact across products at the national level given the diversity of certified organisations.

The first phase of this assessment was undertaken in 2009/10 by our research partner, the Natural Resources Institute (NRI), the results of which were synthesised in the report *Taking root: Fairtrade in Malawi*, published in April 2011¹. The research confirmed that there were tangible and significant benefits that Fairtrade was starting to have on farmers and workers' households. However, it also presented clear challenges that needed to be addressed if impact was to be deepened and sustained.

In 2012, we returned to Malawi to study how Fairtrade had grown, what important changes were underway, how and where Fairtrade was contributing to development impact and if challenges identified earlier were being addressed. This time round, it was important for us to undertake the assessment in collaboration with our regional country network partners and so this second phase of the assessment was undertaken jointly by the Fairtrade Foundation, Fairtrade Africa, the Malawi Fairtrade Network and the Natural Resources Institute (NRI).

This study was guided by the following objectives:

- a. Assess key trends that have taken place among the five organisations, and at national or regional level in Malawi, since the first set of impact assessments in 2009–2010 and draw out emerging best practices
- b. Collect key data on the main economic, social and environmental indicators on the impact of Fairtrade in Malawi
- c. Evaluate if, how and by whom, the key challenges/issues (both in each product and at the regional level) identified from phase 1 of impact assessment have been addressed
- d. Understand how the Malawi Fairtrade Network and international Fairtrade networks are being accessed and used by organisations, producers and workers in Malawi
- e. Assess how Fairtrade strategies are enabling tea, sugar and groundnut POs in achieving the objectives they expressed in the first phase of the assessment

This report summarises the main findings from this second phase assessment based on fieldwork undertaken in June - July 2012. Importantly, it builds on the findings and recommendations from the first phase and reports the main changes at local and national levels that Fairtrade is contributing to since the first study in 2010.

¹ This first phase included three detailed sector studies and a synthesis. Each sector study was intended to be a longitudinal assessment of the impact of Fairtrade on select certified organisations in the Malawi and designed to capture changes over a five year period. The first phase of the research process, conducted in 2009/10 had 4 components: review of relevant national and international information; review of the perspectives of local, District and national-level stakeholders; exploration of impact on the organisations through meetings, workshops, focus group discussions, case studies and data collection; feedback meetings with national stakeholders and with the Fairtrade Foundation and TWIN/TWIN-Trading in the UK.

Scope, approach and methods

Scope of this study

The geographic scope of the study remained the same as that of phase 1, and covered the same five Fairtrade-certified producer organisations: Satemwa Tea Estates Limited, Sukambizi Association Trust, Eastern Outgrowers Trust (tea); Kasinthula Cane Growers Association (sugar cane) and Mchinji Area Small Farmers Association (groundnuts).

Tea is grown in the south and the north of Malawi. The three tea organisations featured in this report are located in Mulanje (Sukambizi Association Trust and Eastern Outgrowers Trust) and Thyolo (Eastern Outgrowers Trust and Satemwa) Districts in the south of the country. They were selected in 2009 as they account for a substantial part of the Fairtrade tea from Malawi that is sold in the UK. The Kasinthula Cane Growers Association is one of two outgrower schemes in the country. Kasinthula is in the Shire Valley in the south-east of Malawi, and sells its cane to Illovo Sugar (Malawi) Ltd at its Nchalo Mill and is the only Fairtrade-certified sugar sector organisation in Malawi. The second outgrower scheme (not Fairtrade certified) is in the central part of Malawi some 300km north of Lilongwe at Dwangwa, where Illovo Sugar (Malawi) Ltd has a second sugar mill. The MASFA smallholder groundnut producer organisation is located in Mchinji District to the west of Lilongwe in central Malawi, one of the main groundnut growing areas in the country and again, the only Fairtrade-certified organisation for this sector.

Approach

The overall approach followed in the first phase of this longitudinal assessment was guided by Fairtrade International's impact methodology framework developed by Eberhart and Smith.² The approach adopted was a participatory livelihoods approach in which farmer and worker organisations, their members, their families, their communities and the stakeholders who influence or interact with them are studied across organisational, economic, social, political, institutional and technical dimensions. As the first phase of the assessment had already identified broad impacts of Fairtrade in Malawi in all three sectors, the second phase attempts to build on this and to understand how these impacts have progressed over time and how they are linked to Fairtrade strategies. The methodology used for the second phase was therefore not as intensive as that used for the first and focussed on few key indicators and relied on in-depth interviews with key stakeholders and focus group discussions (detailed in the next section). Ongoing work on Fairtrade's 'Theory of Change' on how its strategies and interventions help deliver its goals of making trade fair, empowering small farmers and workers and fostering sustainable livelihoods has guided this analysis.

² A methodological guide for assessing the impact of fairtrade, Eberhart, N. and Smith, S., August 2008

Data collection methods

As this is a longitudinal assessment, this second phase of research builds on the first that provided a detailed assessment of the context, impact and challenges for five Fairtrade-certified organisations in Malawi.³ The aim of this phase was to monitor and evaluate the change in these organisations against select indicators that measure the economic, social, environmental and institutional impacts of Fairtrade. As stated earlier, an explicit aim was to understand how these impacts have progressed over time and how they are linked to Fairtrade strategies.

The second phase of research used a combination of methods to gain insight into changes at the farmer level, organisation level and sector level.

Semi-structured interviews were used to gain insight into the views and suggestions of a range of Fairtrade stakeholders in Malawi. They were: the Government of Malawi, the UK Department for International Development (DfID), Voluntary Service Overseas (VSO), Fairtrade International, RAB Processors, Mulli Brothers Ltd, the Grain Traders and Processors Association (GTPA), the Agricultural Commodity Exchange for Africa (ACE), Afri-Nut, ICRISAT, the Tea Association of Malawi, the Main and Premium Committees of the five producer and worker organisations under study, female and male producer members of the five organisations, NASFAM, Illovo Sugar (Malawi) Ltd, Lujeri Estates, Eastern Produce and Satemwa Tea Estates.

Focus group discussions were held separately with groups of women and groups of men from the Fairtrade producer organisations under study. Due to time restrictions, only three male and three female FGDs were held with producers from each of the three tea and one groundnut POs, and two with the sugar PO producers (a total of 28 FGDs). Participatory methods were used during the FGDs that included brainstorming and ranking of income sources (Fairtrade and non-Fairtrade; formal and informal) to understand dependency on the Fairtrade product exported.

Triangulation of data and the limitations of the methods used

Data was triangulated in a number of ways: firstly by visiting several groups of smallholders in different locations⁴ and asking the same questions of each using the same tools described above; secondly by interviewing women and men separately, and comparing their answers, and thirdly by collecting data from several levels (national, estate producer/worker committee level and smallholder/worker individual level).

As is often the case, the direct attribution of changes in development at the local level (for example in incomes and standard of living of farmers and workers) to Fairtrade mechanisms becomes less clear as one moves from outputs to outcomes and finally to impacts. This is due to the increasing influence of external factors. In the case of this assessment, there are also differences between sectors that are important. Therefore, wherever this report does attribute impact to Fairtrade, all attempts have been made to articulate the specific Fairtrade interventions or mechanisms that have contributed to, or resulted in, such impacts.

The main limitation of the study was its short duration, limiting the number of interviews and group discussions that could be held, and therefore the size of sample taken. For instance the Sukambizi Association Trust has 6,750 members. We were only able to interview 51 women members and 22 men members (just over 1 per cent of total membership). The findings in this report must be read and appreciated in the light of these limitations.

Finally, the draft report of this study was shared with stakeholders from all five organisations in product-specific feedback workshops in Malawi. These provided the opportunity to check the accuracy of our findings and to add the insights on recommendations and steps forward of the stakeholders involved.

³ The detailed sector reports from phase 1 can be read at www.fairtrade.org.uk/resources/reports_and_briefing_papers.aspx

⁴ For groundnuts, three of the six MASFA Chapters was visited and members interviewed; for tea, contrasting SAT and EOT Blocks (e.g. hill and plain) were visited to discern if impacts differed according to location.

Structure of this report

This report is divided into four sections. This **introduction section** has provided a background to the study and its objectives, scope, approach and methods. The bulk of the report is contained in Chapter 2 – the **product reviews** – that detail the changes that have occurred at the organisational and household levels across the three product categories and all five organisations. It also analyses the key challenges that were identified in the first phase, how each organisation has responded to them and Fairtrade’s contribution to addressing these challenges effectively. The **national review** in Chapter 3 provides the national context within which farmers and Fairtrade operate in Malawi and the impacts that Fairtrade is beginning to have at national and regional levels. The last chapter draws out key recommendations for various actors that emerge from this phase of the study.

GROUNDNUTS



Context

The organisation studied in the groundnut sector is the Mchinji Area Small Farmers Association that is, to date, the only Fairtrade-certified small farmers organisation in this sector in Malawi. The collapse of the tobacco trade over the last few years has left groundnut as the main cash crop in Malawi's Mchinji District, with tobacco second and soyabean third (NASFAM, 2011). Groundnuts have enjoyed a strong regional market in eastern and southern Africa during the last two years. This has resulted in the proliferation of small domestic traders buying groundnuts directly from farmers in rural areas. Such traders are unregulated and buy nuts of any quality, thereby undermining the quality standards required for export to Europe. There is a long term problem with aflatoxin contamination of groundnuts in this area. There are many reasons for this. These include: poor storage facilities and warehousing; plants being harvested too early by farmers in great financial need of selling their crops; and the wetting of groundnut shells before shelling which makes the process easier but provides conditions for the mould to grow which leads to the development of the aspergillus fungus that produces aflatoxin. Processing equipment is only now being commissioned that could help lead to a product of consistent quality being produced for export to those markets requiring high quality standards and the provision of products of added value. However, this can only succeed if the groundnuts supplied for processing have been protected from damage, damp

and mould. Discussions with major donors also indicate that prospects for increased investment in developing the groundnut sector is highly likely. Clearly, the groundnut sector in Malawi is challenging but it also presents opportunities for helping farmers diversify away from an unstable tobacco sector.

Organisational level changes

The Mchinji Area Small Farmers Association (MASFA; the Association hereafter) has had a difficult period over the last two years, although there are now good prospects for a recovery. Some of the main changes that have occurred at the organisational level since the first assessment in 2010 are detailed below.

1. Membership

Membership of the Association has fluctuated in recent years with a low point in 2010 due to a lack of improved seed and an unpopular purchasing system in which buying agents were contracted by the National Smallholder Farmers Association of Malawi (NASFAM), MASFA's parent organisation, to purchase groundnuts from farmers. However, membership has been on the rise in the last two years as indicated from the data given below, with nearly equal number of male and female members. The main reasons for the increase in membership are: a) an increasing amount of seed has become available to members through an allocation to MASFA by NASFAM; b) NASFAM has reverted to using its own staff for purchasing, which is more popular to members; c) good extension advice is available from the Association Field Officers to members.

Table 1. MASFA membership from 2009-12

Year	Membership		
	Male	Female	Total
2009	2,298	1,258	3,556
2010	476	437	913
2011	1,358	1,240	2,598
2012	1,160	1,115	2,275

Source: MASFA

Table 2. Improved groundnut seed distribution to MASFA members (2011 for 2011/12 season)

Number of MASFA beneficiaries	Quantity of seed distributed (kg)	
	Received (kg)	Expected recovery (kg)
458	6,870.0	13,740.0

2. Acreage and production

As data from Table 3 indicates, the area allocated to groundnut farming by MASFA members has increased since 2010 and production has improved significantly due to good technical advice from the Association Field Officers (AFOs), increased access to seed and good growing weather in the 2011/12 season. However, the data also indicate that in 2011, only 15 per cent of MASFA's production (53/361 MT) was bought by MASFA. During 2011, NASFAM Commercial introduced a system of external buyers on a contract arrangement. These external buyers bought an additional 400MT from MASFA members and non-members.

Table 3. MASFA production and sales from 2009-12

Year	Area of groundnuts grown by MASFA members (acres)	MASFA production (Metric Tonnes)	MASFA total sales to NASFAM (Metric Tonnes)
2009	Not recorded	Not recorded	121
2010	441	187	175
2011	1,270	361	53 (sold by members to MASFA) + c.400 (sold to external buyers by members and non-members)*
2012	1,239	631	Not known yet

*These figures are from NASFAM and show that the production from MASFA members was actually sold, rather than consumed at home or wasted. However the breakdown between MASFA members and non-members is not available.

3. Percentage sales on Fairtrade terms

All MASFA members are obliged to sell their groundnuts to NASFAM which is the main buyer in the region. However, in reality many farmers side-sell their groundnuts to local private traders, especially in time of urgent monetary need. As per the contractual arrangement between NASFAM and the importing organisation Twin⁵, the volumes of groundnuts that are bought from MASFA by NASFAM on Fairtrade terms are limited to 72 metric tonnes per year because of the low quality of produce (this amount can be increased once quality increases). As MASFA is the only Fairtrade certified organisation in the groundnut sector, all exports of groundnuts by NASFAM on Fairtrade terms need to be bought from MASFA. Data made available from NASFAM as in the table below indicate that the volumes of groundnuts exported by NASFAM to Fairtrade markets have been steadily decreasing from 2007-08, despite an increase in production. This fall in Fairtrade volumes is attributable to the poor quality of the nuts that made them unfit for export – especially to the European market. This fall in Fairtrade sales has also impacted MASFA's premium income which is directly tied to volumes sold on Fairtrade terms – as indicated in table 4 opposite.

4. Purchasing and marketing

NASFAM is the sole purchaser of MASFA groundnuts. There is general frustration with the NASFAM purchasing process among women and men farmers as stated to us during focus group discussions. This is mostly due to three reasons.

The first is the alleged 'late opening' of markets by NASFAM, as late as a month after private traders have begun purchasing groundnuts. NASFAM prefers not to buy early in the season because the nuts have a high moisture content, making them susceptible to aflatoxin⁶ contamination. However, farmers are keen to sell early in the season in order to get an early income.

The second is the low prices offered by NASFAM⁷ compared to those of local unregulated traders, especially considering the higher quality requirements of NASFAM compared to those of local traders. At the time of research, the price offered by NASFAM was MK240/kg compared to MK250/kg offered by traders.

Lastly, farmers also voiced frustration over the cash-flow problem at the local MASFA Marketing Action Centres (i.e. NASFAM buyers not having the cash⁸ to settle purchases on the spot with farmers). This ultimately affects the volume of groundnuts that NASFAM buys as some farmers end up side-selling their nuts to vendors.

However, farmers acknowledge the improvements in the purchasing system, following the change away from contracted agents and back to purchasing being carried out directly by MASFA staff, but with improved management procedures.

5 Note that there is no contract between MASFA (the producer organisation) and the buyer (NASFAM Commercial at the time of the study). This is of concern to Fairtrade International, and might constitute a standard non-compliance. However, this may soon be rectified as Afri-Nut is the new buyer and is likely to set up a contract with MASFA.

6 Aflatoxins are naturally-occurring carcinogenic mycotoxins. In groundnuts they are produced by the fungus *Aspergillus flavus* which favours humid conditions.

7 NASFAM maintain that they are the price-setters and other traders undermine them by offering a higher price. They can afford to do this as they have not invested in training and extension services for farmers like NASFAM. This is not understood by farmers, who view NASFAM as lagging behind other traders.

8 According to NASFAM this is because the cash is borrowed from the bank, incurring interest costs that need to be minimised.

5. Collection and processing

The MASFA arrangement for collection of groundnuts at the Marketing Action Centres is working well, as is storage at the main MASFA warehouse before transport to Lilongwe. However, the shelling equipment purchased for MASFA use has not proved a success. The machinery is from South Africa and is suited to the type of groundnuts found there, which are different to the prevailing type in Malawi. The percentage of split nuts is unacceptably high (14 per cent), and farmers prefer to shell by hand. In the process of shelling by hand farmers soak the groundnuts in water to soften the shells, which increases aflatoxin levels in the groundnuts.

A major advance on the 2010 situation is the recently commissioned Afri-Nut processing plant owned by NASFAM, CORDAID and Twin. This processing facility has the potential to maintain the quality of the product offered by farmers at levels acceptable for export to Fairtrade and other markets, and to add value to the raw material through blanching, roasting and pasting. The expectation is for 80 employees, working in two shifts when the plant is fully operational. It is hoped to operate 11 months/year and eventually process up to 20,000 metric tonnes/year with a value addition of roughly 100 per cent over the raw materials. There is a small laboratory with trained staff and aflatoxin testing equipment. However, Afri-Nut stress that the plant cannot improve the quality of the nuts it receives – it can only sort the good from the bad and maintain quality. Consequently partners are of the firm view that it is up to farmers ultimately to improve their product if they are to take advantage of the processing facility and increase sales to Fairtrade.

6. Fairtrade Premium income and usage

The Fairtrade Premium funds earned on Fairtrade groundnut sales go directly to NASFAM, and are only released to MASFA on request against specific project activities. Given the limited supply of export quality nuts, MASFA can hope to receive only a modest amount of premium income every year, which is well below the production potential of the area.

During 2007/8, 18 containers (each carrying 18 metric tonnes) were shipped by NASFAM for sale to Fairtrade outlets in Europe. In both 2008/9 and 2009/10 only four containers were shipped. In 2008/9 one of the shipments was found on arrival to have some contamination with aflatoxin. Deducting the contaminated volumes, a lower volume was sold on Fairtrade terms thus reducing the Fairtrade Premium income that accrued back to MASFA. In 2010/11 one container only was shipped, and that too was rejected due to aflatoxin contamination, earning no premium as detailed in table 4 below.

Table 4. MASFA Fairtrade Premium received

Year	Quantity shipped to Fairtrade in MT	Premium received in US\$	Comment
2007-8	324	35,640	
2008-9	72	7,652	One container's value reduced due to aflatoxin contamination
2009-10	72	7,920	
2010-11	18	0	Container completely rejected due to contamination by aflatoxin

The premium income that has accrued to MASFA since certification (2004) has been spent on three projects until now:

1. Construction of a guardian shelter⁹ at Mchinji District hospital (serving MASFA members, the District community and also foreign nationals from the surrounding area)
2. Construction of a buying centre/warehouse at Mkanda trading centre (Mkanda chapter)
3. Construction of a buying centre/warehouse at Matutu trading centre (Mikundi chapter)

The two buying centres are also used by the community for such activities as under-fives clinics, community meetings, input storage and nursery schools.

⁹ The guardian shelter provides basic accommodation and a place to cook for relatives accompanying the sick and expectant mothers at the hospital.

The use of premium is decided by the MASFA membership at the annual General Assembly. US\$3,713 of premium funds are used each year to renew the FLO-cert annual certification. The last General Assembly (in November 2011) decided that future premium income would be used according to the following ratio – 40 per cent for community projects, 30 per cent bonus on sales on a pro-rata basis to individual producers¹⁰ and 30 per cent to cover transport and administration costs.

Members said that they hope that future income from the premium will be used for the construction of additional warehouses in Msitu and Kalulu chapters by 2014. However, given the trend in the last two years, it is not clear when this premium income for investment will be realised.

7. Other institutional changes

MASFA is one of 42 Area Associations that are part of the National Small Farmers Association of Malawi (NASFAM), and has six 'chapters' within Mchinji district. MASFA has a small, but competent staff. There is a Business Manager (female), accountant, office staff and six Association Field Officers (one for each chapter). Of the AFOs two are women and four men. The number of staff has not changed since 2010, but some of the people in the posts have. The turnover of staff (especially AFOs) means that they have to be re-trained on a regular basis. In addition there are two key farmer-run committees – the MASFA Board of 12 farmer members (two from each chapter; eight men and four women) and the premium committee, also of 12 farmer members (two from each chapter; seven men and five women). The MASFA membership fee is MK3000 (US\$12) per Club (a Club typically has 10 MASFA farmer members).

NASFAM is the main technical training provider to MASFA (with some inputs from ICRISAT – e.g. for seed multiplication of improved varieties). It also works with the Fairtrade International liaison officer based in Blantyre who provides training in Fairtrade standards, and helps to maintain compliance on governance, accountability and sustainability. However, only one Fairtrade training was done last year (on Fairtrade Standards for the MASFA Premium Committee).

AFO training in 2012 has been provided by NASFAM (not Fairtrade funded) on areas such as gender, post-harvest handling, management and 'farming as a business'. New AFOs are also given orientation training by NASFAM. In turn, AFOs train lead farmers and, through them, other farmers. In addition, during the Chapter monthly meetings, the AFOs take around one hour to remind people about Fairtrade and its requirements. Previous trainings have covered compost-making, irrigation and water management, animal husbandry, child labour and living with HIV/AIDS. AFOs interact with government and NGO (e.g. World Vision) staff, and are part of the 'Civil Society Organisation' for Mchinji that meets once per month, and also part of the government District Development Committee.

The MASFA Board (Main Executive Committee) has been trained on general management, but not specifically on Fairtrade. There have been some difficulties in fulfilling compliance standards (e.g. formation of a union for MASFA workers who are scattered, and providing accurate records of meetings due to limited literacy and education levels).

Being a part of NASFAM also brings other benefits such as technical support, assistance with marketing and enhanced financial stability. It is important to note that NASFAM has assumed roles that a local organisation such as MASFA might not be able to do by itself.

Household level changes

Although the majority of the evidence presented below came from focus group discussions with women and men groundnut farmers who are members of MASFA, some information (where referenced) is also drawn from a recent NASFAM impact assessment document.

1. Income sources and the importance of groundnuts

The significance of groundnuts to household income of farmers can be gauged by the fact that in our focus group discussions, both women and men farmers ranked groundnuts first in terms of importance to household income generation. The crash in tobacco prices and the good market for groundnuts regionally and internationally has incentivised farmers to grow more groundnuts.

¹⁰ Some Board members feel that the 'bonus' should not be paid directly to members, but provide benefits in kind to members in the same way as the Kasinthula sugar cane farmers receive their benefits in kind from the premium. However, this change will require a Board resolution to be passed, and so far this has not happened. Others feel that the bonus should stay as proposed, as it offers a production and quality incentive to farmers and promotes loyalty to MASFA that would increase sales to NASFAM.



The Mikundu warehouse constructed with premium funds

This is a clear change from 2010, when tobacco was still the predominant crop in Mchinji District. However, at the household level, there is still a range of on- and off-farm income sources in addition to groundnuts, expressed especially by the men. The table shows that while sources of income are still diversified with farmers still growing tobacco and maize (for sale and consumption), reliance on income from groundnuts is high.

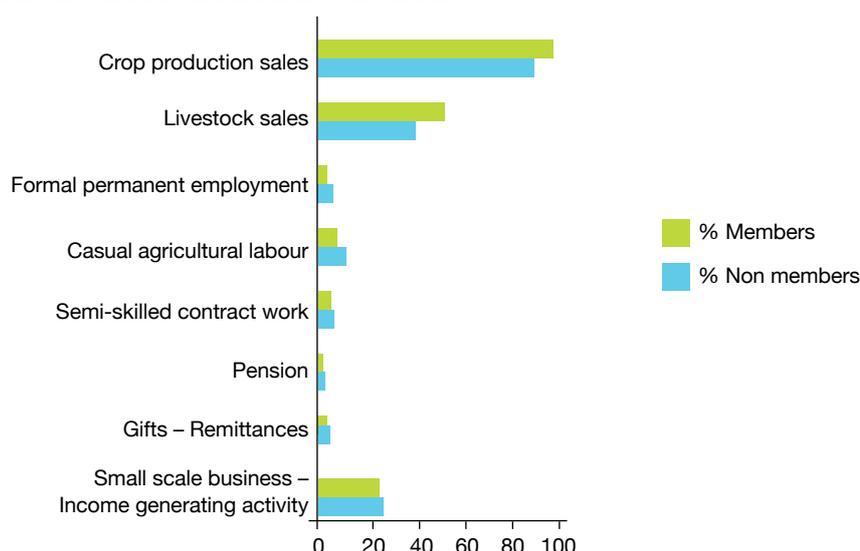
Income source (listed in order of contribution to household income)	
Income sources according to men	Income sources according to women
Farming (crops and livestock) of which groundnuts provide 40-90% of farming income in 2012 , due to the collapse of tobacco, good groundnut prices, good rains and the availability of good varieties (Chalimbana, CG7, Nsinjiro)	Groundnuts (provide 41-52% of farming income)
Irrigated farming (horticulture)	Maize
Small businesses (shops etc.)	Tobacco
Casual labour (ganyu)	Soya
Trades (carpentry, masonry etc.)	Livestock
Bicycle and ox-cart transport	Businesses, including small shops
Remittances	Vegetables and sunflowers

The NASFAM Impact Assessment (NASFAM, 2011) provides data on average annual family income for MASFA members in Mchinji District, showing a three-fold rise between 2006-11, from below average at the start of the period (US\$483/year) to above average in 2011 (US\$1,523).

The Impact Assessment (NASFAM, 2011) also provides an income profile for NASFAM members across the whole country (see figure below), which agrees with the findings of our FGDs provided above in that most members earn their income from cash crop sales.

Figure 1. Income sources for smallholders in Malawi (NASFAM, 2011)

Sources of income for members and non members



2. Production, prices and purchasing: farmers' views

When asked about what they thought the trends in groundnut production were, there is a general feeling among farmers that production is rising, and this agrees with the data provided by the MASFA office in table 3 above. Farmers said that production had been helped this year by good rains, improved husbandry methods (e.g. the reduction in ridge spacing) and the use of improved seed. 2012 sales figures are not included in table 3 as the harvest is still happening.

It is interesting to note that women farmers whom we met viewed groundnut as an 'easy'¹¹ crop to grow as it has a lower cost of production compared to other crops, although they also complain about the rising costs of inputs. Most production is sold, with about 15 per cent being kept in average as seed and for household consumption. In the women's FGDs, each participant was asked to estimate production in the last three years and the following table captures this data directly from the farmers.

Table 5. Estimated production by year in kg (numbers in brackets are kg of groundnuts kept by each member as seed for the next year) from women's FGD at Katonda MAC

Year	Women groundnut farmers									
	1	2	3	4	5	6	7	8	9	10
2009	280 (80)	288 (40)	400 (60)	240 (40)	300 (40)	328 (40)	140 (20)	240 (80)	360 (24)	120 (28)
2010	336 (40)	408 (32)	300 (40)	312 (88)	200 (20)	296 (24)	160 (32)	400 (40)	128 (20)	80 (20)
2011	408 (60)	272 (32)	320 (80)	272 (48)	258 (40)	380 (10)	100 (20)	240 (20)	216 (20)	168 (24)

The data reveals a high degree of variability across households in terms of annual production with factors such as rainfall, household consumption and proportion to be kept aside as seed playing an important role in determining what is available for sale and consequently income.

¹¹ While groundnut requires relatively little financial input, some aspects such as stripping and shelling are labour intensive.

In the view of farmers, prices of groundnuts have been steadily rising but are also volatile as traders compete with one another. From one FGD, farmers indicated that they had received the following prices for groundnuts over the last few years –

- 2009: MK80-120 (prices before devaluation)
- 2010: MK100-120 (prices before devaluation)
- 2011: MK110-140 (prices before devaluation)
- 2012: MK200-240 (prices after devaluation of the kwacha from 168-250 MK to the US\$ in May 2012)

However, it is clear from all FGDs that farmers feel frustrated by the late entry of NASFAM in the market. NASFAM and MASFA staff state that this ‘delay’ is actually a perception by the farmers as it is important to buy groundnuts only when they have been dried for long enough to reduce moisture content to safe levels. However, farmers see other traders who are less concerned about quality entering the market, and some are tempted by the early cash on offer at a time when they are short of income. In addition, farmers spoke of a serious problem of cash flow at the level of the MACs. NASFAM buyers sometimes do not have the cash to settle on the spot with farmers, and when the money arrives, the market price has gone up. Some farmers feel that the efforts that they invest in production of higher quality groundnuts should be rewarded by a grading system and a premium price for better quality. All the women, and most men, claim that they sell (and have sold) their groundnuts to NASFAM and not to vendors which is largely owing to a sense of obligation and loyalty to NASFAM.

3. Standard of living changes

Both women and men related in FGDs how their standard of living has improved due to increased income from groundnut sales and the benefits of Fairtrade Premium projects from premium income received up to 2010. We measured these perceived changes in terms of increased asset acquisition at the household level. Recent asset acquisition is mostly attributable to a good crop of groundnuts, higher groundnut prices, the sale of very early season groundnuts in Lilongwe at a high price, favourable growing conditions (soil and weather) and increased yields due to good extension advice. The table below shows the range of assets acquired and activities undertaken that have improved the standard of living of men, women and children.

Table 6. Changes in standard of living due to membership of MASFA and to the effects of Fairtrade certification

Asset acquired during 2007-2012	% of members acquiring this asset	
	From FGDs with men	From FGDs with women
Able to pay school fees	98%	100%
Brick houses with iron sheet roofs	85%	30-70%
Livestock	25-75%	50%
Bicycles	50-90%	40%
Household goods and furniture	30%	40-50%
Purchase of additional land	25%	Not mentioned
Mobile phones	50%	Not mentioned
Seed of improved groundnut varieties	10%	Not mentioned
Able to buy more clothes, hair and shoes	Not mentioned	90%

It is important to note that not all of these benefits can be attributed to Fairtrade certification. Much of the asset acquisition by farmers is attributable to MASFA membership which enables collective sales of produce (tobacco and groundnut) and also provides extension advice to farmers.

Responses indicate that the most significant ‘standard of living’ improvements noted by farmers are their ability to pay school fees (which was voiced by nearly all men and women farmers) and ability

to build more secure houses with tin roofs. The investment in other ‘productive assets’ like land and livestock is also interesting to note.

4. Relations with producer organisation

Both women and men attested that there is good communication between members and MASFA, particularly through the AFOs.

There is good attendance and participation by both men and women farmers at MASFA meetings (usually facilitated by AFOs) at the Club, MAC and chapter levels. The meetings are an opportunity to make their own work plan to guide them through the farming year. They also remind each other of the requirements of Fairtrade. They often touch on HIV/AIDS and help those with the disease to live fuller lives. They also talk about gender equality and climate change (adaptations, including conservation agriculture measures to retain moisture and fertility). Fairtrade Premium usage is discussed from time to time, but this has not been a priority recently due to the lack of premium received.

5. Capacity building

A wide range of trainings has been provided to both women and men groundnut farmers, mainly by MASFA AFOs and through ‘farmer-to-farmer’ trainings. These have covered themes including: leadership, gender, intercropping, conservation farming, compost-making, vegetable and maize growing, and farming as a business, marketing of groundnuts and husbandry practices. However, the training is often provided only to selected farmers and is not open to all. Farmers that have not participated cannot always trust the accuracy of messages that come down to them as they may have been changed as they have been passed on. When members receive seed, they also get training on planting and management organised by the AFOs and assisted by the ‘lead farmers’. They have also had exchange visits with other MACs and other chapters to see how they do things and to see the performance of different varieties, and attended demonstrations in leader farmer’s fields. These capacity-building activities are highly appreciated by farmers, who rank them as among the main benefits of MASFA membership as can be seen in table 7 below. However, they cannot be directly attributable to Fairtrade.

In terms of understanding and awareness of Fairtrade, women and men farmers said they had heard about Fairtrade, and know that it helps them to sell their groundnuts in international markets. They are aware of the premium projects and are keen that future premium income should be used to complete warehouses in all of the six chapters.

6. Farmers’ views of benefits they receive from MASFA/NASFAM and Fairtrade

Farmers were asked to list and rank the benefits they receive from being members of MASFA. The table below lists all their responses, and also demonstrates the differences in benefits as reported in separate FGDs by men and women.

Table 7. Benefits to farmers from MASFA membership in order of importance to farmers

Ranking of benefits by men	Ranking of benefits by women
30% of premium to be paid to members on pro-rata production basis (to be operational from next premium received)	Trainings provided through NASFAM
Training provided through NASFAM	Opening bank accounts enabling women to manage their own money
Farmer-to-farmer approach which enables farmers to get quick response to problems locally	Access to seed of improved groundnut varieties
Access to improved seed	Trustworthy scales for weighing groundnuts
Regular extension visits from AFOs	Fairtrade Premium-funded projects (guardian shelter + warehouses)
Selling nuts through the MAC	Support in marketing of groundnuts
Transport of groundnuts to the warehouse	Purchase of tree seedlings for their villages
Trustworthy scales for weighing groundnuts	Transport facilities (for tobacco and groundnut)
Access to AFOs any time if they have a problem	

In particular, the women stressed that support from MASFA in opening bank accounts has enabled them to manage their own money and savings, which is significant from an empowerment perspective. The women also made repeated mention of the benefits of the guardian shelter – which was built through income received through the Fairtrade Premium, as it is particularly useful for expectant mothers.

7. SWOT analysis of MASFA by farmers

Women and men farmers were asked for their opinions on the Strengths, Weaknesses, Opportunities and Threats of MASFA at the present time, which are summarised in the table below. The responses were very thoughtful, and paint a picture of a useful organisation which has many commendable attributes and much future potential. Weaknesses continue to be mostly around the purchasing system and prices. Importantly, there is a high degree of congruence between women's and men's responses.

Figure 2. SWOT Analysis of MASFA by farmers

STRENGTHS	WEAKNESSES
<p>Women farmers</p> <ul style="list-style-type: none"> • Good management of MASFA • Enabling diversification (away from tobacco) • Access to markets, including international markets • Improved seed quality (over the years) • Fairtrade engagement • Training provision • Good relationship between MASFA and the farmers – trust <p>Men farmers</p> <ul style="list-style-type: none"> • Improved seed of good varieties • Training for staff and farmers • Extension services through AFOs • Linking farmers to markets • Trees to improve environment • Reliable weighing scales • Exchange visit to Satemwa (FT tea) • Cohesion of members • Contributions (membership and voluntary inputs) 	<p>Women farmers</p> <ul style="list-style-type: none"> • Late start to markets • Cash flow problems at start of purchasing • Low prices compared to vendors • Late seed distribution • Unrealised expectation that Fairtrade will bring personal bonuses to farmers • Need to know more about Fairtrade <p>Men farmers</p> <ul style="list-style-type: none"> • Training less frequent recently • Rains on time, but seed late • NASFAM prices below those of traders • Late opening of the market • Erratic/slow payment by NASFAM • Slow reaction to market price (lag) • Long distances to buying centres
OPPORTUNITIES	THREATS
<p>Women farmers</p> <ul style="list-style-type: none"> • Moving away from tobacco – growing groundnuts itself is an opportunity • New market opportunities with Fairtrade • Premium income to build more warehouses • MASFA should be price-makers and not price-takers • Fairtrade offers an opportunity to set prices with buyers directly – i.e. not going through NASFAM – can this not be pursued? <p>Men farmers</p> <ul style="list-style-type: none"> • Value addition potential • New varieties and husbandry practices • Use of income for diversification activities • Tree planting that can counter climate change • Exchange visits • Loyalty to MASFA • NASFAM/MASFA structures that could be used for other purposes • NASFAM minimum (intervention) price at the start of each season • Use of Fairtrade International for loans • Potential to identify 'elite' farmers to produce a core production of high quality nuts for the export trade • Availability of good regional and international markets 	<p>Women farmers</p> <ul style="list-style-type: none"> • Drought and climate change (drought insurance requested) • Vendors – price-setting is done by vendors and MASFA responds – it should be the other way round • Rosette disease attacks <p>Men farmers</p> <ul style="list-style-type: none"> • Low prices reducing income and food security • Impure seed (mixed varieties) • Delays in implementing value addition activities • Irregular refresher training (can result in farmers not following best practice) • Late credit and seed • Climate change (more frequent drought) • Striga, Rosette and Cercospora leaf spot diseases of groundnut • Competition between traders and NASFAM • Commercial growers who can grow more efficiently and drive down price

8. Gender aspects

Gender aspects of groundnut sector and Fairtrade's role were largely explored through the women's focus group discussions. The following points emerged, showing that women hold a broadly equal role in the household and in the growing of groundnuts and their post-harvest operations. Women in our FGD stated that income earned from sales of groundnuts goes directly to them and is put in the bank.¹² They discuss the use of this income with their husbands.¹³ All women realise that they need to work together with men to realise the potential from groundnuts. Trainings provided to women on 'farming as a business', gender issues, post-harvest handling of the crop, land husbandry practices, manure-making and leadership have been very valued by them. With groundnut replacing other crops as the main income-earner for the household, involvement and interest from men has increased. But this has not resulted in any direct adverse effect on women. As one woman farmer put it, '*Our life is dependent on Mtedza (groundnuts)*'. The Chairperson of Chiosya chapter stated that before she assumed this position, she was afraid of men and would not speak in their presence. However she now feels much more empowered to work together with men and women and be able to tell men what to do (at times) because of her position. In the future, the women farmers wish to see more income from the Fairtrade Premium from which they could do something for the under-privileged in their village – like widows and orphans.

MASFA: Organisational objectives and achievement to date

It is important for Fairtrade to understand to what extent its activities, certification and other interventions help producer organisations achieve the development objectives they have set for themselves. To this end, we have attempted to extract some key aspects of MASFA's objectives and analyse if and how Fairtrade is contributing to their achievement and what further strategies could help this process.

In the table below, the formally stated objectives from MASFA's constitution are provided in the left hand column and the achievement of these objectives to date is assessed in the second column. The third column attempts to relate these achievements to key Fairtrade strategies. The last column identifies further support needed to fully achieve the organisations objectives going forward.

Table 8. Achievement of MASFA objectives

Organisational objective	Achievement to date	Role of Fairtrade strategies in achieving objectives	Further areas of support needed
To increase rural incomes through collective marketing	Collective marketing has been substantially achieved through the formation of Clubs and MACs and marketing through MASFA to NASFAM and Afri-Nut. Farmers' incomes are increasing due to good prices and improved productivity. However this is partly due to a boom in the east and south African groundnut market. Farmers are able to sell low quality groundnuts into that market.	MASFA is inclusive and democratic and has set up structures that have enabled collective marketing. However, this is only partly due to Fairtrade. Around 40 other 'Area' Associations under NASFAM have similar structures without being Fairtrade certified. (NB the cost of certification and audit are a major reason why some of these are not Fairtrade certified.) An excellent market for Fairtrade groundnuts exists (Twin/Liberation), but is not being accessed at the moment due to quality problems. The MASFA/NASFAM/Twin/Liberation/Afri-Nut alliance is an excellent example of an empowering partnership, with just a few weaknesses (communication and purchasing process).	Support to address quality issues and increase the proportion sold on Fairtrade terms. Support in covering costs of certification and audits to enable more NASFAM associations to become Fairtrade-certified.

¹² According to Twin (personal communication) this is not what they found in their FGD with farmers in Mchinji.

¹³ Work by Twin (personal communication) suggests that men take control at the point of sale.

To promote food security at household level	Partly achieved through cash incomes from groundnuts enabling farming families to purchase food staples. However, this is dependent on continued good groundnut prices and production. Need to invest income (and future income from premium) in diversification that safeguards against market failure. Also need to revise the Fairtrade minimum price sharply upwards.	The Fairtrade minimum price has not been reviewed since it was first introduced in 2003. The minimum price is currently irrelevant given that prices have risen in response to high demand by local traders. A revision is warranted considering the true costs of production.	A revision of the Fairtrade minimum price considering the true costs of production and reality of farming in the region is urgently warranted
To equip smallholder farmers with business and marketing skills	Many farmers have received training in 'farming as a business', but still don't keep records (partly due to limited literacy and numeracy). The training has left some thinking they should maximise profits and has led them to sell to traders offering a better price than NASFAM although many still choose to sell through NASFAM owing to their loyalty.	There is good support to smallholders through NASFAM, ICRISAT, AFOs, Afri-Nut processing plant. As such, our research did not reveal any evidence of direct support to smallholder groundnut farmers by Fairtrade through its producer support programme. However, the establishment of the country Fairtrade network has been a boost and helped take up issues at the national level.	In addition to support through NASFAM's own farmer support programme, Fairtrade's own producer support must be strengthened considering the needs of this farming community
To advocate conservation farming practices	The AFOs provide training and advice in conservation farming, but we were not in a position to judge if these are being implemented	The research did not provide sufficient insights into Fairtrade's contribution to the environmental challenges farmers face or conservation farming practices	Continue to meet Fairtrade environmental standards
To integrate HIV/AIDS and gender into all programmes	AFOs provide HIV/AIDS training and encourage sufferers to lead as productive a life as possible. There is good, but not equal, representation of women at MASFA Board, Premium committee and Block levels. MASFA membership is 50% women and 50% men. A deeper consideration by MASFA of women's roles, responsibilities and rights is not evident, although the focus group discussions with women show that women are fully involved with production of groundnuts and in family decision-making.	There is no discernible influence or impact of Fairtrade certification yet on gendered aspects of groundnuts production in the region	Fairtrade's approach to gender needs to go beyond numbers of women's participation to explore the different rights, roles and responsibilities of men, women and children

Challenges and responses

In the first phase of this longitudinal study carried out in 2010, an effort was made to identify the main challenges faced by MASFA. These largely concerned the productivity and quality of groundnuts, the purchasing process, the low income from Fairtrade Premium, and the modest impact that Fairtrade had on household income/standard of living of MASFA members. Lastly the matter of the very low Fairtrade minimum price for groundnuts was also raised.

In this second phase, we attempt to assess, based on our research, to what degree each challenge identified in 2010 has been addressed, and what further strategies could be adopted.

Table 9. Responses to challenges identified in 2010

Challenge identified in 2010	Has the challenge been addressed? How has it been addressed?	Suggestions for the future
Low production	Partially. Good extension advice and improving access to good seed is driving up production.	Continue working closely with farmers on improving agricultural practices
Aflatoxin contamination	Some progress. There is no financial incentive to the farmer to produce quality groundnuts. The mechanised shellers at MASFA have been ineffective and the new Afri-Nut processing plant needs good quality groundnuts—from farmers to address this challenge*. Our field discussions reveal that there is poor communication from NASFAM through MASFA to farmers about the reasons why nuts are rejected resulting in a lack of understanding and appreciation at the farmer-level and at MASFA level on why consignments are rejected and no premium income has been accruing. However, through the research, we identify four measures that are helping progress towards improved quality. First is on-going training on production and post-harvest practices with farmers. Second is the labelling of farmers' produce so that there is traceability for contaminated consignments. Third is the analysis (moisture content and aflatoxin) of samples at the warehouse and at the Afri-Nut processing plant. Fourth is improved storage at the new buying centres.	Continue to improve quality at the field level (seed, planting times, harvest time, storage, shelling). Develop a grading system, if and when the economic situation allows, so that groups of farmers are paid a premium for bulk quality. Note that it is practically impossible for NASFAM/MASFA to pay a premium to individual farmers as average deliveries are small and there is no quick and easy way of grading the quality. Improve communication and transparency between NASFAM and MASFA so that the latter are aware of why their groundnut consignments are rejected on quality grounds.
Purchasing process unpopular with farmers	Improved, but still problematic. The purchasing process has improved in that NASFAM staff are now purchasing (not contracted agents). Also the number of MACs has increased. But there still remain problems of late entry, uncompetitive price paid (in comparison to those of the vendors) and cash flow problems. Unfortunately NASFAM is in a difficult position as the regional price (eastern and southern Africa) seems higher than the European price so that NASFAM would lose money if it purchased at a higher price than local traders. However, even acknowledging this reality, in the views of the farmers, the purchasing system needs to improve and respond better to their cash flow needs.	Emphasise (and improve) the benefits of MASFA membership to keep the loyalty of MASFA members. Resolve cash flow problem at MACs at time of purchase by pre-financing MASFA. Improve communication between NASFAM and farmers to clearly explain why they enter the markets later than other traders. Issue ID cards to MASFA members to avoid non-member farmers fraudulently posing as MASFA members in order to sell to NASFAM and to improve traceability. Advocate for a government-led trading standards campaign to stop traders buying poor quality nuts, and a public health campaign to raise awareness of domestic consumers of the health risks of contaminated nuts. These would help to raise health standards nationally. Radio would be a good medium for this campaign, backed up by enforcement measures.

* Afri-Nut say that they are 'very willing to pay a premium for good quality in bulk, but have yet to find this quality. If farmers could agree collectively to deliver good quality, the value of the product would soon increase' – Afri-Nut personal communication, June 2012.

** www.fairtrade.net/price-premium-info.html

Fairtrade Premium is low per farmer compared to that for other products	<p>Unresolved.</p> <p>The Fairtrade Premium for groundnuts is US\$110/MT. An average farmer's groundnut area is around 1ha, with a (generous) yield of up to 1.5MT per year. In this case, the premium per person, even if all the groundnuts were sold to Fairtrade, could reach a maximum of US\$165 per farmer. This is comparatively much lower when compared to around US\$720 per farmer for sugar (see section on sugar in this report).</p>	<p>Increase the Fairtrade Premium in line with other products in the country if the market can stand it although partners believe that as a low-value commodity, groundnut cannot command a higher premium without losing sales.</p> <p>Increase the proportion of groundnuts sold by MASFA on Fairtrade terms to earn higher premium income.</p>
Modest income for farmers from groundnuts	<p>Improved.</p> <p>In 2012 demand/price was strong and the weather benign. Groundnut income has been good (although tobacco income has fallen). There is a reasonable spread of formal and informal income sources.</p>	<p>Continue to improve yields and quality of groundnuts through good extension, further seed distribution and effective processing (value addition).</p>
Lower than average standard of living	<p>Improved.</p> <p>Both this study and the wider NASFAM impact assessment have shown good progress on standard of living for women, men and children.</p>	<p>Continue to improve yields and quality of groundnuts, but also encourage diversification of income sources to reduce vulnerability to price drop of groundnut.</p>
Limited community benefits	<p>Community benefit as a result of Fairtrade certification is still limited by the low number of premium projects owing to low premium income.</p> <p>The guardian shelter is much appreciated by members, communities and users from neighbouring countries. The two buying centres/warehouses are also used by the community for under-fives clinics and community meetings etc. The priority for the use of future premium is to build four additional warehouses so that each chapter has one for the storage of groundnuts and grain.</p>	<p>MASFA (with NASFAM) to draw up a 5-year Development Plan which includes premium projects designed to benefit the community – especially the most vulnerable.</p> <p>Continue to attract new members to MASFA so that they can enjoy better incomes.</p> <p>Planning about how much premium income is anticipated is key and other supply chain actors like Twin and Liberation must also facilitate this process. However, this depends on quality of the product being improved at the farmer level.</p>
High certification and audit costs	<p>Unresolved.</p> <p>Initial certification costs for MASFA were paid by NASFAM and are being re-paid from the Fairtrade Premium. The audit cost was US\$3713 in 2011 which was covered from premium income. Given the small premium, this is a high proportion of premium income.</p>	<p>Clarify if premium can be used to pay Fairtrade certification and audit costs.</p> <p>Look for ways to bring down audit costs (e.g. using local auditors).</p>
Representation of women on Committees	<p>Improved.</p> <p>Good (but not equal) representation of women at all levels of MASFA. Good participation of women in membership activities.</p>	<p>Improve literacy and technical training of both women and men</p>
Inappropriate minimum price	<p>Unresolved.</p> <p>The Fairtrade minimum price has stayed the same since 2003⁷. It is at US\$670/MT FOB for shelled nuts, while the price at the farm gate (i.e. before processing and transport to the docks) is US\$925/MT (MK250/kg).</p>	<p>Conduct cost of production, processing and transport study to get an accurate estimate of FOB cost. This must be done for operations needed to meet the export quality specifications.</p>

Key trends and future prospects for Fairtrade groundnuts in Malawi

In this section, we attempt to synthesise findings from both the first and second phases of this study to draw out the key trends in, and future prospects for, Fairtrade groundnuts in Malawi.

In institutional terms, while MASFA retains the same structure and functions as during the first phase in 2010, the wider value chain that it is a part of has changed by the setting up of the Afri-Nut processing facility, partly owned by NASFAM and Twin, and therefore by the MASFA farmers. The processing plant presents many opportunities – both in helping Malawian Fairtrade groundnuts receive more value at origin by exporting processed products rather than shelled nuts and also in training and helping farmers move up the value chain gradually. It also has the potential to maintain the quality and consistency of the raw product (cleaned and graded shelled nuts) and its saleability to European Fairtrade markets, as well as extending the range and value-added of the products on offer provided that dry and uncontaminated nuts are supplied by farmers. A steady stream of Fairtrade Premium income from such sales would make a huge difference to MASFA, attracting members and enabling the Association to act with improved resources and greater ambition. However, it will be important to analyse the situation after the plant has been in operation for a full cycle.

In terms of social impact, data reveals that MASFA membership has fluctuated since 2010. The disappointment of member farmers in the lack of Fairtrade Premium income and the limitations of the purchasing system have been offset to some extent by the good advice available to members from the AFOs, the improved access to seed for members and the emergence of groundnut as the predominant cash crop in Mchinji District. The evidence from both this phase of the study and NASFAM's Impact Assessment (NASFAM, 2011) point to an improvement in the standard of living of farmers (in absolute terms and in relation to non-members), in great part due to income from sale of groundnuts. Given the development challenges in the region, Fairtrade certification has yet had only a modest social impact on the lives of groundnut farmers in the region. However, there is undoubtedly a sense of pride that both MASFA and its members feel about being part of Fairtrade and the expectations are that more benefits can be realised in the near future.

In economic terms, groundnuts have enjoyed a strong regional market in eastern and southern Africa over the last two years. This has resulted in the proliferation of small domestic traders buying groundnuts directly from farmers in rural areas. Such traders are unregulated and buy nuts of any quality, thereby undermining the quality standards required for export to Europe, as well as for domestic markets. This was also confirmed with interviews with two key groundnut trading companies. While the presence of this competition has driven prices of groundnuts consistently upwards, something that has directly benefitted farmers, it needs to be regulated both from a quality (public health) and pricing perspective.

The active local market for groundnuts has raised prices, and caused NASFAM to revise its purchasing process, which continues to be unsatisfactory in a number of respects (cash flow, transparency, no price incentive for quality apart from the Fairtrade Premium). It is hoped that the Afri-Nut processing facility is able to start up quickly and capitalise on the present optimism of groundnut producers and the good level of groundnut production by members. The FLO-Cert minimum price for Fairtrade groundnuts is low compared to production costs (especially considering the care necessary during production, harvesting, processing and storage to comply with EU aflatoxin standards) and in need of upward revision.

At the producer organisation level, MASFA indicates good production trends on account of farmers expanding the land dedicated to groundnut cultivation (and reducing tobacco cultivation) and adoption of good agricultural practices. MASFA and its farmers are under the impression that there is a limit on the volume that NASFAM will buy on Fairtrade terms. NASFAM/Twin assert that this is not the case and the present 72MT is a ceiling that can be revised upwards whenever farmers are able to produce that amount at the required quality.

This study did not explore environmental issues in any depth. However, the research did reveal that MASFA staff and farmers themselves are generally aware that risks are posed by climate change for groundnut cultivation in the region. However, it does not have a clear idea of specifically what might happen to the viability of groundnut production or how to mitigate its impacts.

TEA



Context

Tea continues to be a major employer and earner of foreign exchange for the Malawian economy. Only 1 per cent of the tea produced in the country is consumed locally while the rest is exported. At a sector-wide level, smallholders produce less than 7 per cent of all made tea with estates accounting for the majority. However, given the limits to expansion of estate land and production limits being reached, it is largely felt that any further growth of Malawi's tea sector is only going to come from smallholders. This heightens the relevance and potential significance that Fairtrade can have for smallholder tea farmers in Malawi and the economy as a whole.

This longitudinal assessment has focussed on three Fairtrade-certified tea organisations in Malawi. These are Sukambizi Association Trust – a co-operative with over 6,500 smallholder tea farmers as members; Eastern Outgrowers Trust (EOT) – an outgrower scheme with over 5,000 members and Satemwa Tea Estates Limited employing approximately 4,200 workers. As the purpose of the assessment is to assess how each organisation is growing, we report the research findings as such with a synthesis of trends and prospects for the whole sector at the end of this chapter.

The international market for tea remains stable, with the consequence that greenleaf tea produced by the smallholder sector is sought after by the estates and by the privately owned STECO (Smallholder Tea Company).¹⁴ However, the smallholders do not have their own processing facilities, and therefore miss out on any value addition. The Tea Association of Malawi (TAM) feels that without the ability to process their own tea (and therefore get the value-added from processing) smallholders 'are dead' (i.e. condemned to just covering basic needs through greenleaf tea production). However, in the interim, smallholder yield and quality can be increased. These are low at the moment because many producers don't follow the basic husbandry and harvest recommendations (fertiliser levels¹⁵, spacing and plucking regime).

Sukambizi Association Trust (SAT)

Organisational level changes

There has been incremental, but significant, progress since the first phase assessment in 2009. Income from the Fairtrade Premium has risen substantially, increasing the number of projects undertaken, their portfolio and the organisation's ambition.

In addition to Fairtrade certification, SAT is now also a member of another certification scheme and considering organic certification.

1. Membership

SAT membership has risen from 5,545 in 2009/10 to 6,750 in 2011/12 (table 10), mainly due to the benefits arising from Fairtrade Premium project activities and from input loans (advances against sales) available to members from Lujeri Tea Estates that have incentivised more local small tea farmers to join SAT.

Table 10. Sukambizi Association Trust membership

Year	SAT membership
2009	5,545
2010	6,553
2011	6,750

2. Acreage, production and productivity

Production of greenleaf tea by SAT members is down from the record of 8.4 million kg in the favourable harvest of 2007 to 7.6 million kg in 2011. This is a result of the reduced acreage of mature tea (see table 11) due in part to the replanting of tea gardens. Although membership has increased, the overall land area on which tea is planted has not increased. Also, over the same period, the sale of tea to Lujeri Tea Estates has fallen slightly because some smallholders in the Lujeri catchment area sell their tea to the mainly privately-owned Smallholder Tea Company (STECO) which sets their price around 1 US cent higher than the other estates.

¹⁴ The Smallholder Tea Growers Trust was Fairtrade certified in 2011. This sells greenleaf tea to STECO. Some members are defectors from SAT and EOT, while others have been long term with STECO. Although there is a Fairtrade market, STECO is packaging its tea and selling it domestically.

¹⁵ Tea fertiliser recommendations are based on soil and foliar analyses (conducted at the block level by estates) and 'anticipated yield'. As anticipated yield is relatively low for smallholders, so the recommended fertiliser levels are low. The recommendations also recognise the high cost of specialist 'tea fertiliser', which is a 25:5:10:4 NPKS compound fertiliser.

Table 11. Sukambizi Association Trust area and production

Year	Mature tea (ha)	Young tea (ha)	Total tea area (ha)	Total greenleaf production (kg)	Total made tea production (kg)	Productivity (made tea) kg/ha
2009	1,650.0	300.1	1,950.1	7,654,003	1,811,777	929
2010	1,357.73	351.0	1,708.73	7,734,820	1,681,258	984
2011	1,252.08	375.5	1,628.30	7,619,197	1,658,495	1018.54

Source: SAT Development Plan, 2011

As data from table 11 above indicates, productivity of smallholder tea in SAT has shown marginal improvements over the last three years. In general however, productivity of tea by smallholders is usually around half that of estates for a variety of reasons. This is partly due to their low plant density (15,000 bushes/ha in an estate as against 6-8,000 bushes/ha on a smallholder plot). Soil nutrition follows soil sampling and consequent recommendations on the estate, but fertiliser amounts are rarely optimum on smallholder fields. Additionally, plucking is more frequent on estates (three times/month compared to twice/month by smallholders) and water management is better. However, there are some smallholders who are specialising in tea and getting better yields as a result of good husbandry.

3. Sales to Fairtrade

Although total production of made tea from SAT smallholder members has gone down a little since 2009, the amounts sold to Fairtrade buyers has increased. This also means that the proportion of total production sold to Fairtrade has increased.

Table 12. Production and percentage sold on Fairtrade terms by SAT 2009-11

Year	Total production (kg made tea)	Fairtrade sales (kg made tea)	% of total production sold as Fairtrade
2009	1,811,777	750,000	41.4%
2010	1,681,258	1,288,000	76.6%
2011	1,658,495	1,102,110	66.4%

4. Prices, purchasing, processing and marketing

The pricing of tea is complicated as farmers are first paid a farm gate price for the greenleaf they sell to Lujeri and then later receive a calculated 'bonus' which is dependent on the price at which the made tea is sold at the auction. Data from the first phase of the study indicates that in 2009, the farm gate price for greenleaf paid to farmers was 11.5 US cents/kilo greenleaf. Research this year indicates that the farm gate price for 2012 is 13 US cents/kilo greenleaf (note that the local currency base rate for greenleaf tea has risen from MK15.5 in 2009 (old exchange rate) to MK32.50 in 2012 (after devaluation).¹⁶ In addition, the 'bonus' that farmers receive after the sale of made tea at the auction by Lujeri is shared on a 50:50 basis between SAT and Lujeri.

The Fairtrade minimum price is now US\$1.40/kg FOB for made tea. This is up from US\$1.2/kg made tea FOB previously.

All SAT greenleaf tea that is not side-sold to STECO is purchased by Lujeri Tea Estates. In 2009, all the tea offered by smallholders to Lujeri was purchased regardless of quality. However, given the problem of leaf quality that Lujeri faces that affects the productivity of made tea and the final price it receives, the minimum quality clause has started to be invoked in the contracts between Lujeri and SAT. While the quality clause is useful, and can act as an incentive to ensure farmers are regular and pluck the best leaves, it has resulted in Lujeri losing some 15 per cent of production due to the leaf it rejects, and some farmers selling their greenleaf to STECO which accepts tea of any quality. To further increase quality (and ensure productivity even in dry years through the use of drought tolerant clones), Lujeri wants to help SAT to establish a good quality commercial tea nursery with its own professional staff.

¹⁶ The Malawi Kwacha devalued from 168-250MK/US\$ in May 2012



Nalingula school block, built with premium funds

All the smallholder greenleaf tea is processed by Lujeri into made tea. The processing machinery has been recently updated, meaning that the quality of the made tea is good – improving its marketability.

5. Fairtrade Premium income and usage

The Fairtrade Premium on conventional Malawi tea is 50c (USD)/kg made tea.¹⁷ The amount of premium received by SAT in 2009 was US\$375,000. Since then, Fairtrade Premium income has increased substantially, mainly because a higher percentage of tea has been sold on Fairtrade terms by Lujeri, as shown below. Data available for 2012 up to April shows good trends for the current year as well.

Table 13. Premium received by SAT on tea, 2009-2012

Year	Fairtrade sales (kg made tea)	% of total production sold as Fairtrade	Premium received US\$
2009	750,000	41.4%	375,000
2010	1,288,000	76.6%	644,000
2011	1,102,110	66.4%	551,055
2012	843,950 (Jan – April 2012)	Season not yet complete	421,975 (Jan – April 2012)

At the time of the first phase study in 2009, the first premium payments had just arrived into SAT, but no projects had been started. Table 14 shows a list of projects implemented to date. Some improvements that were envisaged in 2009 have not been possible due to cost (e.g. rural electrification). However, a budget has been prepared for providing electricity to each block in the region using solar panels. There is also a plan to install a bridge and hydro-power plant at a suitable location. This is in conjunction with the NGO, the Curtain Foundation. Some of the projects favour only SAT members directly, but the majority benefit the whole community in this region.

¹⁷ For a full list of product prices see www.fairtrade.net/price-premium-info.html

Table 14. SAT Fairtrade Premium projects since 2009

Project	Rationale and intended benefit	Beneficiaries
Health		
Maternity wing	Expectant mothers in the community used to travel 40km to deliver babies. Other women resorted to using traditional birth attendants for deliveries (resulted in deaths at times due to birth delivery complications). SAT is using premiums from Fairtrade (US\$ 5,000 to build the maternity wing) in Naphimba village. The project is supported by other partners like the Curtain Foundation and Lujeri. An estimated 400 babies would be delivered each year in the built maternity wing.	Whole community
Motorised ambulance	Patients in the community were previously transported to a referral hospital 40km away either by being carried on people's backs or on bicycles. Lujeri tea estates bought bicycle ambulances for short distances in 2008. SAT used Fairtrade Premium income to prioritise the purchase of an ambulance in 2010 which is serving 30,000 people in the community.	Whole community
Bondo guardian shelter	The shelter is for guardians who bring the sick to the Bondo medical centre. Before the shelter, guardians were cooking under trees (difficult with rains) and were sleeping in the health centre's corridors at night. The shelter built with Fairtrade Premium income serves approximately 4,000 families with an average of six people per household enabling them to cook their meals on one side and sleep comfortably on the other.	Five group villages (4,000 families)
Water		
Communal water taps	95% of the local community used to get its drinking water supply from streams and wells that were unsafe sources with high risks of water-borne diseases. The SAT prioritised use of Fairtrade Premium incomes in 2009 and 2010 to begin a water supply project for local villages that draws groundwater and will make it available through 400 local communal water points.	Seven group villages
Water tank for storage	SAT is building a water tank for storage of water in Khanyizira village. It is a 35km water pipeline project currently under completion	Whole community
Boreholes for drinking water supply	Fairtrade Premium income has been used to drill boreholes in villages to provide easier access to water	Three villages
Education		
Nalingula and Kangaza school block	SAT has used premium income to build new blocks and school infrastructure for primary and secondary school children in the region. Access to school facilities in the region is poor but the new blocks will add classrooms and other basic amenities for these schools.	Community children
Other investments		
Fertiliser subsidy	SAT has used the Fairtrade Premium to make fertilisers available at subsidised rates for members leading to both productivity improvements and reduction in costs borne directly by farmers	Member farmers
Bridges (one complete, five under construction)	Fairtrade Premium income used to construct bridges over streams and water bodies to connect inaccessible villages with other villages/markets leading both to improve mobility and efficient transportation of greenleaf tea to Lujeri	4,800 people living in 45 inaccessible villages

Leaf sheds	Construction of three 'leaf sheds' at focal points in the region to keep collected greenleaf dry until it is transported to the Lujeri factory	SAT members
Tractor and trailer	For the transport of smallholder greenleaf to Lujeri	SAT members
Six motorcycles	For local transportation, monitoring and training conducted by SAT staff and leaders	SAT members

Household level changes

1. Income sources and the importance of tea

Tea is the biggest income earner among SAT members, according to both men and women, but there is also significant income from a range of other agricultural and off-farm sources as shown in table 15. This data was not collected in the first phase study in 2009, but it is not thought that the situation has changed significantly since then.

Table 15. Income sources for SAT members

Income source (listed in order of contribution to household income)	
Income sources according to men	Income sources according to women
Tea (40% of total income, but still the biggest single contributor)	Tea (60% of total income)
Bananas	Bananas
Businesses/shops	Pineapples
Vegetables	Avocado pears
Trades	Lychees
Working for the estate	Sugar cane
Sugar cane	Businesses/shops
Labour on farms	
Pineapple	

2. Production, prices and purchasing: farmers' views

According to both women and men farmers, production of greenleaf has been steadily rising since 2009 due to the application of good agricultural practices (especially gap-filling on the plots with planting of additional bushes) and additional fertilisers (one bag/year fertiliser provided free by SAT from Fairtrade Premium income and providing access to loans to buy additional fertiliser). Producers also associate better production with the use of more reliable weighing scales being used by SAT. There is scope for further increasing the area under tea cultivation by smallholders, but the limiting factor is access to good quality tea seedlings which is now being addressed by the establishment of village nurseries and a large central nursery.

Farmers are not happy with the price paid for their greenleaf tea. The base price they are currently paid is 13 US cents/kilo, equivalent to MK32.50. This has not risen substantially from the earlier price of 11 cents that was recorded in 2009. On account of rising input costs, farmers, and the SAT Executive Committee, feel that MK50 would be a more reasonable price they should receive and will negotiate with Lujeri on this. However, there is little evidence to support this, as few farmers keep any records and no gross margin analysis has been done.

3. Standard of living changes

Important advances in the standard of living of SAT members' families have been made since Fairtrade certification in September 2008. These advances are largely attributable to community services they receive through the various projects in which SAT has invested Fairtrade Premium income. Most can now send their children to school, and they now feel more food secure. Around half have acquired simple assets like cell phones and bicycles. Importantly, up to half are able to save, even though they might spend 70 per cent of their tea income on buying food. In general they feel they are better off now than they were two years ago, due to improved tea income (due



The maternity wing in Naphimba village, partially funded by SAT premium funds

in turn to higher greenleaf productivity owing to better husbandry and the greater use of fertiliser). However, their overall standard of living is still modest, and improvements could be fragile and dependent on good rainfall and the international tea market.

We measured these perceived ‘standard of living’ changes in terms of increased asset acquisition at the household level. The table below shows the range of assets acquired and activities undertaken that have improved the standard of living of men, women and children.

Table 16. Standard of living changes, SAT

Asset acquired during 2008-2012	% of members acquiring this asset	
	From FGDs with women	From FGDs with men
School fees (primary and secondary)	90	100
Food security	80	90
Home improvements (iron sheets and doors)	65	30
Bicycles	50	50
Savings	50	
Cell phones	40	40
Radios	30	35
Livestock		15
Tools		10

4. Relations with producer organisation

Meetings of SAT members are held regularly (up to twice per month) and are well attended by men and women. During the meetings, the main Executive Committee members seek the views from membership, and also provide information on premium funds and usage. Members are aware of Fairtrade and of the SAT Development Plan, and are happy with the way the premium money is spent.

5. Capacity building/training

Since 2009, village extension agents (VEAs) have been trained by the Lujeri Outgrower Manager to establish local tea nurseries and to spread good husbandry practices. The VEAs have also helped smallholder farmers open bank accounts, such that 90 per cent of SAT members now have bank accounts into which tea revenues are paid. Lujeri has supported this as it prefers to pay into the bank rather than distribute cash individually.

In addition to this field extension service, farmers and SAT leaders have received training in agricultural practices including integrated pest management, good practices in tea plantation management, and the Standards of Fairtrade and other certification schemes that SAT is a member of. There are also season-related trainings during the block membership meetings. In the last year, training has been provided on: water use and tree planting, planting methods for tea seedlings, and good agricultural practices for sustainability (by Rainforest Alliance) including composting, treating termites, gap-filling and plucking.

It must be stated that the only training that Fairtrade has directly provided to SAT is on Fairtrade standards while other trainings have given by other standards systems and local development organisations.

6. Farmers' views of benefits they receive from SAT and Fairtrade

Farmers were asked to list and rank the benefits they receive from being members of SAT. The table below lists their responses, and also demonstrates the differences in benefits perceived by men and women. Benefits of belonging to the Association are mostly concentrated around the impacts of the Fairtrade Premium projects on their lives. However, farmers are also appreciative of the trustworthiness of the digital scales used by Lujeri and proud of the new SAT office and its Administrator. The SAT women farmers interviewed were very grateful for the premium projects – especially relating to healthcare, maternal care and schools that had not only made life in the village easier for them but also provide a brighter future for their children.

Table 17. Benefits to SAT members

Rank	Women's group 1	Women's group 2	Mixed men and women's group
1	Tea nurseries	Fertiliser loans	Fertiliser loans
2	Fertiliser loans	Healthcare (ambulance and maternity care)	Schools
3	Healthcare provision	Education	
4	Village maize storage facility and maize supplements	Training	Tea nurseries
5	Training	Maize food supplementation	Piped water
6	Piped water project	Tea saplings	Transport improvements
7	Schools	Transport and bridges	Maize food supplements
8	Transport and bridges	Office facility	Sukambizi office
9	Regular payments for tea sold		Local warehouse to store maize
10	Digital scales		
11	Sukambizi office and administrator		

We note that the benefits prioritised by women are those premium project investments that have improved access to basic social services in the community including healthcare, water supply and children's education. Fertiliser loans and tea nurseries have also been identified as important benefits as they have improved productivity and consequently household sales of greenleaf tea.

7. SWOT analysis of SAT by farmers

Women and men farmers were asked for their opinions on the Strengths, Weaknesses, Opportunities and Threats associated with SAT at the present time, which are summarised in the table below. The analysis brings out some significant 'strengths' of SAT that include a wide range of organisational activities and benefits to members. The weakness component points out some constraints to improving their situation (lack of credit, seedlings, processing facilities) as well as some specific niggles. Some important opportunities are identified including potential to establish a revolving fund for starting businesses, further diversification away from tea, expansion of production and independence from Lujeri. The threats are mainly seen as coming from the market and from climate variability and change.

8. Gender analysis

Gender analysis within the Fairtrade context for SAT was restricted to interaction with women farmers during the focus group discussions. Most women have bank accounts, and save and work jointly with their husbands in planning household budgets: *'It has been very empowering to earn our own money and put it in the bank'*. They are now looking for seed capital to start their own small businesses.

The women acknowledged that there are nine men and only three women on the Main Executive Committee of SAT, but said: *'It is true that there are fewer women than men on the Committee but we had the opportunity to stand up and contest if we wished to – we just voted for men'*.

Figure 3. SWOT Analysis of SAT by farmers

STRENGTHS	WEAKNESSES
<p>Women farmers</p> <ul style="list-style-type: none"> • Fairtrade Premium projects • Punctual payments for tea, distributing fertiliser and responding to ambulance requests • Good Development Plan • Good leadership and administrative capacity • Good trust between the Association and farmers • Spirit of ownership • Growth of the Association • Regular training programmes conducted • Tea prices going up • Working towards independence from the estate <p>Men farmers</p> <ul style="list-style-type: none"> • Access to tea markets • Fairtrade Premium development projects • Solidarity of the membership • Frequent trainings and meetings • Fertiliser (free from premium funds) • Link to Lujeri for processing and marketing • Seedlings through Lujeri • Lujeri brings good ideas, that SAT follows • Leadership at SAT represents the membership at all levels 	<p>Women farmers</p> <ul style="list-style-type: none"> • No credit facility by Sukambizi to help initiate new business ventures by the women • Lujeri estates must permit women in the village to use their maternity clinic services • SAT does not have its own factory • Not enough tea saplings and too expensive • Price of tea not good enough (should be around MK50/kg) • No protective clothing for tea farmers (would like to hire this) • Needs to do more on tea nurseries • Inadequate transportation facilities for far-away villages <p>Men farmers</p> <ul style="list-style-type: none"> • Low yield of tea due to low fertiliser use • Insufficient access to seedlings to expand production • Premium projects implemented too slowly or not completed (e.g. no water at maternity clinic) • SAT voice ignored by Tea Association of Malawi* • Premium not used to benefit individual farmers • Weak voice in setting prices • Dependence on Lujeri (want own processing plant)
OPPORTUNITIES	THREATS
<p>Women farmers</p> <ul style="list-style-type: none"> • Revolving fund of capital for loans to start their own business • For SAT to own its own factory • Complete independence from Lujeri • That there is room for expansion in the fields is an opportunity as it means that smallholder tea can grow (unlike in estates) • They used to sell pineapples to the Mulanje Canning Factory, but this folded. Would love to see another similar processing plant so they can diversify more. <p>Men farmers</p> <ul style="list-style-type: none"> • Diversification, so as not to depend entirely on tea • Fairtrade market can expand • Development through the premium opens new possibilities (e.g. bridges open new markets) • Collective marketing and advocacy; potential of 6,000+ members) • Autonomy from Lujeri if premium continues and they can get own factory • Reliable market. Get money quickly. • Visits from people from whom they can learn • Improvement to education from schools projects with long term development possibilities 	<p>Women farmers</p> <ul style="list-style-type: none"> • High farm-input costs (especially fertilisers) • High price of new tea saplings • Poor rainfall and climate change and resultant problem of termites (termites increase when rainfall is less) <p>Men farmers</p> <ul style="list-style-type: none"> • Low quality can be punished by the market • If we destroy the environment, there will not be enough moisture for the tea (trainings are reducing this habit) • Low price of tea • Rising prices • Low bonus in second half of the season

* There is smallholder representation at TAM, but while the structure exists, there is perception among tea farmers that the smallholder wishes are often over-riden by the interests of the estate sector (which represents 93% per cent of production and is better able to present its case)

Sukambizi Association Trust: organisational objectives and achievement to date

It is important for Fairtrade to understand to what extent its activities, certification and other interventions help producer organisations achieve the development objectives they have set for themselves.

The first phase of this study in 2009, attempted to capture the organisational aspirations of SAT as expressed by their Executive Committee as to what they would like to achieve as an organisation by 2013. The second phase of this study conducted in 2012 reveals that although not all stated aspirations have yet been met, SAT is well on the path to achieving them and has made considerable progress in the last three years. Some of its achievements are due to the implementation of Fairtrade Premium-funded projects, some due to the application of Fairtrade Standards and some are attributable to support by Lujeri. Some other achievements are an outcome of combined effect of various interventions and are not attributable to one particular Fairtrade intervention.

Table 18. SAT achievement of objectives identified in 2009

Organisational objective to be achieved by 2013 – as stated in 2009	Achievement to date(2012)	Role of Fairtrade strategies in achieving these objectives	Further areas of support needed
A. Organisational <ul style="list-style-type: none"> Increase number of members from 5,700 to 7,000 Have own office block with transport, computers, electricity and an Administrator To have a Development Plan Purchase an ambulance 	<ul style="list-style-type: none"> Membership increased to 6,500 Own office with transport, computer, printer and Administrator in place (although no electricity yet) Development Plan in place Ambulance in place 	The requirements of Fairtrade certification and audit processes have incentivised the development of a democratic and functional Association with a good Development Plan in place	Further support is needed to broaden the organisational capacity in terms of human resources, skills and capabilities
B. Financial <ul style="list-style-type: none"> 50% of farmers to have their own personal bank accounts 	<ul style="list-style-type: none"> 90% have bank accounts 	This has mainly come about through the buyer (Lujeri) wanting to pay into bank accounts, but has had a positive side effect of empowering savings (including among women)	
C. Land, production and income <ul style="list-style-type: none"> Increase average size of tea gardens from 0.3 to 0.5 ha Raise yield from 6,000-7,500 kg/ha (made tea) Price to be raised from MK32.50 to MK50.0 	<ul style="list-style-type: none"> Little change in size of gardens Tea yields have increased, but still well below estate levels Price (after devaluation) is now MK32.50 Global demand for tea is steady 	<p>Good technical support is available to smallholders, but mainly from Lujeri Estates which has a clear interest in increasing production. However, Fairtrade Premium income has contributed to subsidised fertiliser and supporting the purchase of tea bushes and saplings.</p> <p>The Fairtrade minimum price is currently relevant/irrelevant in this context as it is set for made tea whereas the farm gate price that farmers receive is for greenleaf which is negotiated between the estate and the Trust.</p>	<p>The farm gate price paid to farmers for greenleaf is low and has not reached the intended level of MK 50/kilo.</p> <p>Fairtrade must support the acquisition of cost of production evidence to facilitate price negotiations between SAT and Lujeri to ensure farmers get a reasonable price for their greenleaf.</p>

<p>D. Skills and knowledge</p> <ul style="list-style-type: none"> • All farmers to receive business management training • 50% of farmers to keep cost and production records • To have digital weighing scales 	<ul style="list-style-type: none"> • Some farmers have received training in farming as a business. • Very few farmers keep records • Digital scales in place 	<p>Good alliance between Lujeri and SAT</p>	<p>SAT farmers and office holders need more training to be able to represent their interests in negotiation with TAM and with GoM.</p> <p>Training to farmers on business management and record-keeping needs to be more widespread and can be facilitated by Fairtrade with support from a local development organisation.</p>
<p>E. Social situation</p> <ul style="list-style-type: none"> • All trading centres in the area to have electricity* • Most villages to have gravity-fed piped water supplies • 90% of houses to have iron sheet roofs • At least 10% of houses to have access to SanPlats or pit latrines • 100% of children in school and 30% going on to secondary school 	<ul style="list-style-type: none"> • Plans for providing electricity to trading centres from solar electricity being made • 35km of piped water installed • Approximately 50% of houses have iron roofs • Few houses have SanPlats, but increasing number have pit latrines • Nearly 100% of SAT members children go to primary school and an increasing number to secondary school 	<p>Good Fairtrade Premium incomes enable excellent social development projects benefitting members and non-members</p>	<p>SAT and Lujeri need to ensure that a sufficiently large proportion of made tea processed by Lujeri from SAT. Greenleaf is sold on Fairtrade terms as this is what premium income are dependent on. In the light of SAT being multiple certified, this proportion will be need to be closely monitored.</p>

* Mulanje Mountain Conservation Trust has received a grant to promote rural electrification by different means.

In addition to these organisational aspirations expressed in 2009, the SAT Development Plan that is now in place also sets out some aims and targets that the organisation wishes to achieve in the future. These demonstrate a high level of ambition and commitment across several sectors. The means and interventions that might enable these to be achieved are also taken from the SAT Development Plan.

Table 19. SAT aspirations and targets

SAT Development Plan: aims and targets	Suggested means for achieving aims and targets
Increase number of farmers to 10,000 by 2016	Continue to provide and demonstrate benefits to farmers.
Increase area under tea production to 3,000ha by 2016	Train one lead farmer per 50 tea farmers in tea plantation management by December 2012. Enter into dialogue with Tea Research Foundation, Lujeri Estates Ltd, Mulanje Conservation Trust, USAID, and Opportunity International Bank of Malawi for funding and production of tea seedlings for planting by September 2011.
Build 12 new primary schools by 2015	Engage participating farmers in training sessions on improving tea quality to 75% so that more tea is bought by Fairtrade tea buyers on the market so that more premiums are available for projects by January 2012. Engage the Government of Malawi for support in building and general running of the schools by 2014. Engage Village Development Committees for their commitment into the project by August 2012.
Do a rural electrification project by 2015*	Engage participating farmers in training sessions on improving tea quality to 75% so that more tea is bought by Fairtrade tea buyers on the market so that more premiums are available for projects by January 2012. Engage the Government of Malawi for support in rural electrification by 2014. Engage Village Development Committees for their commitment into the project by August 2012.
Increase tea production to 15 million kg by 2016	Establish field schools, demonstration plots and field visits as a way of communicating Good Agricultural Practices to all participating farmers by August 2011.
Complete a 35km water project by 2013	Engage participating farmers in training sessions on improving tea quality to 75% so that more tea is bought by Fairtrade tea buyers on the market so that more premiums are available for projects by January 2012. Engage the Government of Malawi for support in the water project by March 2011. Engage Village Development Committees for their commitment into the project by August 2012.
Upgrade secondary schools by 2013	Engage participating farmers in training sessions on improving tea quality to 75% so that more tea is bought by Fairtrade tea buyers on the market so that more premiums are available for projects by January 2012. Engage the Government of Malawi for support in building and general running of the school by 2014. Engage Village Development Committees for their commitment into the project by August 2012.
Construct five bridges by 2013	Engage participating farmers in training sessions on improving tea quality to 75% so that more tea is bought by Fairtrade tea buyers on the market so that more premiums are available for projects by January 2012. Engage Village Development Committees for their commitment into the project by August 2012.
Improve leaf quality to 75% by 2013	Train extension workers on tea plantation management from August 2011 to December 2011. Establish field schools, demonstration plots and field visits as a way of communicating Good Agricultural Practices to all participating farmers by October 2011.
Operate independently of Lujeri by 2018	Commence discussions with organisations like banks and finance lending institutions for funding the new factory by 2018. Getting commitment from participating farmers on funding the new factory by 2014. Negotiating with Lujeri Estates Ltd for a joint venture factory by 2014

* There is potential for hydro-power in the SAT area. Practical Action is working on this. A possibility for supplying electricity to SAT members and at the same time investing premium income in community services would be for SAT to put capital into the Hydropower Company now being established.

Eastern Outgrowers Trust

Eastern Outgrowers Trust is an association representing 5,000 smallholder tea farmers who act as outgrowers supplying tea to Eastern Produce (EP) Estates Limited.

Organisational level changes since 2009

1. Membership

The membership of EOT has grown from 3500 in 2009 to 5000 at present – an increase of 43 per cent (table 20). There are more women than men in the membership of the Trust mainly because land is acquired in a matrilineal inheritance system in both Thyolo and Mulanje. Besides this, many men focus more on doing business or working at Eastern Produce Estates, hence leaving the tea business to the women. Additionally, tea is considered a ‘food security crop’ because the income from tea is primarily used to buy food.

Table 20. Membership of EOT, 2012

District	Men	Women	Total
Mulanje	1,500	2,500	4,000
Thyolo	400	600	1,000
Totals	1,900	3,100	5,000

Factors that have contributed to the growth in membership include a serious cash flow problem at STECO/Mulli Brothers such that it has not paid its farmers for the past three months. Farmers are therefore joining EOT because Eastern Produce always pays on time. Paying on time ensures households do not have problems in buying food. Some farmers have moved away from Lujeri (SAT) because members are forced to receive their money through the bank and some do not wish to do so. Since 2010 EOT has established its own nurseries for members from which they buy seedlings at prices subsidised by the Fairtrade Premium (MK5-8 per seedling against a market price of MK15). Farmers appreciate this service, which is one of the attractions of membership. Planting new tea fields to replace annual crops or gapping up exposed land in established tea gardens reduces soil erosion and benefits the environment, especially on sloping land. EP collects the greenleaf from their farmers each day, meaning that it is collected without loss in weight due to transpiration or withering of the leaves before they are collected. Members thereby gain in revenue compared to those selling to STECO, making membership attractive. Lastly, any time there is a new development that affects the members of the Trust or Eastern Produce, the members are quickly informed. This gives members confidence in their organisation and attracts new members.

2. Acreage, production and productivity

The overall volume of tea produced by EOT has doubled since 2009, following the 43 per cent increase in the number of members as indicated above.

Table 21. Greenleaf produced by EOT and made tea production after processing by EP; 2009-12

Year	Total greenleaf production by EOT members (kg)	Total made tea production by Eastern Produce (kg)
2009	11,862,754	551,756
2010	25,334,504	1,178,349
2011	23,836,319	1,108,666
2012 (Jan to June)	19,607,269	911,966

In terms of productivity, individual farmer productivity is still very low and averages 4,600 kg greenleaf/ha/year as compared to tea productivity in Eastern Produce’s estates. The main reasons cited by smallholder farmers for this difference is the lower quantities of fertilisers and lime they can afford and apply, the dependence on rain-fed tea farming and inability to weed farms regularly. As we do not have data for the total land under tea cultivation at EOT, it is difficult to calculate accurate productivity figures and analyse trends over the last period. However, interviews with EOT staff reveal that a number of measures are being taken to boost productivity by member farmers. The EOT Annual General Assembly has agreed that each member should be given a 50kg bag of

fertiliser (using Fairtrade Premium funds) to apply in their tea gardens. There is also an opportunity for those with larger areas of land to access extra fertiliser on loan from EOT. The decision by the General Assembly to establish its own nursery (using Fairtrade Premium funds) was also taken to address the low yield problem. All the bushes that are propagated at the three nursery sites (two set up in 2009/10 and the third added in 2011) are hybrids and grow faster than those farmers are currently growing. Regular reminders and training by chairpersons of each of the blocks also ensures that good quality tea is plucked at all times. Besides, a leaf quality checker is always available when greenleaf tea is being collected from the blocks. Previously, the leaf checker was unpaid, but starting from July 2012 leaf quality checkers are paid like other labourers working for the company at a daily rate of MK270. This was jointly decided by EP management and EOT. Farmers are also trained in the proper handling of greenleaf tea, told to respect the plucking regime and are given support by two extension workers recruited by Eastern Produce to provide regular extension support.

3. Sales to Fairtrade

Sales figures from EOT below show a rise in volumes sold on Fairtrade terms from 2009-10 but then a dip in sales to Fairtrade markets in 2011. However, the percentage of EOT production sold on Fairtrade terms by EP to buyers has consistently fallen from 2009 despite the substantial increase in production of greenleaf by EOT members. This was due to a Fairtrade buyer losing one of their main commercial contracts to a competitor and therefore purchasing a lot less Fairtrade tea. However, now EP sells its Fairtrade tea to a new buyer and the volume of sales have recovered. However, the figures show that the proportion of sales to Fairtrade has dropped since 2009 by nearly 10 per cent and it would be important to further research why this is the case.

Table 22. EOT tea sold by EP on Fairtrade markets

Year	Volumes sold to Fairtrade (kg made tea)	% of total production sold as Fairtrade	Fairtrade Premium income received (US\$)*
2009	262,177	47.5%	108,880.00
2010	414,280	35.2%	272,633.50
2011	376,660	33.9%	195,111.14
2012 (Jan to July)	361,450	39.6%	192,310.00

* NB there can be a delay between selling the tea and receiving the premium

4. Purchasing, processing and marketing

All greenleaf tea produced by EOT smallholders is purchased by Eastern Produce and then processed into made tea and sold to Fairtrade buyers. All processing is carried out by EP, and all marketing (to Fairtrade buyers and others) is done by EP.

5. Premium income and usage

The amount of Fairtrade Premium income received by EOT is dependent on their sales on Fairtrade terms and was therefore also affected by the difficulties associated with the previous buyer. Nonetheless, Fairtrade Premium income has nearly doubled since 2009 enabling a wide range of premium-funded projects to be undertaken.

Table 23. EOT premium income by year

Year	Fairtrade Premium (US\$)
2009	108,880.00
2010	272,633.50
2011	195,111.14
2012 (Jan to July)	192,310.00

EOT now has an annual work plan for Fairtrade Premium-funded projects which was developed in December 2011 and covers the period up to November 2012 (table 24). It reflects an ambitious list of projects executed over the course of the year and many directly linked to increasing tea productivity through establishment of nurseries, control of soil erosion and afforestation programmes.

Table 24. EOT workplan for premium-funded projects, 2011/12

Project	Timeline
Fertiliser subsidy	Jan – Nov 2012
Administration costs	Jan – Dec 2012
Likanga tea nursery	Jan – Dec 2012
Makwasa tea nursery	Jan – Dec 2012
Phwera tea nursery	Jan 2012 onwards
Motorcycle	June – Sep 2012
Exchange visit costs	Jun – July 2012
Mphanje maize mill	Jan – June 2012
Control of soil erosion	Jan – Dec 2012
Afforestation program	June 2012

In addition, rural electrification works (2.3km of line) have almost been completed in Maida village (Mpange Block in Thyolo District). The system remains to be connected to the power supply.

The cost of auditing (MK750,000 in 2011) was also covered by the Fairtrade Premium. Annual visits by the auditor are greatly appreciated by members as they believe it raises their standards with additional support being provided by the local Fairtrade liaison officer in addressing problems identified through the audit process.

EOT joined the Malawi Fairtrade Network in 2012, with a three-year membership fee of MK160,000 (US\$213/year), paid for from the Fairtrade Premium.

6. Other organisational changes

EOT is interested in obtaining certification from other schemes active in the region but has not yet been certified by any other organisation. It has however been the recipient of training and capacity building programmes conducted by other certification schemes. In May 2012, the Tea Research Foundation organised a Field Day for farmers, and in June 2012 ten farmers from each Block were trained by EP on tea planting and general tea management. EOT also works closely with Sukambizi Association Trust, with whom they hold annual joint meetings to share experiences. Last year (2011), EOT went to Lujeri, and this year (2012) SAT came to EOT.

Household level changes at EOT since 2009

The data about household level changes was collected through three mixed focus groups discussions held jointly with men and women in three EOT blocks. The gender-disaggregated perspectives discerned with other organisations are therefore not available for EOT.

1. Income sources and importance of tea

Table 25 shows that tea is the principal income earner for EOT members, while maize is the main food crop.

Table 25. Income sources of EOT member farmers

Income sources (listed in order of contribution to household income)
Tea
Bananas
Sugar cane and pigeon peas
Vegetables
Pineapple, avocados and cassava
Sorghum

Farmers also stated that most of the income earned from tea cultivation went into the purchase of staple foods like maize, cassava, bananas, rice, sweet potatoes and sorghum. Although some of these food crops are grown in small proportions by farmers, production is rarely sufficient to meet consumption needs of households.

2. Production, prices and purchasing: farmers' views

The main tea production problems that farmers highlighted were labour constraints for weeding during harvest, leading to low productivity due to weedy fields, the high price of fertiliser (most of the money earned from tea is used to pay off the fertiliser loan, hire labour and buy food)¹⁸ and the low price paid by EP for greenleaf tea. Even though the price has gone up, this rise has not compensated for devaluation and input price increases. Some farmers believe there should be a minimum government price for tea (as there is for tobacco).

3. Standard of living changes

Members said that their lives have improved, albeit slowly and incrementally. We measured these perceived 'standard of living' changes in terms of increased asset acquisition at the household level. The table below shows the range of assets acquired and activities undertaken that have improved the standard of living of men, women and children. The modest improvements in standard of living are due to increases in income from better tea productivity brought about by improved husbandry and increased access to inputs (e.g. fertiliser through the Fairtrade Premium).

Table 26. Changes in standard of living for EOT members

Asset acquired in the 2009-12 period	Proportion (%) of members acquiring this asset
Built a house with iron sheet roof	30
Purchase of iron sheets	25
School fees for children	100
Improved food security through purchase of food	100
Radio	16
Bicycle	16
Mobile phone	10

It is important to note that many farmers perceive that income from tea has enabled them to purchase more food and lead to an improved sense of food security during the year.

4. Relationship between farmers and the organisation

Farmers describe the relationship between EOT member farmers and Eastern Produce as very good as the company support smallholders and ensures timely monthly payments. This strengthens farmers' commitment, and the bonus received from EP each year is a great incentive to the farmers and the organisation. EP always listens to any complaints from EOT, and considers them favourably in most cases.

The relationship between farmers and EOT is also good. Regular meetings and trainings are held by EOT for farmers with up-to-date information on Fairtrade, the tea industry and HIV/AIDS. EOT serves as a protection between farmers and EP as it has negotiation and bargaining power to represent the needs of the smallholder producers. Some farmers feel that EOT is failing to convince Fairtrade to transfer most of the premium benefits directly to the individual farmers.

5. Capacity building/training

EOT has received capacity building from a range of organisations in relation to farm management including nursery production, weed management, tea plucking and tea handling. In May 2012, the Tea Research Foundation organised a Field Day for farmers, and in June 2012 ten farmers from each block were trained by EP on tea planting and general tea management.

The Control Committee, which is a recently constituted committee of EOT, underwent training on Fairtrade Standards at the end of 2011 as a recommendation from the FLO-Cert Auditor, and the HIV/AIDS committee was trained in 2010 on HIV and AIDS issues. In 2010, all Board members and some selected committee leaders were trained in Group Dynamics and Human Resources Management. This training was conducted by Bunda College staff with support from the Fairtrade Foundation. In August 2012 all farmer members underwent a refresher course on Fairtrade Standards conducted by EOT Board members following their own training by the Fairtrade liaison officer. Three members of the Board were also trained in Fairtrade networking by the Malawi Fairtrade Network.

¹⁸ The monthly average income from tea during the peak period per household was given as MK5,000/month but ranges from MK500 – MK20,000/month, with the majority earning less than MK5,000 per month

6. Farmers' views of benefits they receive from EOT and Fairtrade¹⁹

Farmers appreciate the benefits of belonging to EOT, which include market stability, on-time payment, subsidised fertiliser on loan, free fertiliser from the Fairtrade Premium from this year, the ambulance (from Fairtrade Premium), extension workers who train EOT members on how to manage their tea and the good communication between the EOT Board and members. EOT leadership understand when the quality of tea is not good enough and: *'They nicely ask farmers to sort the tea and take out the bad leaves and sell the rest. This was not the case in the past. They would make them throw away everything.'*

However, farmers in the FGD at Kanjeza Block complained that the Fairtrade Premium was benefitting the community more than them as individuals: *'Why do they spend our money building school blocks and clinics leaving us the growers still poor? They should leave such projects to government!'*

Despite this comment most members of EOT appreciate the wide range of benefits from the Fairtrade Premium projects (as evidenced in the SWOT analysis below).

7. SWOT analysis of EOT by farmers²⁰

The SWOT analysis shows that in general EOT is doing a good job of representing and encouraging farmers (assisted by EP). However the weaknesses component of the analysis uncovers a number of complaints about low prices, insufficient benefits and concern about the implementation of Fairtrade Premium projects. The opportunities component shows a willingness to expand and diversify, while the threats point to the need for a sustainability strategy that is less dependent on Fairtrade Premium income.

Figure 4. SWOT analysis of EOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> The relationship with Eastern Produce is very good. The company gives good support to EOT smallholders EOT members always receive money on the same day of the month from EP. This strengthens farmers' commitment The bonus received from EP each year is a great incentive to the farmers and the organisation EP always listens to any complaints from EOT, and considers them favourably in most cases There is good leadership of the organisation Good service from the ambulance bought using Fairtrade Premium money Introduction of the nursery and free fertiliser are very good and will improve yields Regular meetings and trainings with up-to-date information on Fairtrade, the tea industry and HIV/AIDS EOT serves as a protection between farmers and EP (has negotiation and bargaining power) 	<ul style="list-style-type: none"> The low price at which tea is bought is a weakness that affects the farmers No protective clothing is provided through EOT Drop in the flow of the Fairtrade Premium money. Some of the projects that were started are failing to be completed because of cash flow problems in the organisation. The only loan available through EOT is for fertilisers. Some farmers want small business loans to be available from a revolving fund. Over-reliance on Fairtrade money. Last year when Fairtrade Premium income was reduced, the projects were stalled. Too many standards/rules from those who buy our tea The number of nursery seedlings given to each farmer is small. This is compounded by the fact that there are too many members now. EOT is failing to convince Fairtrade International to transfer most of the premium benefits directly to the individual farmers
OPPORTUNITIES	THREATS/CHALLENGES
<ul style="list-style-type: none"> EOT is planning to allow each farmer to buy shares in the Trust which will make it more sustainable, and allow the organisation to grow EOT has started several income generating activities such as the nursery, purchase of a grinding mill, purchase of a tractor which is rented to EP. All these will make the organisation less reliant on premium money and hence more sustainable in the future Farmers are hard-working despite the problems 	<ul style="list-style-type: none"> One day EP support will go away, and EOT will have to stand on its own. Activities like the nursery are meant to make EOT sustainable. Reliance on Fairtrade Premium income Sickness from malaria

¹⁹ Ranking of benefits was not undertaken in these FGDs on account of time constraints

²⁰ Gender disaggregated views could not be collected in these FGDs on account of time constraints

EOT: organisational objectives and achievement to date

It is important for Fairtrade to understand to what extent its activities, certification and other interventions help producer organisations achieve the development objectives they have set for themselves.

The first phase of this study in 2009, attempted to capture the organisational aspirations of EOT as expressed by their leadership as to what they would like to achieve as an organisation by 2013. The table below compares the aspirations ('hoped-for situation') set in 2009 with the reality at the time of this second study. Good progress has been made towards meeting these aspirations. In addition, as with Sukambizi, EOT would like to have its own factory in the future to overcome the problem of being paid a low price for its greenleaf and add the value of processing the leaf, and to have its own tractor fleet to reduce costs to members.

Table 27 Achievement of EOT aspirations

Organisational objective to be achieved by 2013 – as stated in 2009	Achievement to date (2012)	Role of Fairtrade strategies in achieving these objectives	Further areas of support needed
A. Organisation <ul style="list-style-type: none"> • With assistance from chiefs, to have own land and office block and some staff houses • To have own qualified accountant, secretary and office attendant • To establish an office branch in Thyolo • To buy push bikes at least for all Board members 	<ul style="list-style-type: none"> • EOT has purchased land for its own office. It hopes to build a warehouse for storage of maize on the same site. Maize will be bought at harvest and sold at a reasonable price to members during the lean months of the year when maize prices are usually very high. • Administrator appointed but not other staff • No office in Thyolo as yet • Motorcycles purchased 	Fairtrade Premium funds have been used to acquire land and facilities, and to pay the Administrator	As membership increases, to ensure that there is sufficient capacity in human resource and skill terms to serve the membership
B. Financial <ul style="list-style-type: none"> • Improved access to inputs Improve income base 	<ul style="list-style-type: none"> • From 2012 one bag of fertiliser will be provided free to each member funded from Fairtrade Premium income. Also the establishment of tea nurseries will improve access to good quality tea seedlings. • EOT is in the process of buying a grinding mill (see table 24). They have already constructed the building where it is going to be installed and has been located in an area where farmers presently travel long distances to the nearest mill. This will generate income for EOT. 	Premium funds used to subsidise fertiliser and purchase the grinding mill	

<p>C. Land, production and income</p> <ul style="list-style-type: none"> Raise tea productivity from 5000kg/ha to 10,000 kg/ha 	<ul style="list-style-type: none"> No data collected on tea productivity, but it is believed to be improving steadily through better use of inputs and better husbandry encouraged by extension advice from EP extension agent 	<p>Fairtrade Premium income has enabled the establishment of tea nurseries and the purchase and provision of fertilisers to farmers that will hopefully boost production</p>	<p>Technical support to farmers through training in better agricultural practices and extension support</p>
<p>D. Skills and knowledge</p> <ul style="list-style-type: none"> All farmers to be able manage tea gardens as a business 	<ul style="list-style-type: none"> Training has been conducted on farming as a business. Not all farmers could attend, so the impact of such efforts depends on the extent of trickle-down of the messages and the good example set by the leader farmers. 	<p>Capacity development support from Fairtrade liaison officers</p>	<p>Continuing capacity development and explore collaborations with other local development organisations to provide technical support</p>
<p>E. Social situation</p> <ul style="list-style-type: none"> To have at least 2 ambulances (one for each district) At least 90% of households have access to safe drinking water At least 80% of houses to have iron sheet roofs School drop out children have access to technical skills training An increased number of adults know how to read and write 	<ul style="list-style-type: none"> One ambulance vehicle purchased using premium funds No data on % of households with safe drinking water 30% have iron sheet roofs and many others have started saving sheets so that they can eventually have iron roofs No data on school drop out access to technical training No data on adult literacy 	<p>Ambulances and drinking water projects have been undertaken by investment of Fairtrade Premium funds</p>	<p>Support to EOT in developing a clear needs-assessment and the impact of premium projects on members and communities</p>
<p>F. Environment</p> <ul style="list-style-type: none"> To raise at least 1,000,000 tea seedlings per year to fill gaps in the farmers' fields 	<ul style="list-style-type: none"> Three tea nurseries have been established, with a total capacity of 100,000+ seedlings per year Thyolo District is a special political situation (has its own 'President') and needs careful handling, but there is need for lobbying at the government level to rehabilitate the environment on and around Thyolo mountain 	<p>Tea nurseries established using Fairtrade Premium funds</p>	<p>Greater emphasis needed on environmental projects that mitigate effects of climate change</p>

Satemwa Tea Estates Limited

Satemwa Tea Estates Limited is the only Fairtrade-certified tea plantation to be part of this longitudinal study.

Organisation level impacts

1. Membership

All permanent and temporary workers at Satemwa Tea Estates Ltd are 'members', represented by the General Assembly and by the Joint Body. Satemwa hires workers by the season and the table below indicates the range in number of workers employed over the years across peak and off-peak seasons. On average across both seasons, approximately 25-30 per cent of the workforce is female. In 2011 the Estate started a programme to reduce the labour force (as seen in the drop in the numbers of off-peak workers employed) to save costs. However, in 2012 more workers were employed to cope with the high yields following good rains.

Table 28. Worker numbers at Satemwa Tea Estates Ltd.

	2008		2009		2010		2011		2012	
	M	F	M	F	M	F	M	F	M	F
Off-peak	1,632	452	1,701	501	1,796	535	1,132	367	1,475	593
Peak	1,951	680	1,946	720	1,700	508	1,600	624	1,390	780

2. Acreage, production and productivity

The land held by Satemwa has remained fixed at 900 hectares. In addition to the tea grown on the estate, Satemwa also purchases tea grown by the Msuwadzi Association (a group of 330 smallholder tea farmers in the Thyolo North area who sell to the Conforzi and Satemwa estates).

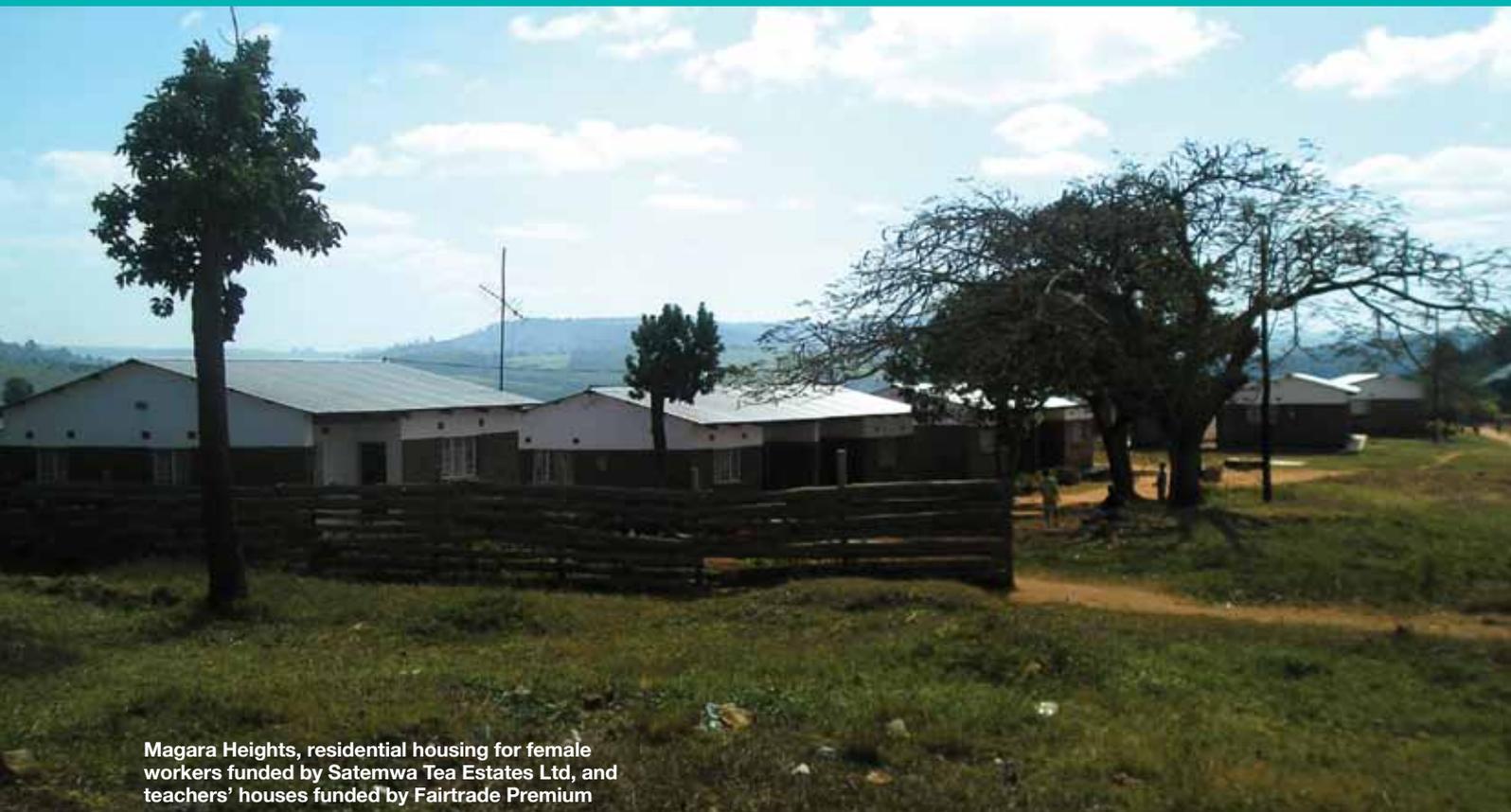
Production and productivity of made tea have remained similar over the last four years, with some variation due to climate. However, compared to data available from Sukambizi and EOT, the difference in productivity between estate production and smallholder tea production is even more marked.

Table 29. Production and productivity of made tea at Satemwa

	Production (kg of made tea)	Productivity (kg made tea per ha)
2008-2009	2,139,146	2,377
2009-2010	2,687,626	2,986
2010-2011	2,292,816	2,548
2011-2012	2,133,092	2,370

3. Sales to Fairtrade

The following table shows the sales to Fairtrade by Satemwa over the years. The proportion of total production sold as Fairtrade appears to fluctuate significantly, causing the flow of Fairtrade Premium income to have been irregular over the last four years. In particular, the percentage sold on Fairtrade terms reduced significantly from 38 per cent in 2010-11 to 14 per cent in 2011-12. Possible reasons for this, as provided by the Joint Body, included competition between Fairtrade tea producers affecting the market share for each; competition for purchase from Satemwa between different certification schemes; shrinkage of the Fairtrade market due to the recession, and the shift of buyers from 2009/10 which resulted in an immediate increase in Fairtrade sales. The reduction in the percentage of Fairtrade sales in 2011/12 compared to 2010/11 was due to a change in buyer.



Magara Heights, residential housing for female workers funded by Satemwa Tea Estates Ltd, and teachers' houses funded by Fairtrade Premium

Table 30. Sales of Fairtrade tea by Satemwa

Year	Total production of made tea (kg)	Volumes sold to Fairtrade (made tea kg)	% of total production sold on Fairtrade terms
2008-2009	2,139,146	No accurate figure available	-
2009-2010	2,687,626	337,340	13%
2010-2011	2,292,816	872,540	38%
2011-2012	2,133,092	304,100	14%

4. Quality of tea

According to the management of Satemwa, the quality of tea produced by the estate has improved since the last study in 2010. Satemwa does not directly attribute this to Fairtrade certification, but mainly to the need to have a competitive edge in the market and meeting needs of all customers. Measures taken to ensure good quality tea is produced and maintained include training of workers in farming and production methods; the purchase of machinery like dryers and sorting machines and replanting of land with superior high-yielding plants that are also resistant to drought and diseases.

5. Fairtrade Premium income and usage

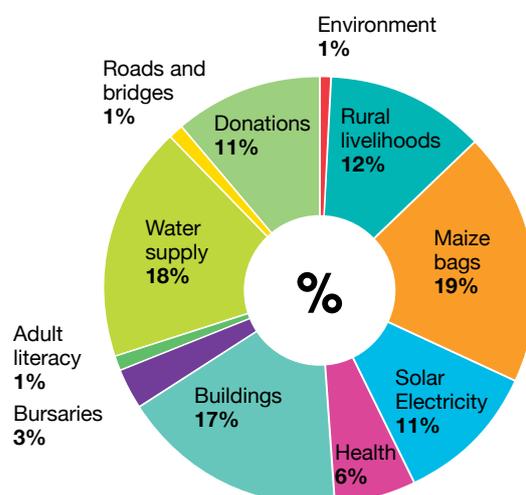
The Fairtrade Premium income has also fluctuated over the years on account of the variation in the percentage sold on Fairtrade terms. Expenditure by year since 2009 is shown in table 31, showing over double the expenditure in 2012 compared to 2009.

Table 31 Satemwa Fairtrade Premium income received 2008-12

Year	Fairtrade Premium income received (Euros)	Expenditure per year (MK)
2008-09	224,079	36,556,440
2009-10	145,650	60,725,629
2010-11	312,674	49,138,350
2011-12	123,434	85,563,307

Data from the Satemwa Joint Body on expenditure of Fairtrade Premium income indicates a wide spread of investments in community projects. The chart below represents the share of total investments made using Fairtrade Premium income from 2009-12 in a range of community projects to benefit workers.

Figure 5. Community development projects funded by Satemwa Fairtrade Premium receipts



Source: Expenditure of Fairtrade Premium 2009-12, Satemwa Estates Joint Body, 2012

The Joint Body has also developed a work plan for 2012/13, as shown in the table below. This demonstrates the range of projects, from food security, health and education to mobility and employment that the JB plans to invest Fairtrade Premium income into. While there are specific benefits for individual workers and their families (e.g. food maize, bursaries and fertiliser), there are also projects that benefit the communities in which they live (e.g. schools, water and bridges).

Table 32. Satemwa projects work plan, July 2012 – June 2013

PROJECTS	ACTIVITY
Hunger – maize (5,000 bags)	Purchase of maize for sale to workers
Education Support Project	Building classroom blocks at Njale Primary School
Bursaries (3)	Paying school fees for students
Boreholes (6)	Drilling boreholes in surrounding villages
Boreholes – solar generated (2)	Drilling boreholes – (11)
Foot Bridges (9)	Constructing foot bridges in surrounding villages
Agriculture – fertiliser (2000 bags)	Purchase of fertiliser to be sold to workers
Mbaula – clay moulded (2500)	Purchase of clay mbaula
Bus maintenance	Running costs for bus
Administration	Administration charge – Satemwa staff and meetings
Stationery	Purchase of stationery for JB transactions
Training	Capacity building – JB members
Travel	Visiting other Fairtrade producers
Health	Donation of anti-malarial drugs to Satemwa
Audit fees	Provision for audit

6. Purchasing, processing and marketing

All the tea used by Satemwa Tea Estates Ltd is produced on their own estate, or purchased from the Fairtrade-certified Msuwadzi Association smallholder producers. All the tea produced is processed and marketed by the estate.



Guardian shelter at Thyolo District Hospital

7. Relationship between the Joint Body and estate management

The present Satemwa Joint Body was elected into office in December 2011. Only five members out of the original fifteen were re-elected from the previous Joint Body (JB). The new members have little experience of management and limited exposure to Fairtrade. Many also have limited literacy.

According to the management of Satemwa, the relationship between the Joint Body and management is good. However, the management feels that the JB needs professional assistance from external consultants in the identification and prioritisation of development projects that the Fairtrade Premium income can be invested in by conducting a proper needs assessment with the workforce and wider community. In February and April 2012 the newly appointed JB members underwent training focusing on project appraisal and use of the Fairtrade Premium money. They were also sensitised on what Fairtrade is and how it operates, and their roles as JB members.

The JB has access to the Satemwa Estate infrastructure for the storage of maize, use of internet and the facilities of the Finance Department. Nevertheless, this support also helps Satemwa Estate because the workers are happier and therefore more committed to their work. There has been a very low labour turnover since Fairtrade certification, due to the benefits going to the workers. This is in contrast to other tea companies. There is a high level of trust between workers and management, much of which can be attributed to the changes brought about through compliance to Fairtrade standards.

The Joint Body members felt that the working environment had generally greatly improved, as has the stability of the workforce members, who stay longer due to the benefits from Fairtrade (better working conditions and the impacts of premium projects).

Good progress has been made on a number of gender issues:

- Women have been included in management; currently two factory managers and one field manager are women
- There is a crèche in each of the five divisions, and effective from 2012, mothers are entitled to 12 weeks of maternity leave
- Improved cooking stoves with improved efficiency and less smoke will be introduced before the end of 2012
- According to a female worker, women are in need of adult literacy programs to enhance their counting, reading and writing skills. However, a recent drive by Satemwa management to try and get free adult literacy classes going at one division had no-one sign up. More work needs to be done to understand this issue.

Household level changes for Satemwa workers

1. Income sources and the importance of tea

Permanent workers are employed to work on the estate, and do not cultivate their own tea for supply to the estate. Seasonal workers may find further part-time employment elsewhere or work on their own land during the off-season. To better understand how income levels have changed since the first study, a meeting was held with the Human Resources manager and workers. Table 33 shows that the basic wage rate has increased year by year, and that devaluation has been recognised in wage levels during 2012.

Table 33. Changes in basic wage rates paid to Satemwa workers

Year	2009	2010	2011	2012
Wages (MK/day)	135	150	180	320*

*NB: In 2012 there was an initial increment to MK 270/per day, and a second increment to MK 320 following devaluation

Satemwa claims to be paying above the minimum wage as a result of the Paterson grading system²¹ which rewards performance according to demonstrable output, skills and knowledge of job holders. The minimum wage as paid by other tea estates is MK320/day. However, of the four workers interviewed, three were receiving MK320/day, while the fourth was receiving a little over that amount in recognition of seniority. Each tea picker needs to pluck a total of 44 kg per day (as in 2009) to earn the base rate paid. Any extra tea plucked is bought at MK6/kg.

Sources of income identified by the workers were as follows: employment at Satemwa, farming of cash crops, business and casual work. Below is a matrix depicting how each worker prioritised the different sources of income in order of importance. Surprisingly, employment on the estate did not rank first except in one of the four responses.

Table 34. Income sources ranked by Satemwa workers

	Female worker	Male worker	Male worker	Male worker
Employment	3	2	1	4
Farming	2	1	2	2
Business	1	3	3	1
Casual	4	4	4	3

2. Standard of living changes

Interviews with workers suggest that working conditions have improved significantly since Fairtrade certification. However, they also feel that an improved wage scale would be only fair considering the current economic situation in Malawi.

²¹ The Paterson grading system is an analytical method of job evaluation, used predominantly in South Africa. It analyses decision-making in job task performance or job descriptions, and sorts jobs into six groups that are graded and grouped into two to three sub-grades – such as stress factors, individual tolerance, length of job and number of job responsibilities – that correspond to organisational levels. The six grades, also called bands, define pay scales. http://www.ehow.co.uk/facts_6898980_paterson-job-grading-system_.htm

In terms of evidence of asset accumulation, below is list of assets accumulated since certification provided by the workers interviewed:

- Iron sheets for building
- Clothes and shoes
- Food items (increased quantity and variety)
- Animals purchased – chicken and goats
- Cell phones
- Radios
- Bicycles
- Household furniture (chairs)

Those interviewed are all now able to pay school fees, and some have invested in small businesses that help to diversify income.

3. Relations between workers, the Joint Body and Satemwa management

The relationship between the workers and the management is now cordial, whereas before it could be difficult. The relationship between the workers and the JB is good. According to the workers, the JB does nothing without consulting the whole work force, and they do nothing that has not been agreed. The relationship of workers and the estate with the surrounding communities has greatly improved. Since most of the workers come from the surrounding villages, the community has benefitted from many of the Fairtrade Premium projects.

4. Capacity building/training

Workers on the estate have received a range of training and capacity building programs that include: health and safety training conducted by Occupational & Health Hazard Department, Ministry of Labour; labour rights conducted by Health and Safety Department, Ministry of Labour; operational programme activities i.e. plucking, pruning, machine pruning by Satemwa staff; chemical handling skills conducted by Farmer Organizations Ltd; first aid training conducted by Red Cross, and project management training and sensitisation about Fairtrade conducted by the Fairtrade liaison officer.

5. Workers' perceptions of benefits they receive from Fairtrade

One of the most significant benefits that workers believe Fairtrade certification has helped them with is food security. In the past, during the months of December and January, Satemwa used to experience a lot of absenteeism from the workforce as these were the months of food scarcity where poor workers would go looking for maize. However, the provision of subsidised maize purchased with Fairtrade Premium funds have contributed to a higher degree of food security among workers, and although absenteeism is an issue it has reduced significantly. Maize is bought during months of plenty (May – July) and sold at a low cost to the workers during the lean months. The difference in price can be quite substantial (MK1,500 compared to the market price of MK5,000 per 50kg bag) and therefore a big contributor to food security for workers' families.

Additional benefits arising from Fairtrade certification can be categorised into health and sanitation; education and working conditions.

In the area of health and sanitation, female workers appreciate the longer maternity leave that they receive as workers at Satemwa (12 weeks compared to eight weeks in most other organisations). All workers undergo medical check-ups every six months, mainly for those who work in the factory and other sensitive environments. There is also provision of protective clothing and equipment for the workers, where they receive two uniforms and a pair of shoes each every year. General sanitation has also greatly improved as in 2009 there were no toilets in the field, but now all fields have toilets.

Workers also believe that after Fairtrade certification, Satemwa management respects the stipulation of granting sick leave and annual leave much better, and that working conditions in general have become more relaxed and comfortable.

Wider community benefits arising from investments of the Fairtrade Premium include: the drilling of boreholes in the community for providing access to drinking water; school bursaries for children's education; adult literacy classes; construction of bridges to ease access to some villages, and subsidised provision of solar panels to workers' households to provide electricity.

6. SWOT analysis of Satemwa by women and men members of the Joint Body

The strengths recorded are those of coherence of the workforce and transparency of the Joint Body, while weaknesses include low levels of education, training and experience of the Joint Body. Opportunities are the support provided by the estate and the potential to find new Fairtrade markets. Conversely the threats are from reduced sales to Fairtrade (and therefore lower premiums) and from the impacts of climate change on tea production.

Figure 6. SWOT Analysis of the Satemwa Joint Body by the Joint Body members

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • The JB and the whole workforce works together as a team • The JB conducts frequent consultations with the workforce who provide guidelines on what should be done including when decisions have to be made on the use of the Fairtrade Premium • There is transparency of the JB in what is happening with the Fairtrade Premium money • Some refresher courses, mainly of the leadership, strengthen the operations of the whole organisation 	<ul style="list-style-type: none"> • Low education level of the members of the JB • Limited training of the JB in management and group dynamics • Replacement of trained and experienced JB members with new ones that have little experience or exposure to Fairtrade
OPPORTUNITIES	THREATS/CHALLENGES
<ul style="list-style-type: none"> • Satemwa management and the support that it provides to JB can assist the JB to grow • To identify established buyers in the UK who would assist in the growth of Fairtrade sales on the market and hence the premium that would eventually be coming to JB 	<ul style="list-style-type: none"> • Drop in the Fairtrade Premium flow • Climate change is having a heavy impact on tea production, which will then affect sales and the amount of Fairtrade Premium that will be coming

Satemwa: organisational objectives and achievements to date

In 2009, the aspirations and challenges of Satemwa for the next four years were noted in the first phase assessment. The following table shows the extent to which these challenges and aspirations have been met by 2012. Most of the challenges remain, but the most pressing challenge of food security has been mitigated, and the employment conditions have been improved, providing more stability of income. Concern was expressed about the threat posed by climate change. Satemwa has a comprehensive environmental management plan covering: waste disposal, use and handling of agro-chemicals, development and management of wildlife corridors, trend towards growing tea under shade, a ban on hunting, reducing firewood consumption in the factory, annual planting programme of hardwood trees within Satemwa, and an annual programme of handing out trees to communities (partly funded by Fairtrade Premium funds from the Joint Body).

Table 35. Challenges for Satemwa and progress towards meeting them

Aspirations and challenges for the period 2009 - 2012	Progress towards meeting aspirations and challenges by 2012	Role of Fairtrade	Further support needed
A. Organisation <ul style="list-style-type: none"> To recruit a Project Officer To have own office premises outside Satemwa 	A. Organisation <ul style="list-style-type: none"> No Project Officer appointed No separate office premises 	-	-
B. Financial <ul style="list-style-type: none"> Improved access to inputs Workers to improve income base Continued flow of premium 	B. Financial <ul style="list-style-type: none"> Maize and fertiliser access has improved through premium projects No specific income diversification/generation projects Certification has been maintained, and a problem with Fairtrade sales overcome 	Maize and fertiliser from premium funds	Support from Fairtrade liaison officer to maintain certification status
C. Skills and knowledge <ul style="list-style-type: none"> To build capacity of the JB 	D. Skills and knowledge <ul style="list-style-type: none"> Capacity of old JB was built, but now newly elected JB needs similar capacity building 	Capacity building from Fairtrade International	Continuing input to capacity development
D. Social situation <ul style="list-style-type: none"> Education: Reduce school dropout rate from the current 45-30% To drop the number of households running out of maize by December from 60 to 40% 	E. Social situation <ul style="list-style-type: none"> Education components of premium projects may have reduced drop-out rate, but no data on this The two largest components of the premium budget are the subsidisation of fertiliser to boost food production on workers plots, and the distribution of 5,000 bags of maize per year to workers. Maize is now purchased when the price is low and stored (in estate facilities) until hungry period and then sold at low prices to workers. 	Premium funding for fertiliser and maize, and also for school programmes and bursaries	
F. Environment <ul style="list-style-type: none"> Afforestation of Thyolo Mountain which has been totally deforested and is causing problems of water availability Establish village woodlots Perceived shortage of land for afforestation and cultivation 	F. Environment <ul style="list-style-type: none"> Planting of hardwoods on Satemwa Estates Distribution of tree seedlings to communities (through premium) Reduction in fuel wood use by factory 	Premium Committee/ Government of Malawi	Need greater emphasis on environmental aspects through the premium and lobbying of government to intervene in Thyolo District

Key trends and future prospects for Fairtrade tea in Malawi

In this section, we attempt to synthesise findings from both the first and second phases of this study to draw out the key trends in, and future prospects for, Fairtrade tea in Malawi, based on the study of these three Fairtrade-certified organisations.

In institutional terms, it is important to note that all three organisations are at differing levels of development, maturity and capacity.

Sukambizi Association Trust has moved towards autonomy from the estate to which it sells its produce by opening an Association office and appointing a professional Administrator. It also harbours a desire to work towards greater command of the value chain by developing its own processing facility in time, probably as a Joint Venture with Lujeri Estate. SAT now has its own Development Plan, with milestones and budgets.

In comparison, Eastern Outgrowers Trust has purchased land on which to build an office, and has appointed an Administrator. It has an annual workplan, and has received a number of trainings on Fairtrade standards and on management-related topics. As with SAT, the membership of EOT has increased significantly since 2009. Sustainability of the organisation has been enhanced by the establishment of income-generating enterprises (e.g. nurseries and grain mill).

The Satemwa workers Joint Body is well established and respected by both workers and management. Communication and relations are good with both. A problem has been noted with a lack of continuity of Fairtrade understanding and management experience following elections of the Joint Body in 2011. An annual work plan has been drawn up for premium-funded projects, although management feels that the JB needs external assistance to conduct a needs assessment with both workers and communities to identify appropriate premium projects.

There is scope for Fairtrade, through the local liaison officer and the country network, to play a stronger role in supporting the three organisations to build their capacity and skills through partnering with other local development organisations. The country network can also play a crucial role in fostering an exchange of experiences and ideas across the three organisations.

In social terms, Sukambizi and EOT members, who are largely smallholder tea farmers, enjoy a wide range of benefits from premium projects (schools, water, bridges, food security, clinics and ambulance) that have been funded by the Fairtrade Premium income. Many of these are shared with others in the community. EOT members were more vociferous in suggesting that more of the premium benefit should accrue to smallholder farmers directly, rather than going on community projects.

With respect to workers at Satemwa, three social impacts are discernible. Firstly an improvement in relationships between workers and management, mediated by the Joint Body. Secondly, the benefits from community projects and those that affect the food security of workers families (subsidised fertiliser and maize). Thirdly, the influence of Fairtrade on the working conditions of the workers (maternity leave, leave entitlements, protective clothing, overtime).

In economic terms, it is clear that the smallholder tea sector in Malawi continues to face many challenges and remains dependent on big estates for their patronage and support. The study of both Sukambizi and EOT shows that smallholder tea farmers believe they are receiving low prices for their greenleaf which do not cover costs of production. As smallholders are completely reliant on 'patron' estates for the purchase and processing of their tea, they are constrained in their ability to negotiate or influence prices of greenleaf or made tea in any significant way. A spokesperson for the Tea Association of Malawi felt that unless smallholders were able to get the value-added income from processing they would always struggle to significantly improve their economic situation. For the moment, improvements in income can be gained from focussing on improving productivity from their plots by improving tea husbandry and harvest operations to more closely mimic the estate's standards and productivity, and perhaps by expanding the acreage under smallholder tea. However, in the long run, value-addition and ability to influence prices of greenleaf and made tea are the most definitive ways of ensuring economic improvement. Fairtrade has a role to play in such a context by providing support to smallholder organisations that are ambitious to set up their own processing facilities through development of a long term feasibility and financial plan.

For workers at Satemwa, working as labourers on the estate seems to be one of many sources of household income and often not the primary source. Although Satemwa management claims it provides its workers with wages that are well above the national minimum, the workers themselves still feel the wages are inadequate.

In environmental terms, all of the organisations are aware in a general way of the risks posed by climate change. However, none appears to have a clear idea of specifically what might happen or how to mitigate the impacts.

The Mulanje area where SAT is located is environmentally fragile and immensely important. The Mount Mulanje Conservation Trust is working in the area, and helping smallholders to conserve forests, soils and water resources (all of which are vital for sustainable tea production and processing). SAT has recently become Rainforest Alliance certified, and EOT reports that Fairtrade standards are becoming more aligned to those of RFA. This has brought a clearer environmental focus and training in sustainable agriculture. Although the SAT Development Plan has a comprehensive environment policy, none of the premium at SAT appears to be earmarked for environmental projects, and only 2 per cent of the EOT premium budget is allocated to soil erosion and afforestation.

SUGAR



Context

The organisation studied in the sugar sector is the Kasinthula Cane Growers Association that is, to date, the only Fairtrade-certified small farmers organisation in this sector in Malawi. While the global price is volatile, demand is increasing as global consumption of sugar has been growing at 2.6 per cent per annum over the last 10 years, and is projected to grow at 2.2 per cent per annum to 2020.²² Strong growth in sales of Fairtrade sugar since 2007 has been matched by increases in the number of certified producer organisations supplying sugar and in the value of Fairtrade Premiums received.

Organisational level changes since 2010

The last two years have seen significant positive changes at Kasinthula, especially regarding the increase in area under sugar cane cultivation and the number of members, rationalisation of the organisational structure, and improvements in the labour and debt challenges.

²² Fairtrade sugar: starting a sweet revolution. A special study by the Fairtrade Foundation; February 2012

While the whole Kasinthula scheme is still under the institutional umbrella of the Shire Valley Cane Growers Trust, the management of the cane field operations is undertaken by the Kasinthula Cane Growers Limited (KCGL), and its production by member farmers of the Kasinthula Cane Growers Association (KCGA). In 2010 there was duplication of Committees, with separate committees for Phase I and Phase II of the scheme. These have now amalgamated, so that there is now only one Main Executive Committee and one Premium Committee representing all KCGA farmers.

1. Membership and acreage

The relationship between membership and acreage is direct at Kasinthula, with new members being recruited as the scheme²³ expands in area as seen in table 36.

Table 36. Membership of Kasinthula Cane Growers Association

Year	Men	Women	Total no. of members
2009	199	83	282
2010	191	91	282
2011-2012	330	152	482

While some new members have come from the original participating villages, some have also come from new villages in the area, thereby expanding the area over which the benefits of membership are experienced as illustrated in table 37 below. Data indicates that Kasinthula members now come from around 20 villages in the region, as against 2010 when membership was concentrated in five to six villages.

Table 37. Distribution of KCGA members between villages

Village	Households in village	Cane farmers
Chinangwa	132	101
Kapasule	160	25
Migano	115	20
Ntondeza	220	28
Kabudula	240	8
Lauji 1	190	12
Lauji 2	200	9
Salumeji	260	20
Chikhambi	340	4
Khoswe	10	5
Makaka	15	7
Biesi	100	50

²³ The irrigation 'scheme' that is now Kasinthula Cane Growers Ltd started in 1964 as a government rice scheme. This lasted until 1997, at which time the Illovo sugar cane factory expanded and was looking for more raw cane to process and sell on. On changing from rice to sugar cane, the government transferred ownership of the land to the farmers, creating Kasinthula Cane Growers Ltd. A Trust was also established – the Shire Valley Cane Growers Trust – in which 95 per cent of the shares of the KCGL are owned by the Trust (i.e. by the farmers), and the remaining 5 per cent are owned by Illovo Sugar (Malawi) Ltd. Phase 1 of the Scheme started in 1997 with 312.8 hectares. This expanded to 441.9 ha for Phase 2, by which time there were 282 farmers. In 2012 the Scheme expanded to Phase 3 with a total of 1,150 ha and 482 farmers. It is anticipated that Phase 4 will start in March 2013, bringing the total to 1,430 ha and 622 members.

Village	Households in village	Cane farmers
Biasoni 1	60	65
Biasoni 2	45	33
Khwawa	32	63
Namatchuwa	220	2
Simbi	40	12
Siseu	35	14
Katamalinga	155	3
Mbenderani	185	1
Totals (20 villages)	2,754	482

However, there continues to be marked inequality between the relatively high income and benefits experienced by members and those of non-members in the region, and this should be borne in mind when farmers decide the use of premium income, so that the scheme does not become an 'island of wealth' that could bring social disruption.

2. Production, productivity and quality

Production of cane over the entire Kasinthula scheme dropped significantly in 2011 due to the expansion earthworks disrupting water delivery through a main canal, and also due to siltation of the pumps during late 2010. In addition, 120ha of Phase III land was left rain-dependent after planting and not irrigated, resulting in a production of only 52 metric tonnes/ha in its first season. It is expected that yields will be back up again in 2012, as new pumps have been installed and the water system is under control.

Table 38. Production and yield data for Kasinthula

Year	Irrigated cane area (ha)	Total sugar cane production (MT)	Average cane yield (Tonnes/Hectare)	Average expected recoverable sucrose (%)	Total sugar production (MT)	Average sugar yield (Tonnes/Hectare)
2006	741.2	78,649	106.1	12.12	9,770	6.59
2007	733.8	64,028	87.0	12.32	7,891	5.38
2008	744.2	69,831	93.8	12.96	9,064	6.09
2009	744.0	68,955	96.0	12.00	8,609	5.79
2010	724.4	68,910	95.0	12.00	8,528	6.13
2011	858.0	65,803	77.0	12.00	7,854	5.97

The quality of cane has improved slightly over the last two years because of the introduction of a new variety of cane. Smallholder quality (i.e. sucrose content) is actually better than that of the Illovo Ntchalo estate. However the technical knowledge and motivation for farmers to produce quantity and quality both need to be increased further through payments structures and training.

3. Purchasing, processing and marketing of sugar to Fairtrade

Illovo Sugar (Malawi) Ltd are the buyers of all the sugar cane produced by Kasinthula. Illovo processes all the cane into sugar and sell all of this to Fairtrade buyers. Sugar prices paid by Illovo to KCGL have improved steadily over the last three years (table 39). The present revenue to KCGL per tonne of cane is Euros 270.

Table 39. Income from sugar

Indicators	Unit	2006	2007	2008	2009	2010	2011
Total sugar production	Metric tonnes	9,770	7,891	9,064	8,609	8,528	7,854
Average sugar yield	T/ha	6.59	5.38	6.09	5.79	6.13	5.97
Price for made sugar	MK/T	36217	42,256	45,442	51,043	58,977	65,9278
Total sugar – gross income	Million Malawi Kwacha	359.38	333.45	411.88	442.51	502.98	517.81

Due to the debt situation²⁴, Kasinthula operates a unique purchasing and payment policy with member farmers. The amount received by KCGI from Illovo is used by KCGI to pay all KCGA member farmers a fixed ‘advance’ of MK22,500 per month (this has gone up from MK12,000 pre-devaluation in 2010). As this payment system is not linked to farmers’ production of cane it therefore provides no incentive to farmers to produce more or to raise their productivity. From April 2013 there will be a change in the way farmers are paid. There will still be a basic payment each month to all farmers, but on top of that there will be a ‘bonus’ that is in line with individual farmer’s production, providing an incentive to farmers to increase their productivity.

At present all Kasinthula sugar is sold as ordinary granular sugar. According to Illovo, prospects are good for the speciality sugar market, and Fairtrade sugar commands a higher price than conventional sugar. Illovo is therefore keen to see continued increase in KCGI and KCGA production and to get further Fairtrade sugar cane from its Dwangwa refinery (central Malawi) once it becomes Fairtrade-certified. Illovo is also interested in the possibility of producing organic sugar, which would command a higher price and extra premium.

4. Fairtrade Premium income and usage

The Fairtrade Premium income receipts have been substantial in the last three years and should increase further in 2012 due to the increased area and improving yields.

Table 40. Fairtrade Premium income received: Kasinthula, 2009-2011

Year	Premium income received (Euros)
2009	712,923.05
2010	889,069.41
2011	682,076.15

In 2010 the premium was divided 40 per cent to farmers (in kind), 30 per cent for ploughout (renewal of old cane fields) and 30 per cent for social development projects. Now it is divided 40 per cent to farmers, 20 per cent for ploughout and 40 per cent for social development. The 40 per cent benefits ‘in kind’ are used for providing members with building materials, school fees, simple household amenities and so on. While this is an exception to general premium usage rules, it is admissible use of premium under the present regulations.

²⁴ The expansion of the Kasinthula scheme has been accomplished through loans obtained from Illovo, the EU Investment Bank and the World Bank. These loans have a large interest and repayment cost that has meant that the Scheme cannot make a profit until the loans are all repaid (scheduled for 2016).

Table 41 presents the Fairtrade Premium projects Kasinthula has invested in since certification in 2004. Several projects are on-going, and many benefit both members and non-members in the community.

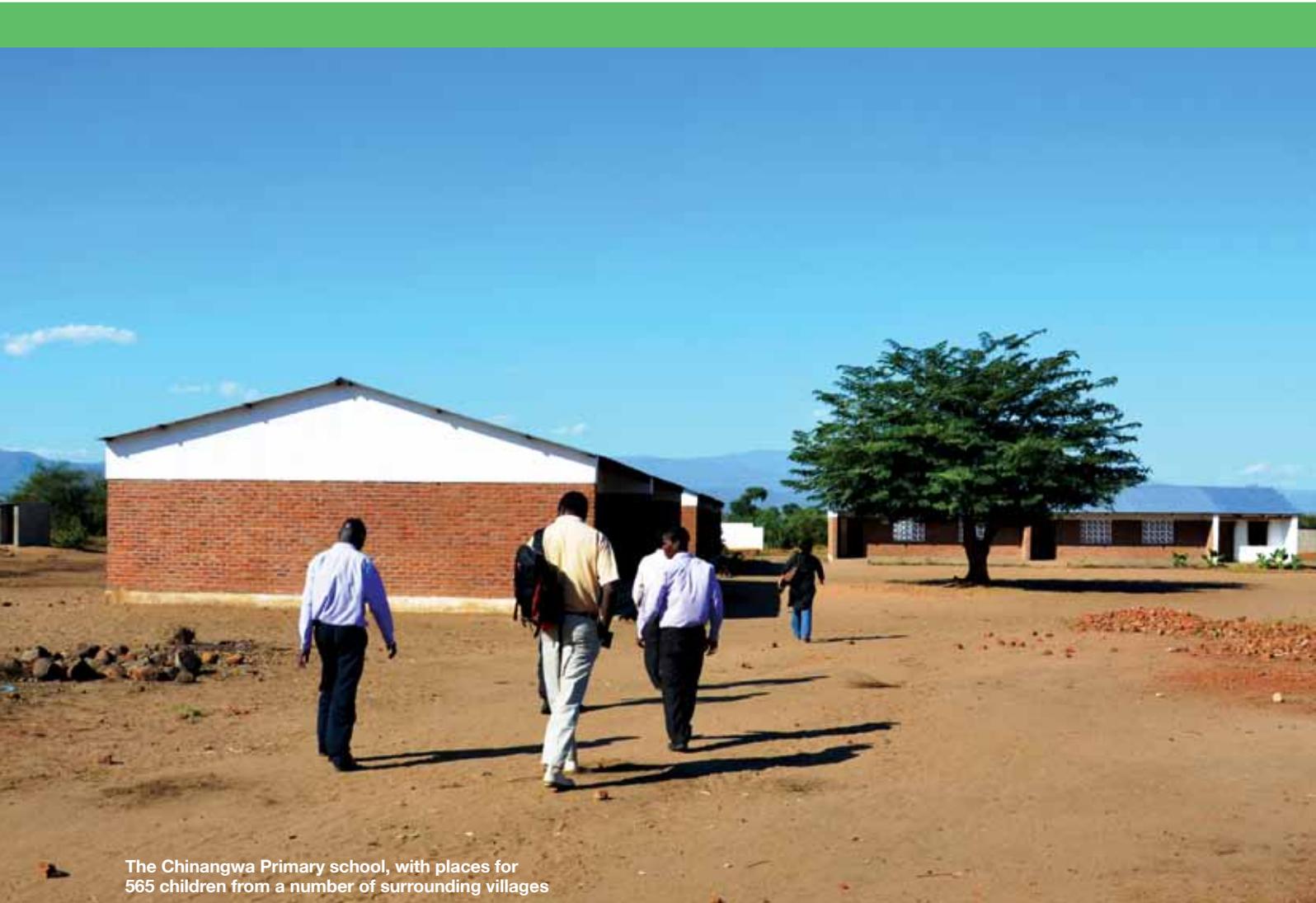
Table 41. Fairtrade Premium-funded social development projects

Project name	Direct beneficiaries	Indirect beneficiaries
Water supply		
Drilling 18 boreholes in villages in the region	18 villages	8,100
Salumeji/Migano piped water	1,435	500 Namalindi Primary pupils
Health & sanitation		
Bilharzia drugs donation to the clinic	1,200	2,300
Purchase of four bicycle ambulances	250	150
Construction of Kasinthula bilharzia and under-fives clinic extension and a house	3,200	4,000
Education		
Building of Chinangwa Primary School	320	140
Purchase of computers and accessories for Chikwawa secondary school	482	6,000
School computer donation and accessories donation	Students	All employers and the society
Contribution towards school fees	Students	All employers and the society
Rural electrification		
Chinangwa village electrification	34 households	2,000
Ntondeza, Migano, Lauji, Salumeji, Kapasule, Khoswe and Simbi villages phase 1 electrification	56 households	56 households
Other investments		
Farmers and workers 'Revolving Fund'	1,182	600
Purchase of 3.5 tonne Toyota truck to transport cane from farmers' fields to KCGL centre	1,182	4,500
Farmers and workers food supply through provision of maize bags	1,182	5,800
Purchase of management office furniture	1,182	2,000
Workshop and training including visits to UK, Africa, S. Africa, Germany, China	25	1,182
Ploughout and replanting	1,182	All consumers

Of all the premium projects undertaken, the Association is most proud of its new primary school (including a house for the head teacher and a borehole for clean water). The women also appreciate having a school nearby to educate their children. The school is open to the whole community, as is the clinic and the village boreholes and piped water. The water projects have reduced time for water collection, and assisted in getting children to school on time, as well as improving health and safety. Computers and printers provided to three secondary schools bring technology to the teachers and to children.

5. Relationship with the processor

Illovo has an interdependent relationship with Kasinthula, which provides 10 per cent of the input to the Ntchalo cane factory – a percentage that is increasing as the scheme increases in area and output. There has not been full follow up of Fairtrade issues by Illovo in the last couple of years, but Illovo hopes to redress that, and there has been a recent appointment of an Illovo Fairtrade link person, and agreement to hold regular meetings between Illovo, KCGL and KCGA.



The Chinangwa Primary school, with places for 565 children from a number of surrounding villages

6. Other institutional changes

In the first phase of assessment, one of the key challenges identified was the high farmer : worker ratio in Kasinthula. The issue was that the workers (on-farm labourers employed by KCGL) outnumbered the 'producers' and did much of the field work of producing the cane, but were not members of the KCGA and therefore did not qualify for the monthly cane payments or any direct Fairtrade Premium benefits.

The ratio of workers to farmers has been reduced since 2010. In October 2010, there were 596 workers and 282 farmers (ratio of **2.1 : 1**). In June 2012 there were 586 workers and 482 farmers (ratio **1.2 : 1**). There is now more efficient use of hired labour and more operations are being handled by the farmers directly. Farmers are responsible for fertiliser application and hand-weeding, while workers are responsible for pest and disease control, irrigation, cane cutting and chemical weeding. In the future it is probable that farmers will take on pest and disease control activities as well.

The Kasinthula Workers Union (KWU) was formed in July 2011 to represent the permanent labour force working for KCGL, and to be a bridge between the workers, the KCGA and the KCGL. KWU has applied for affiliation to the Sugar Plantation Allied Workers Union of Malawi (SPAWUM), which will give it more formal recognition. At present the workers union is active in the areas of salary negotiations; clothing for women labourers (some want skirts rather than trousers for working); disciplinary issues (provision of a Union representative at disciplinary hearings to ensure fairness) and potential negotiation of a three-month maternity period.

The workers are receiving some benefits from the Fairtrade Premium (and have representation during consultations on the use of premium). They are the direct beneficiaries of a Revolving Fund that allows them to borrow money for such items as food. In addition they receive some hand-outs of maize paid for from Fairtrade Premium when there is food scarcity. They also benefit indirectly from the social development projects funded by the Fairtrade Premium. However, there is a recognition that more benefits should accrue to the workers considering their contribution to cane production. If

further encouragement was given (perhaps through the Fairtrade liaison officer), the Annual General Assembly might consider allocating a portion of the premium to the workers to use according to their priorities. The KCGA also needs guidance from Fairtrade International and possibly the country network on what the Standards permit in terms of use of premium to benefit workers.

A second challenge identified in 2010 was Kasinthula's debt situation. Debts were incurred due to the Phase II expansion of the scheme (purchase and preparation of the land, equipment and labour charges). The present total debt owed is Euros 2.3million. Included in that is a new debt of Euros 682,000 (MK150million at the old exchange rate) for the Phase III expansion, to which the Fairtrade Premium contributed Euros 127,000. An additional debt of Euros 455,000 will be added in 2013 for the Phase IV expansion. However, it is expected that, because of the greater economies of scale enjoyed by the larger scheme, all this debt will be repaid by August 2016, from which time sugar production at Kasinthula will be able to show tangible profits.

A third challenge at the institutional level is that the relationship between KCGA and the Shire Valley Cane Growers Trust Board is not good, and the farmers have expressed mistrust and fear that those with power in the Trust could act against the interest of the Association (for instance by taking the land away from the producers). The farmers are effectively tenants on the cane land, and feel that they have no security of tenure. In addition the KCGA does not like the name of the Trust, as it infers that the Trust's mandate includes the whole of the Shire Valley, rather than just Kasinthula. The Malawi Fairtrade Network could help to further understand this fear, and mediate between the two parties.

Household level changes since 2010

1. Income sources and the importance of sugar

Sugar is the predominant income source for farmer members of the KCGA, although other farming income is a significant component of total income. KCGA members have access to irrigated land on which they can grow crops other than sugar cane for home consumption and sale. Sugar income has also enabled investment in other income-generating enterprises, including small businesses and the construction of second houses for rent.

Table 42. Sources of income for KCGA members

Income source (listed in order of contribution to household income)	
Income sources according to men	Income sources according to women
Sugar cane (52% of total income, but still the biggest single contributor)	Sugar cane (52% of total income)
Other farming income (cotton, rice, maize, livestock)	Other farming income (cotton, rice, maize, livestock)
Small business, including milling of maize	Small business, including milling of maize
Government and private employment at the District town	Government and private employment at the District town
Renting houses	-
Transport	-

2. Standard of living changes since 2010

The table below tells a consistent story between both men and women. Most families have upgraded their houses, have purchased bicycles, are able to pay school fees and have invested in some form of diversified income generation to their core business of growing sugar cane (livestock, transport, houses for rent).

Table 43. Asset accumulation for KCGA members since 2010

Asset	Number of female participants (out of 5) having accumulated the asset since 2010	Asset	Number of male participants (out of 9) having accumulated the asset since 2010
Bicycle	5	School fees	9
Mattress	5	Chairs	9
Livestock	5	Houses with iron sheets	8
Bigger house	3	Cellphone	8
Second house	3	Bicycle	7
Household appliances	3	Mattress	6
Cell phones	3	TV	4
Furniture	3	Cows	4
Motorcycles	Few	Sewing machine	3
Wheelbarrows	Few	Electrical appliances	3
		Goats	2
		Motorcycle	2
		Vehicle	2
		Canoe	1
		Camera	1

Most women members said that their standard of living had improved over the last two years. All women stated that the monthly allowance from KCGA for their sugarcane was the reason they have been able to afford these comforts. Additionally, farmers valued the fact that a significant part of the Fairtrade Premium income is used to provide benefits in-kind to farmer households. Many have used this facility to buy food and building materials, and pay children's school fees. Most women also stated that their households were more income-secure now than they were two years back. Most women also said they save an average of MK3000/month (>US\$10) in the bank.

3. Capacity building/training

The EU transition project has a large capacity-building component, with delivery contracted to Concern Universal (CU). CU has provided training in leadership, financial management and technical aspects of cane production to farmers. The NGO Twin has also provided training on Quality Management Standards. There has also been training in 'Farming as a Business' and on Fairtrade Standards by the Fairtrade liaison officer. Illovo provides encouragement during meetings with farmers for them to produce more cane, and is also providing considerable technical support during the expansion of the cane area, and in operations such as the installation of new pumps. During these activities there is on-the-job coaching, but no formal training courses.

In addition to what has been provided, the KCGA members stated that they want training in:

- International markets and marketing
- Sourcing funds for the Association
- Running the Association (management), and to learn from other successful Associations elsewhere (NB they visited MASFA, but felt they didn't learn much there)
- Environmental management
- Use of premium (in compliance with new Standards)
- Climate change and their response to it.

4. Farmers' views of benefits they receive from KCGA and Fairtrade

There are marked differences in the perceived benefits of belonging to the KCGA between the women's and men's focus groups. The men included income earned from sugarcane and knowledge gained from training courses as major benefits, while the women concentrated on the social benefits derived from the substantial array of Fairtrade Premium projects. Both women and men attend the training courses and have an equal say in the use of the Fairtrade Premium.

However, it is not known how decision making on the use of family income is apportioned between women and men.

Table 44. Benefits of belonging to KCGA*

Benefits mentioned by men	Benefits mentioned by women
Increased assets due to cane income	Safe drinking water
More children in better schools	Clinic
Safe drinking water	Schools
Clinic	Electricity supply
Knowledge from trainings	Village courts (built with Fairtrade Premium money that help resolve disputes in the village)
Food security from income and own maize	Computers to schools
	Food supplements
	Support to school fees
	Support from premium for building materials
	Maize mill

*NB the men acknowledged that there is a big difference between members and non-members in the community. Despite this there are no conflicts – community projects help to reduce the gap. It is also important to note that all the above benefits mentioned by women are related to Fairtrade and not exclusively to Kasinthula membership. However, in the minds of the women in the groups, the two were the same.

5. SWOT analysis of KCGA by farmers

The SWOT analysis proved a powerful tool for understanding the present situation of Fairtrade and sugarcane as perceived by farmers and foreseeing its potential for the future. Generally, the analysis presents a very positive picture, with few serious weaknesses. Even some of the weaknesses (lack of independent transport and processing facilities) are being seen as opportunities. Members are clearly worried about the possibility of loss of Fairtrade certification (and thereby loss of premium income) and are likely to do everything necessary to ensure they comply with Standards. They are also worried about the power that the Shire Valley Cane Growers Trust has over their future. They were not able to articulate that concern very specifically, but it has to do with a mistrust of the government (that controls the Trust) and the fact that they don't themselves own the land which they cultivate, and are therefore subject to the whims of politicians. As found with groundnut and tea farmers, the sugar farmers are concerned about climate change and want to know how they should respond to it in order to protect their livelihoods. It was seen by farmers as a weakness that KCGA doesn't purchase its own inputs. However, the cost of the inputs (such as fertiliser) from Illovo is much lower than they could obtain on the open market as Illovo obtains the inputs at low cost due to economies of scale savings, and provides the inputs at cost to Kasinthula. In addition, Illovo effectively acts as an external warehouse for Kasinthula and provides the inputs on demand.

Figure 7. SWOT Analysis of KCGA

STRENGTHS	WEAKNESSES
<p>Women farmers</p> <ul style="list-style-type: none"> • Premium money i.e. benefits to farmers in kind – equal to all members • Premium-related benefits like fertilisers, bicycles, building materials • Well managed premium fund • Trainings in agricultural practices and HIV/AIDS • Women’s representation in the Association and in Premium Committees • Kasinthula has established itself as an association and built offices • Purchase of a 3 tonne lorry which helps to carry those who are sick • Association helped them to open bank accounts • Association is trying hard to extend benefits to non-members <p>Men farmers</p> <ul style="list-style-type: none"> • Expansion bringing more production • Technical support for operations from KCGL • Administrative support from the Trust • Assured, 100% Fairtrade market for Kasinthula sugar • Illovo mill processing facility nearby • Good premium income • Have transport to hospital if they fall sick • Fairtrade certification • Ownership by farmers • Access to finance (EU) • Partnership with Illovo, KCGL, Concern Universal 	<p>Women farmers</p> <ul style="list-style-type: none"> • Farmers are not informed when replanting happens on their lands after a harvest. This leads to the problem of receiving only half-payment by KCGL at the end of the month as the company claims that someone else (workers) have done all the work in preparing the land for the next harvest and so farmers need not be paid. There was considerable frustration among the group’s members about this issue and that the Association had not done anything to resolve it. <p>Men farmers</p> <ul style="list-style-type: none"> • Rely heavily on hired labourers • Moving slowly to meet the demand for expansion (a lot of people want to join) • Want to be independent of the contractor that hauls the cane • Want to have own mill in future. They feel the minimum size is 2,000ha. • Debt • Don’t purchase own farm inputs (come from Illovo)
OPPORTUNITIES	THREATS
<p>Women farmers</p> <ul style="list-style-type: none"> • Farmers are keen to receive even more trainings on agricultural practices so that they can increase their yields and earn more from sugarcane <p>Men farmers</p> <ul style="list-style-type: none"> • Expansion of market to other buyers • Continued grants from the EU • Government support to KCGA • Training from Concern Universal • More farmers want to join • Can diversify into other income generating activities • Credit-worthiness due to status as having a secure income 	<p>Women farmers</p> <ul style="list-style-type: none"> • No threats were identified by members <p>Men farmers</p> <ul style="list-style-type: none"> • Debt – creditors might call in loans and seize assets • Failure in compliance and loss of certification (and premium) • Flooding and siltation of pumps • Climate change • The Trust might close the scheme. The members are worried that they don’t fully control/understand the Trust and its powers. • Socio-political change • HIV/AIDS and other health risk affecting labourers and the work done

Challenges and responses

While we do not have a set of organisational objectives for KCGA from the first assessment, the main challenges facing Kasinthula in 2010 and the present situation are given in the Table below. The situation has improved in most respects, with the hope that by the time the debts are repaid in 2016, the scheme will be financially viable.

Table 45. Challenges and solutions for Kasinthula

Challenge identified in 2010	2010 situation	2012 situation	Role of Fairtrade	Further support needed
Low cane yield/ha	Low: 94mt/ha	Low in 2011/12 season due to interruptions to irrigation water, but should recover in 2012/13 season	The alliance between KCGA, KCGL, Illovo and Tate and Lyle is working well, but not necessarily due to Fairtrade. The expansion of the scheme means greater inclusivity and greater benefits to be shared across the community.	Technical support from Illovo and EU capacity development
Concern over farmers cane field management	Poor, but improving	Improving as farmers take control over farm management tasks from labourers. From 2013 there will be more incentives for farmers to increase their cane productivity and quality	Fairtrade strategies don't include anything on producers getting benefits in proportion to the volume and quality of what they produce	Incentives that encourage farmers' cane productivity and quality
Lack of KCGL profits	Zero (no dividend)	This is due to the debt situation, which should be fully resolved by 2016, from which time there should be tangible profits		
High allocation of premium to support farmers livelihoods	40%	40%, but should start to reduce from 2013 as the debt is reduced and farmers are paid according to the amount of cane they produce (thus reducing their dependence on the premium for income in kind)	Need clearer guidance on the use of premium	
Relationship between farmers and KCGL management	Was poor; recently improving	Much improved	Needs further alliance building. Malawi Fairtrade network may be able to arbitrate	MFTN arbitration
Relatively low proportion of premium funds going to community development projects	30%	40%. This may rise once the 40% going to farmers in kind starts to be reduced.	Good use of premium, but % needs to increase as cane becomes profitable and in-kind payments can be reduced	Fairtrade International guidance on use of premium
Labourers not getting benefit from Fairtrade	Revolving fund of MK4million; protective clothing; wages MK210/day; 1 bag maize for 536 workers; treatment for bilharzia	All the benefits identified in 2010 remain. There is now greater realisation on behalf of the KCGA that the labourers should get increased benefits and this may be allocated by the next General Assembly.	Previous situation where labourers did most of the work and farmers got most of the benefit was against Fairtrade principles and should not have been allowed to happen. Needs clearer steer from Fairtrade liaison officer.	Continued monitoring of the situation

High ratio of labourers to farmers	March 2010: 460 permanent labourers:282 farmers	The ratio of labourers to farmers has reduced considerably and now stands at 1.2:1	As above	
Limited capacity of Trust committees/ sub-committees to perform their duties	Some sub-committees have not received training and are operating blind	Despite a large EU-funded capacity building initiative, sub-committees are still requesting training in a range of topics	-	Further support to capacity building
Low number and type of environmental projects funded from premium	1 (tree nurseries in villages)	No environmental projects from premium funds	Rather intermittent training from Fairtrade, perhaps because there is capacity building from other sources (EU/CU). The weak Fairtrade strategy on the environment has meant that the very low proportion of premium funding going to the environment is normal.	Greater emphasis on environmental aspects

Key trends and future prospects for Fairtrade sugar in Malawi

In institutional terms, Kasinthula has seen a number of organisational adjustments, including the formation of the Kasinthula Cane Growers Association, the formation of the Kasinthula Workers Union, the merging of Phase I and Phase II Committees in the name of efficiency, and the reduction in the ratio of workers to farmers. While Association members might aspire to complete autonomy from Illovo, the reality is that Illovo play a vital role in the value chain and support the farmers in many ways.

In social terms, Kasinthula farmers' standards of living are well above those of their non-member neighbours (who do not grow sugar cane commercially and have little or no access to irrigated land). The potentially negative impact of this has been mitigated by premium-funded social development projects that benefit the wider community, and also by the inclusion of more farmers from the vicinity into the Association as it expands.

In economic terms, a major threat to Kasinthula in 2010 was the debt situation. Now, even with new debts incurred from the area expansion of the scheme, we are assured that the books will balance in 2016 because of an improved economy of scale. That will remove a huge burden of interest payments and enable cane to make a profit. This in turn will allow farmers to be paid according to their productivity and quality (a start towards which will be made from March 2013). The present situation is that farmers receive a set monthly payment plus benefits in kind from a 40 per cent share of the premium. This neither provides an incentive to produce more or to improve cane quality. A further change that is being contemplated is that a larger share of the considerable premium income should be allocated to the workers, who play a key role in producing the cane.

As with other sectors, Kasinthula stakeholders are aware in a general way of the risks posed by climate change. However, they do not have a clear idea of specifically what might happen or how to mitigate its impacts. The Kasinthula scheme has increased in size with the consequent absorption of surrounding land and greater use of water resources from the Shire river for irrigation. It is not known whether a comprehensive Environmental Impact Assessment was carried out, or if Fairtrade International required this.

Changes in national context

Fairtrade operates within a complex national setting in Malawi and its impact must be contextualised accordingly. This section mentions only significant changes that have taken place at the national level that have a bearing on the findings of this assessment. Further contextual detail can be found in the separate commodity sections of this report and in the three product reports from 2009/10.

The period between 2010 and the present has been characterised by difficulties between Malawi and donor countries, resulting in the suspension of aid payments and a crisis in foreign exchange leading to fuel shortages and production losses. Ultimately this led to a devaluation of the Malawian Kwacha in May 2012 of 49 per cent (from 168 to 250MK/US\$) to reflect its true value. This has helped to make the economy more competitive and to help promote exports of key commodities such as tobacco and tea. It has also led to an increase in the local currency prices paid to farmers for products, although in many cases there has not been an increase in real value (especially as the price of inputs has also increased).

Impact of the Malawi Fairtrade country network at national and regional level

The first Fairtrade certification in Malawi was in 2004. There are now nine Fairtrade certified organisations covering five Fairtrade certified products (tea, sugar, groundnuts, coffee and honey) in the country.

In 2008, Fairtrade producers, processors, exporters and other stakeholders formed the Malawi Fairtrade Network (MFTN) to be an umbrella organisation to promote and advocate the interests of Fairtrade-certified producers, processors and exporters in Malawi. The Network Secretariat was established in Blantyre with support from the Southern Africa Fairtrade Network office of Fairtrade Africa and human resource support from VSO. While the Network is aware that other certification schemes are active in the country (and welcomes their presence), there is no direct interaction with them.

At present, the network is focussing on the following activities:

- Creating greater awareness of Fairtrade and its benefits among policy makers – government, private sector and NGO community (linked to Fairtrade Africa website and the national country network)
- Creating partnerships with these stakeholders so that Fairtrade grows at the national level
- Involvement in the draft national export strategy by the Ministry of Industry and Trade
- Working with donors (DFID, EU) to support the government's national export strategy
- Working with Fairtrade Africa to build markets

The MFTN chairperson sits on the Board of Fairtrade Africa and is involved in conceptual discussions around the minimum price for sugar that Fairtrade International is coordinating. MFTN is working on having a stronger influence on Fairtrade International (e.g. to amend standards when these are inappropriate), through Fairtrade Africa.

There are ten MFTN members at present including certified producer organisations, traders and exporters. They are: Afri-Nut Company Ltd, Eastern Outgrowers Trust, FoodSec Consulting Ltd, Kasinthula Cane Growers Association, Kawalazi Estate Company, Illovo Sugar (Malawi) Ltd, Mchinji Small Holder Farmers Association (MASFA), Msuwadzi Association Ltd, Mzuzu Coffee Planters Cooperative Union, Satemwa Tea Estate and the Sukambizi Association Trust.

The table below shows the membership and volumes exported for the Fairtrade-certified organisations in Malawi. For some organisations the beneficiaries are estate workers, while for others the main beneficiaries are smallholder farmers. Some organisations are small in membership, but have still managed to achieve certification.

Table 46. Membership and volumes exported for Fairtrade certified POs in Malawi who are MFTN members

Organisation	Number of farmers	Number of workers	Commodity	Cumulative volume of sales to the Fairtrade market since certification (kgs '000)
Eastern Outgrowers Trust	5,000	67	Made tea	1,412
Kasinthula Cane Growers Association	482	586	Sugar	74,322
Kawalazi	0	2,500	Made tea	23
MASFA	2,275	19	Shelled groundnuts	522
Msuwadzi	164	0	Made tea	611
Mzuzu	2,600	200	Coffee and honey*	147
Satemwa Tea Estates Ltd	0	2,170	Made tea	10,600
Sukambizi Association Trust	6,750	Not known	Made tea	4,167

* No sales of honey to date on the Fairtrade market

Source: Malawi Fairtrade Network, 2012

The export figures demonstrate how smallholder sugar, tea, groundnuts and coffee have successfully entered the export market at a time when Malawi desperately needs foreign exchange and has a strong policy to increase exports. All Kasinthula sugar is exported to the Fairtrade market which accounts for around 10 per cent of annual sugar exports of the country and around nine per cent of Malawi's annual tea production is exported to the Fairtrade market.

Currently, Fairtrade-certified producer organisations pay a registration fee of MK10,000 (US\$40) and an annual membership fee of MK50,000 (US\$200). The fees that producer organisations pay are different from those that exporters/trading partners pay. MFTN is considering partnering with other NGO organisations such as the Civil Society Agriculture Network (CISANET) to further the objectives of the Network. The MFTN financial approach is to secure sufficient funds from these partners to keep the network running, and then to provide strong secretariat services that encourage member organisations to contribute more.

MFTN is raising awareness of its activities and Fairtrade in general through events such as the 'Fairtrade Breakfast' that was held for the first time in June 2012. A range of guests were invited, including the Principal Secretary of the Ministry for Industry and Trade and Members of Parliament. It is hoped to make this an annual event.

The MFTN is promoting food security for its members by advocating for decent and reliable incomes for farmers, long term contracts, access to credit sources and income diversification.

To achieve these MFTN influences policy formulation (including the policy for export promotion) and export-oriented events (fairs, trade missions etc.), supports efforts to increase quality and yield (e.g. by encouraging extension efforts by processors and other stakeholders), advocates the reduction or exemption of taxes on inputs and equipment, supports greater involvement of smallholders in value addition, improves access to credit and finance, and promotes sales to domestic markets.

The network will also follow up on the One Village, One Product programme²⁵ which supports the creation of co-operatives in the country through the provision of infrastructure for value addition

²⁵ One Village One Product (OVOP) Programme is a community centred and demand driven regional economic development approach initiated by Oita prefecture in Japan in the 1970s. It aims to add value to locally available resources, through processing, quality control, packaging design and marketing promotion. The OVOP programme in Malawi was launched in 2003, facilitating economic development within the Ministry of Industry and Trade. The Programme is under the Chairmanship of the Head of state, following an initiative of Malawi Economic Growth and Development Strategy II (MGDSII). <http://www.ovop.org.mw/>

(e.g. shelling of groundnuts). The network will help draft specific recommendations for Fairtrade International (in relations to standards), the Fairtrade Foundation (feedback on the market situation) and to Fairtrade Label South Africa (to explore the opportunity of groundnut exports to South Africa).

The Principal Secretary for the Ministry of Industry and Trade (MoIT) in his address to the Fairtrade Breakfast in June 2012 said that he believes that exports and Fairtrade are of paramount importance as Malawi is not producing or exporting enough (and importing too much). Trading across borders is being streamlined, and the Ministry is currently finalising an export strategy that would benefit from MFTN involvement.

In five years' time, MFTN hopes to have about 20 producer organisations certified Fairtrade in Malawi and hopes to bring in smallholder farmers growing cotton, legumes (pigeon peas), rice and essential oils. There is interest among farmer groups in all these products but sustainable markets need to be ensured before they are certified. The focus will be on smallholder production rather than estate production.

Cross-cutting challenges and responses

During the 2009/10 studies, a number of cross-cutting challenges were identified with regard to the overall prospects for Fairtrade and its ability to support farmers and workers in Malawi. This section attempts to analyse if and how these have been addressed over the last few years.

Certification and audit costs

Certification costs are a significant deterrent to small producer organisations considering becoming Fairtrade certified and all five organisations studied here have only been able to attain certification with the help of a sponsor (a parent estate or, in the case of groundnuts, the National Smallholder Farmer Association of Malawi). In most cases the certification costs (fees plus the cost of organisational changes made to comply with certification standards) have later been repaid from premium income, which reduces the amount available to development projects.

Similarly, audit fees (approximately US\$3000 per year) are a significant expense, especially where total organisational income is comparatively low, and where premium income is low (as in the case of MASFA, which had no premium income in 2011/12 from which to pay the audit fees). While the five organisations under study are able to cope with these fees because of their affiliation to patron bodies, smaller, independent organisations may not be able to cover the costs, and may decide not to become Fairtrade certified or run the risk of getting into debt.

Some organisations are attempting to diversify their income base in order to have income streams that are independent of the premium. For example, EOT has established a maize mill that will bring in some revenues to offset dependence on the premium and provide disposable income.

Capacity constraints

The Executive Committees or Boards of the producer and worker organisations are made up of producers or estate workers. These have modest (often only up to primary) education qualifications and little experience of management or running an organisation of thousands of members. It is therefore a very big task to build the structures, facilities, systems and skills that make up the capacity necessary to run a big organisation efficiently and effectively. This is particularly so in the first year or so of operation when expectations are high, and premium income has yet to start. All five organisations have been assisted by their estates or by NASFAM to cope with this situation, as well as by NGOs such as Twin and by the Fairtrade liaison officer. Several have realised that they cannot manage alone and have employed professional administrators and received considerable assistance on financial management from their supporting organisation. At least two of the organisations have Development Plans in place, while the others have annual work plans.

Support from Fairtrade liaison officers and the Malawi Fairtrade Network

The support that the Fairtrade liaison officer is able to provide to certified organisations appears to be limited by the number of days allocated to travel within Malawi (five days per month for nine certified organisations). The Fairtrade liaison officer has a pivotal role to play in assessing and

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supporting capacity needs, supporting organisations in their preparation for audits and in their compliance with standards. As the Malawi Fairtrade programme expands, they will need more, rather than less, support.

There is limited awareness of Fairtrade within the Government of Malawi. The Malawi Fairtrade Network has a key role to play in advocacy and promotion of Fairtrade to the Government of Malawi and as a bridge between certified organisations and government, civil society and the private sector.

Dependence on 'patron' organisations

It was noted in 2009/10 that the producer and worker organisations were very dependent on the organisations that purchase their raw materials (the estates and NASFAM). There has been a good response towards reducing this dependency, although the tea estates and NASFAM still provide many services to their producer organisations:

Sukambizi Association Trust has moved towards autonomy from Lujeri Estate by opening an Association office and appointing a professional Administrator. It also harbours a desire to work towards greater command of the value chain by developing its own processing facility in time, probably as a Joint Venture with Lujeri Estate. SAT now has its own Development Plan, with milestones and budgets.

Eastern Outgrowers Trust has purchased land on which to build an office, and has appointed an Administrator. Sustainability of the organisation has been enhanced by the establishment of income-generating enterprises (e.g. nurseries and a grain mill).

The Satemwa workers Joint Body is well established and respected by both workers and management. Communication and relations are good with both. A problem has been noted with a lack of continuity of Fairtrade understanding and management experience following elections of the Joint Body in 2011. An annual work plan has been drawn up for premium-funded projects, although management feels that the JB needs external assistance to conduct a needs assessment with both workers and communities to identify appropriate projects.

Kasinthula has seen a number of sensible organisational adjustments, including the formation of the Kasinthula Cane Growers Association, the formation of the Kasinthula Workers Union, the merging of Phase I and Phase II Committees for efficiency and the reduction in the ratio of workers to farmers.

Purchasing and prices

In three of the four smallholder producer organisations there is an issue around purchasing and pricing of the raw commodity (greenleaf tea and shelled groundnuts), creating distrust and tension between two adjacent links in the value chain.

There was no evidence that production costs had been calculated for any of the products, strengthening the producers' claims that they were not being paid a fair price. There was also little attempt in the case of NASFAM to explain to MASFA members why they were obliged to enter the market later than other traders, and how they had set their price. Better communication and more understanding of the value chain and marketing dynamics (perhaps using innovative tools such as participatory video to carry messages and ideas to and from members in the rural areas) would reduce tensions in areas where there should be cooperation rather than confrontation.

Quality

A concern raised in 2009/10 was the lack of incentives for farmers to produce a quality product.

In the case of tea, the Lujeri Estate is now starting to invoke the quality clause in its contract with SAT smallholders, and EOT has introduced the payment of leaf checkers at collection points to monitor quality.

However, there is no quality premium paid for MASFA groundnuts, despite the need for a high quality product to meet export specifications. The commissioning of the Afri-Nut processing facility

for groundnuts in Lilongwe is a major step forward towards producing a consistent basic product of export quality, as well as offering the potential for value added products.

In the case of sugar cane, farmers receive a fixed monthly allowance regardless of the quality or quantity of cane delivered. This is due to change next year, and the new payment system should provide some incentive to farmers to produce more and better quality cane.

Debts

A major threat to Kasinthula in 2010 was the debt hanging over it. There seemed to be no light at the end of the tunnel. Now, even with new debts incurred from the expansion to Phases III and IV, we were assured by the KCGL manager that the books will balance in 2016. That will remove a huge burden of interest payments and enable cane to make a profit. This in turn will allow farmers to be paid according to their productivity and quality (a start towards which will be made from March 2013).

Climate change and other environmental aspects

All of the organisations are much more aware now than they were in 2010 of the risks posed to their livelihoods by climate change²⁶. However, none appears to have a clear idea of specifically what might happen or how to mitigate its impacts. Given the Fairtrade International's own interest and activity with regard to climate change, it could be in a position to support the Malawi Fairtrade Network with generic training materials on climate change and localised advice that is appropriate to each certified organisation's circumstances. In June 2012, MFTN organised the first climate change workshop for its members. The workshop was part of the feasibility studies arranged by Fairtrade as part of the development of a standard for climate change adaptation.

The environmental/natural resource management aspects are weak in all organisations, even if they are complying with the Fairtrade minimum standards. EOT spends 2 per cent of premium income on soil erosion and afforestation, while the other tea organisations devote none of their premium to environmental projects.

In the MASFA area there has been extensive cutting of fuel wood for cooking and for tobacco curing. Some attempts are being made to plant trees, but probably not at the rate at which they are being cut. The Mulanje area where SAT is located is environmentally fragile and immensely important. The Mount Mulanje Conservation Trust is working in the area, and helping smallholders to conserve forests, soils and water resources (all of which are vital for sustainable tea production and processing). SAT has recently become double certified and EOT reports that Fairtrade Standards are becoming increasingly aligned to those of other certification schemes. This has brought a clearer environmental focus and training in sustainable agriculture.

The SAT Development Plan has an environment policy; however, none of the premium at SAT appears to be earmarked for environmental projects, and only 2 per cent of the EOT premium budget is allocated to soil erosion and afforestation.

The Kasinthula scheme has increased in size with the consequent absorption of surrounding land and greater use of water resources from the Shire river for irrigation, but it is not known whether a comprehensive Environmental Impact Assessment was carried out, or if Fairtrade International required this.

'Islands of wealth'

There was a concern raised in 2010, especially related to Kasinthula, that Fairtrade was creating inequalities between the few people benefitting from the scheme and the majority of community members. There have been changes since then that have both mitigated and exacerbated the problem. In the case of Kasinthula, more community members, from more villages have been recruited into the expanded scheme, thereby benefiting a larger proportion of local communities. In addition many of the present premium-funded projects benefit communities as a whole rather than being exclusive to the individual members.

²⁶ The document *How can small-scale coffee and tea producers adapt to climate change?* (GTZ, 2010. AdapCC Final Report - Results & Lessons Learnt. GTZ) can help to answer some of the questions, but would need interpreting for other crops such as tea, groundnuts and sugar cane)

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However, there is also a tendency for organisation members to vote in the General Assemblies for premium income to be used for the direct benefit of members (for subsidising maize purchases and fertiliser, for building warehouses for members use, for school bursaries for members etc.). There appears to be no limit to the proportion of premium income that can be used for improving the lives of members, despite the conflict that this could bring to relations with the wider community.

Control of the value chain

While there have been modest improvements in the incomes and standards of living of producer organisation members (especially sugar producers), incomes are still only covering basic needs and in some cases allowing modest savings. However, in line with many other impact studies, it is unlikely that the production of the basic raw material will bring big changes to farmers' livelihoods. Those Associations that are well established are considering moving up the value chain (e.g. Sukambizi is considering a Joint Venture with Lujeri to have its own processing plant and Kasinthula expressed similar ambitions in time) in order to get greater profits for members. MASFA is in a different situation as it already has a stake in NASFAM and in Liberation, and so should receive its share of benefits from sales and added value through those organisations. The mechanisms and amounts involved in this shared ownership were not studied during this visit. FLO-Cert, the Fairtrade Foundation, MFTN and NGOs such as Twin should assist the producer organisations to assess the feasibility of moving up the value chain, and how that might be done to their advantage while minimising risk to its members.

Inequality of benefits between Fairtrade products

As the research has shown, Fairtrade Premium earnings vary hugely between products and organisations in Malawi. This is in part due to there being an established infrastructure and market for tea and sugar, with relatively high volumes of production and proportions of sale to Fairtrade buyers compared to the situation for groundnuts. A smallholder groundnut farmer growing (as is typical) 1 ha of groundnuts might in favourable circumstances get a yield of 1.5 tonnes/ha. If all was sold to Fairtrade the premium would be US\$165. For a Sukambizi tea producer with the average of 1.25ha of tea, the yield of made tea would be around 250kg, which would get a premium of US\$344. For a sugar producer with a typical 2ha and a sugar yield of 6tonnes/ha the premium would be US\$720. In reality the difference per farmer is much greater as 100 per cent of sugar is sold to Fairtrade, while around half of tea is sold to Fairtrade. The argument put forward by some is that a higher premium for groundnut would overprice Fairtrade groundnuts in the present international marketplace and make them harder to sell. A separate issue is that the Fairtrade minimum price for groundnut (kept the same since 2003) is inappropriate for the present market and needs revising upward, based on a study of production costs appropriate to the quality of product required for export to the EU. While some discrepancy is expected in Premium receipts across products, differences of this magnitude, when considered at a national level, present a picture in which Fairtrade appears to impact some farmers more positively than others.

Gender

Gender issues, as expressed to us by women producer and worker organisation members, are not a major problem. Women are represented and involved in decision-making at all levels, and say they are empowered by the responsibilities given to them as office bearers and by the savings they have in their bank accounts. However, there appears not to have been any in-depth study of the impacts of certification on gender rights, roles and responsibilities. There may be hidden losers even where the overall situation looks good superficially.

Opening remarks

Between the baseline assessment carried out in 2009/10 and this second monitoring and evaluation research carried out in June 2012 there has been encouraging progress in all five Fairtrade-certified organisations studied to varying degrees. All have maintained their Fairtrade certification, and look to retain it for the foreseeable future. Many of the challenges identified in 2009/10 at the organisational level have been addressed, or at least partially met. Considering that the Executive bodies of the organisations are farmers or workers with limited formal education, and that they manage the activities and finances of memberships numbered in their thousands, they have done a very commendable job. This also reflects well on the effectiveness of the governance standards set by Fairtrade International.

For the four smallholder producer organisations, the Fairtrade-certified commodity produced and exported is the principal income earner for member households. However, in all cases there is some way to go before the full recommended production practices are followed for any of the crops, meaning that there is still great potential for increasing yield and quality (and through these, the volume marketed to Fairtrade and earning Fairtrade Premium).

Democracy is alive and well-established in the organisations studied. Meetings are held regularly, with good attendance and participation by women and men. Members are well represented at organisation level and at national level (e.g. in the Tea Association of Malawi and by NASFAM). All are now members of the Malawi Fairtrade Network.

However, there are marked differences in the impacts on livelihoods between products. This is due to differences in direct income benefits and to different levels of benefits from the Fairtrade Premium.

Recommendations

The following table lists recommendations that cut across all products, and also provides suggestions on who is best placed to implement the recommendation through what actions or activities.

No.	Recommendation	By whom?	How?
1	Further raise awareness and knowledge of Fairtrade among government actors, including identifying and supporting Fairtrade champions	Malawi Fairtrade Network; Fairtrade Africa	Literature, media, visits, field events, lobbying and advocacy
2	Develop a mechanism for reflection of the Fairtrade model within Malawi, to learn and adapt within the country context	Facilitated by the Malawi Fairtrade Network	Discussion forum with wide participation
3	Reduce certification and audit costs for current and potential producer organisations	Fairtrade International and FLO-Cert	Reduce costs; provide or publicise grants or loans
4	Clarify if certification and audit costs can be paid from premium income	Fairtrade International and FLO-Cert	Clarify to local liaison officer
5	Analyse the implications of multiple certification (RFA, Utz, organic labels) at the producer organisation level	Fairtrade system	Research
6	Reconcile the huge differences in premium income for the different products	Fairtrade International	Cross-commodity comparisons

7	Support all POs with cost of production and market studies that provide a basis for negotiations with processors and buyers on the price paid for the raw product, and for setting appropriate Fairtrade minimum prices	Fairtrade International; Fairtrade Foundation	Cost of production and processing studies. Note that this should take into account the extra cost of producing the product to export standards
8	Continue to promote good husbandry practices to maximise yield and quality	Intermediary organisations (research and extension services and input suppliers) and in-country supply chain actors including NASFAM, Illovo Sugar Limited, tea estates. Support from donors and international NGOs.	Training, literature, other media; demonstrations; access to good quality planting materials; credit or subsidy for inputs; financial incentives
9	Institute ways of monitoring and rewarding good quality produce at the farmer level	NASFAM for groundnut, Estates for tea and KCGL for sugar cane	Develop grades, pricing incentives and sanctions
10	Commission studies to better understand the impact of certification on gender rights, roles and responsibilities to ensure there are no hidden losers from the changes brought about by certification	Fairtrade Africa / country networks	Studies
11	Review environmental standards so that they ensure sustainable natural resource management and build in adaptability to climate change	Fairtrade International	Bring Fairtrade environmental standards more in line with other labels such as RFA. Support POs in identifying and mitigating climate change impacts. Encourage POs to use Premium for environmental projects. Look into the possibilities of carbon credits for afforestation or good land husbandry
12	Develop safety nets against possible crop or market failure	Fairtrade International	Study the relative merits of crop insurance, income diversification, minimum prices and savings schemes under specific circumstances
13	Encourage POs to leverage additional (external) funding for Premium projects	Malawi Fairtrade Network/ Fairtrade Africa	Assist POs to write proposals supported by membership and community demand
14	Identify ways to retain continuity of experience in PO executive bodies, and to improve the educational levels of committee members	Country network and regional producer network	Advise on constitution of POs; adult literacy courses; further training
15	Enable Fairtrade liaison officer to travel more than at present	Fairtrade International	Revise contract
16	Don't treat all products equally. Groundnut has no estate sector or established export market to support and protect it	Fairtrade International and Fairtrade Foundation	Provide external input to enable unsupported POs to attain a situation of stable markets and sustainable income

17	All POs expressed a desire to be independent of their immediate purchasers (estates or NASFAM). Understanding the viability/feasibility of becoming autonomous and thereby taking a big step along the value chain would be useful for the forward planning of the POs.	Fairtrade Foundation / TWIN – with contribution from PO premium funds	Support/encourage feasibility studies on models (including joint ventures) whereby POs could establish their own processing and sales systems in the medium to long term, thereby increasing revenues to members
18	Note the trend for farmers to vote for premium benefits to come to them directly (40% of premium for Kasinthula and 30% of premium for MASFA)	Fairtrade International, Fairtrade Foundation	Develop response if needed
19	Support capacity building linked to premium projects that diversify income and reduce dependency and vulnerability	Training institutions, Fairtrade International, Fairtrade Foundation	Work with POs/WOs to identify where capacity building can add value to Premium investment in diversification of income activities

We hope that this report and its recommendations act as a guide to help focus future interventions by all partners involved in taking Fairtrade forward in Malawi. The research process will continue with a holistic impact assessment planned for the third phase in 2014-15.

NOTES



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