

# Fairtrade certification of sugar cane in Fiji: an economic assessment

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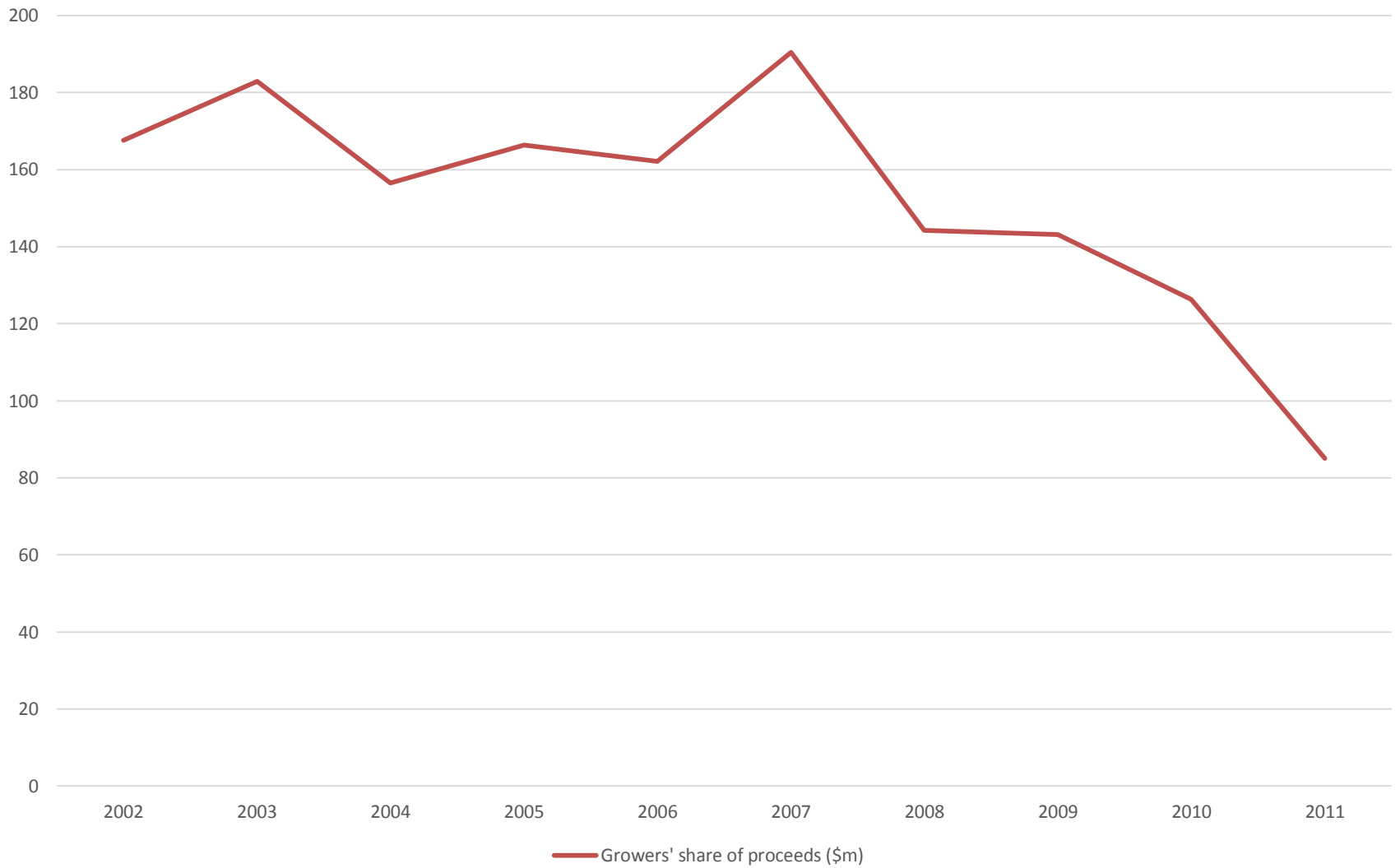


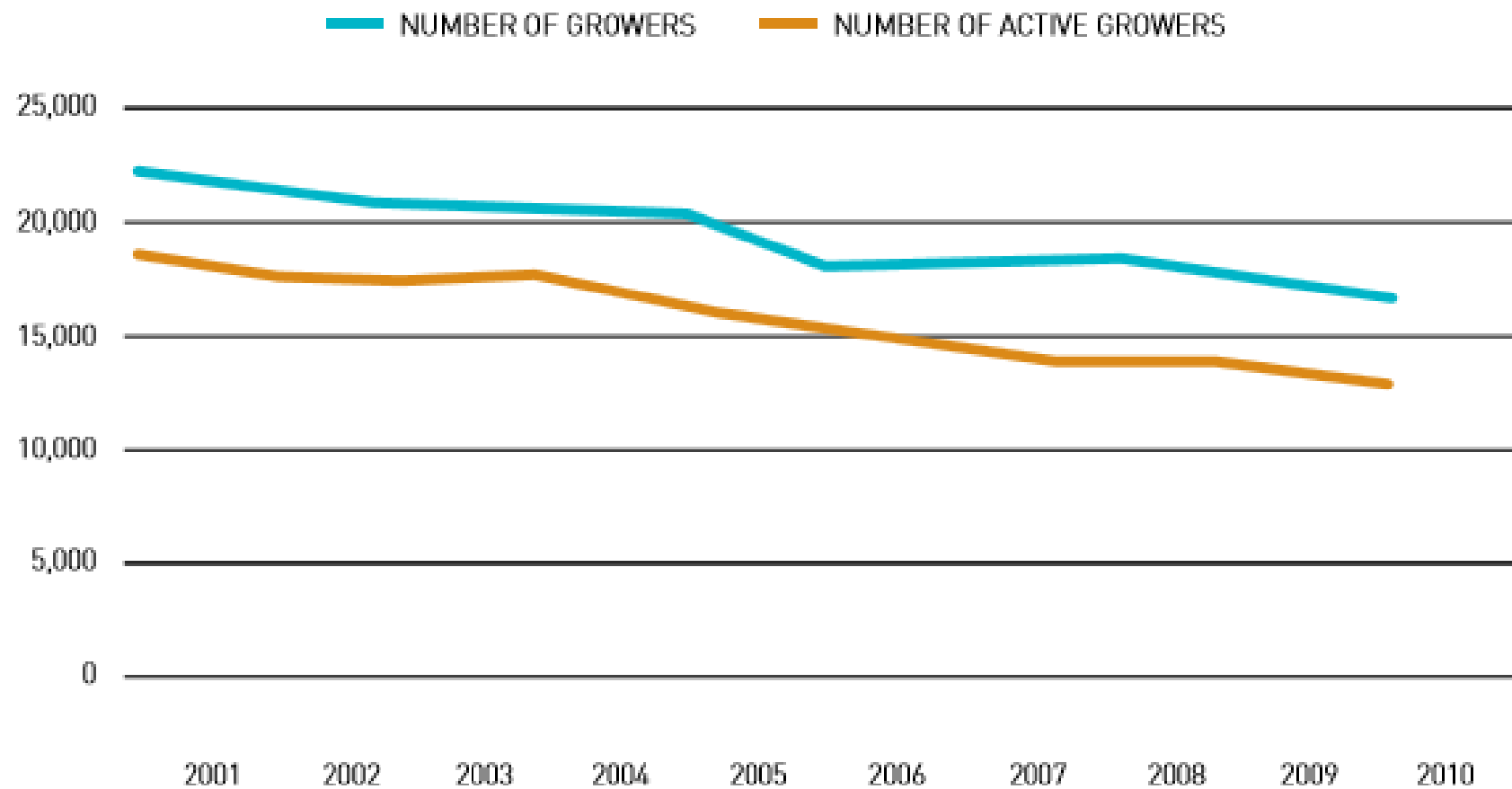
# Context and Policy Questions

- The first Fairtrade certification in Fiji was completed for sugar in Vanua Levu in early 2011; 4.2 million FJD were paid in 2011 and 3.9 million FJD in 2012
- Two economic impact assessments were conducted in 2012 and 2013 on the following:
  - Do the benefits of Fairtrade certification exceed the costs?
  - Is it worth extending Fairtrade certification to the other sugar mills?
  - Under what conditions is Fairtrade certification likely to be an economically beneficial option in the Pacific region?
  - How does Fairtrade certification impact on profitability of sugar cane?



Fiji sugar industry: Revenue to growers (million FJD)





Data Source: Fiji Sugar Corporation (2011)

# Study 1: What is Fairtrade certification

- A Small Producer Organisation (SPO) is set up – Labasa Cane Producers Association – to represent growers
- The SPO receives and administers Fairtrade Premium Funds, democratically
- The Fairtrade Premium funds are paid by the buyer (Tate and Lyle Sugars Ltd) to the SPO
- Certification and regular audits conducted by Fairtrade Labelling Organisation. The SPO ensures certification standards are met
- Funds are not transferred directly to farmers but are spent on various benefits



# Cost benefit analysis

- Quantifies as many benefits and costs of a project as possible, over full relevant time period
- Adds up the benefits and costs over time
- The result is the Net Present Value, which is a measure of how much the project contributes
- Standard practice for project design and selection in many governments



# Benefits of Fairtrade certification

- Economic:
  - Subsidy to inputs e.g. fertiliser, cane knives, replanting costs
  - Community projects may provide public goods with economic benefits
- Social
  - Democratic representation for growers
  - Community projects may provide social benefits
- Environmental
  - Phasing out of internationally banned chemicals e.g. weedicide and fertiliser
  - Safe storage of chemicals and associated health benefits
  - Sanitation and safe water provided











# Costs of Fairtrade certification

- Farmer time spent in Fairtrade training sessions
- Farmer time spent in LCPA meetings
- Farmer travel to and from LCPA meetings and trainings
- Cost of Fairtrade audit
- Cost of LCPA secretariat



# Study 1: Results

- Cost savings to farmers in 2011 of minimum 1.7 FJD/tonne of cane due to Fairtrade, expected to be higher subsequently

Category	Variation	Net benefits including all benefits and costs to donor and Vanua Levu farming community (2011 FJD)	Benefit-cost ratio	Net benefits including all benefits and costs Vanua Levu farming community only (2011 FJD)	Benefit-cost ratio
MAIN RESULT (Section 4)	Main result [7 years]	9,094,473	6.48	9,220,459	7.01



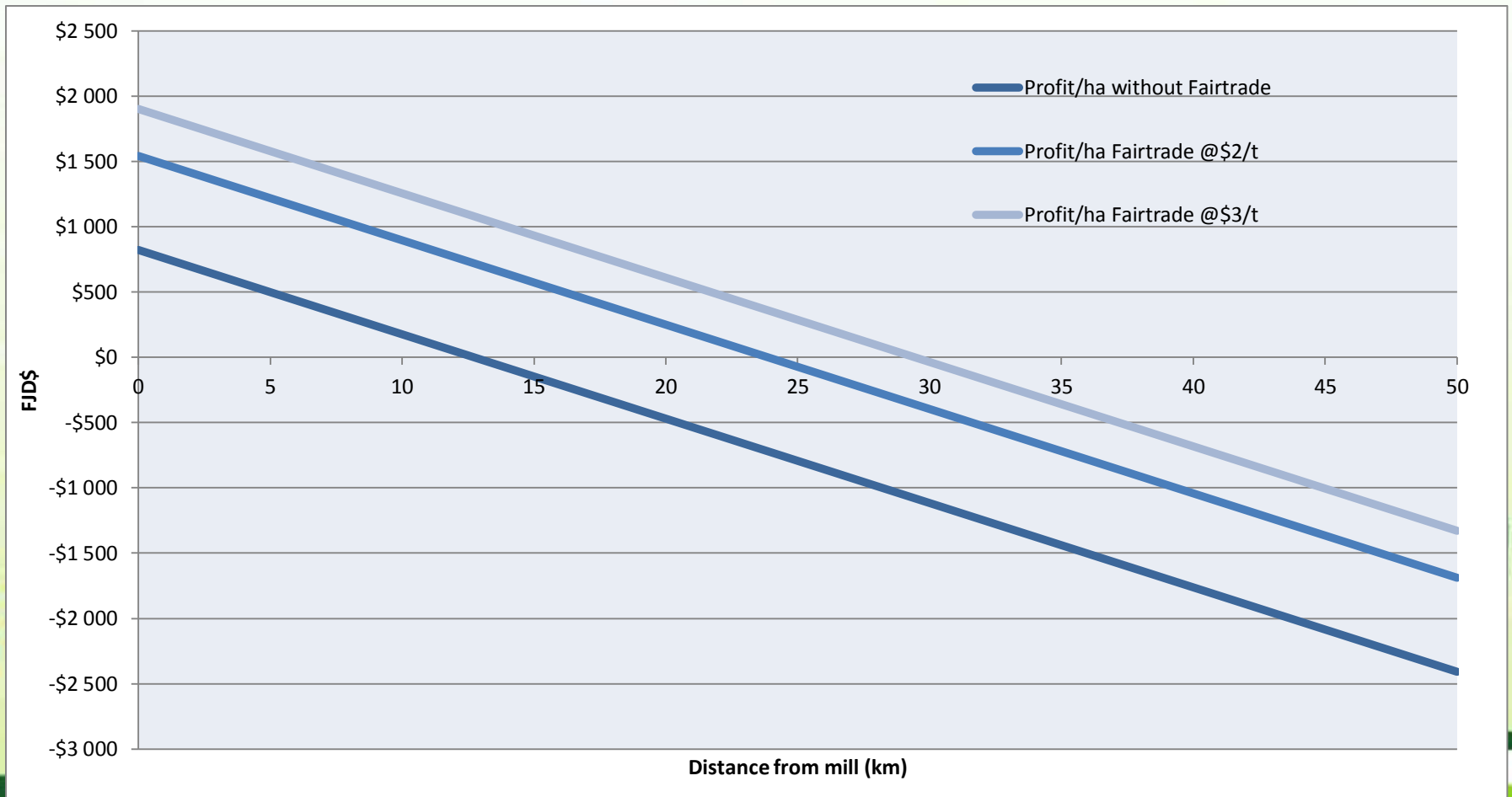
# Study 2: Impact of Fairtrade certification on profitability

- Sugar cane farming is not profitable with or without Fairtrade certification, assuming 45 tonnes per hectare
- If yield is increased by 33% to 60 tonnes per hectare, sugar cane becomes profitable at 13km from the mill without Fairtrade
- Fairtrade extends this distance by 11km, making 2,222 additional farmers profitable, assuming 2FJD/tonne of benefits



# Profit with and without Fairtrade

Cane is profitable at 24km from the mill with Fairtrade, assuming benefits to farmers of 2 FJD/tonne, representing an additional 2,222 growers who become profitable



# Further observations

- Fairtrade certification works for sugar because of the large volumes and sufficiently large Premiums coupled with fixed costs of running an SPO and staying certified
- Democratic model for SPOs worked for Vanua Levu due to large number of farmers used to the Sugar Cane Growers' Council; may not work for other parts of the Pacific for cultural reasons (Oxfam 2012)
- Premiums worked – flat rate of 106FJD/tonne of sugar; minimum price may have no impact if it is set lower than the market rate
- As a result, Fairtrade certification was not appropriate for vanilla production in Vanuatu



Thank you

TANGIO TUMAS/TENKYU TRU/THANK YOU/VINAKA VAKALEVU/SULANG/KO RABWA/TUBWA KOR/MALO  
'AUPITO/FA'AFETAI TELE LAVA/MERCI BEAUCOUP/KIA MANUIA/KIAORA KOE/KOMOL TATA/FAKAUE  
LAHI/SI YU'US MA'ÅSE'/TEKE RAOI/KALANGAN/FAKAFETAI

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