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Faculty of Tropical AgriSciences



**Faculty of Tropical
AgriSciences**

**Cooperatives or Plantations? Critical literature
review of Fairtrade tea farming in Sri Lanka**

BACHELOR'S THESIS

Prague 2022

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Declaration

I hereby declare that I have done this thesis entitled “Cooperatives or Plantations? Critical literature review of Fairtrade tea farming systems in Sri Lanka” independently, all texts in this thesis are original, and all the sources have been quoted and acknowledged by means of complete references and according to Citation rules of the FTA.

In Prague 15.04.2022

.....

Kristýna Havlová

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Abstract

Tea cultivation in Sri Lanka has a great history from first colonial plantations back in 19th century up to now. The composition of tea industry changed a lot, over 75 % of tea cultivators nowadays in Sri Lanka are smallholders, whereas large plantations cover the rest 25 %. Even though Ceylon tea has been one of the most consumed tea worldwide, tea farmers are still being marginalized and balance on the edge of poverty. Main focus of this thesis was to evaluate farmers empowerment and poverty alleviation through Fairtrade ethical certification. Tea farms can be certified either as a farmer's cooperative or plantation. Author evaluated all possible benefits and drawbacks of each system and found that Sri Lankan tea sector should mainly focus on spreading awareness about cooperative agriculture to form more tea farmer's association. Then the Fairtrade should focus on the cooperatives rather than plantations, because of the vulnerability and marginalization of small farmers in the tea sector.

Key words: Sri Lanka, ethical certification, tea, smallholder, farmer-based organization, empowerment

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List of Abbreviations Used in the Thesis

CBA – Collective Bargaining Agreement

CTA – Colombo Tea Auction

FAO – Food and Agriculture Organization

FAOSTAT – Food and Agriculture Organization Corporate Statistical Database

ICA – International Cooperative Alliance

SOFA – Small Organic Farmers' Association

TEA – Tea Exporters Association

TNC – Transnational Corporation

TSHDA – Tea Smallholding Development Authority

WFTO – World Fair Trade Organization

WOS – Web of Science

1. Introduction

Sri Lanka is globally known for its excellent quality tea production. The history of Ceylon tea is wide and nowadays, Sri Lanka belongs to the main countries of tea export. The latest data available show that on 61,864 km² of total land area (World Bank 2021), the amount of harvested tea was 200,296 ha (FAO 2021). The largest group of tea farmers in Sri Lanka is small-scale farmers. There are almost 400,000 tea smallholders, around 75 % of total contribution of the workers to tea industry (TSHDA 2019), from which the vast majority are self-employed and are not organized into any groups. The rest of the industry formed by corporate tea plantations and factories, which employ workers to maintain tea fields or purchase the green leaf from smallholders.

The tea sector is one of the largest sections of the Sri Lankan economy and provides income to thousands of workers and farmers. Despite the prestige of Sri Lankan tea and its annual yields and returns, majority of farmers face poverty. It should be noted that more than 50 % of workers and farmers in the tea sector are women who face heavy pressure from their supervisors and are often forced to neglect their households due to hard work. Plantation farmers face exploitation and poor working conditions, including low wages. On the other hand, small farmers often face issues resulting from a lack of cultivation and fertilizer knowledge and poor market information. This results in low revenues and poverty. Actions need to be taken to increase empowerment and levels of knowledge about sustainable agricultural production. Several options could potentially positively affect life in rural areas and help poverty alleviation.

One of the possible solutions for social recovery of tea sector are cooperatives. Tea cooperatives in Sri Lanka are not much popular, nowadays there are only dozens of cooperatives actively working. However, there are existing cooperatives that are worth to mention. One cooperative, restricted to tea manufacturing only, is Morawakkorale cooperative, which has positive responses of the workers, and its goals and policies are focused on its member's wellbeing, even though it does not belong under Fair Trade certified organizations. Another, very widespread cooperative in Sri Lanka, is the Small Organic Farmer's Association (SOFA), that was established for organic tea production and nowadays holds several organic and ethical certifications and belongs to widely recognized cooperatives worldwide (SOFA 2021).

There are two main aims of the thesis. First goal is to define main factors of empowerment through agricultural cooperatives in Sri Lanka and other developing countries. Second aim of the thesis is to evaluate the empowerment through Fairtrade and to compare Fairtrade certified cooperatives and plantations and impact of these two distinct farming systems on small farmers and rural workers. In the thesis, we will look closely at the possible solutions of poverty reduction and empowerment of tea farmers and workers in Sri Lanka through different channels and farming systems, which are cooperatives or farmer-based organizations, company trade unions, collective bargaining agreements, and Fair Trade ethical certifications. Fairtrade International, one of the main discussed certification organizations, offers two different ways for tea farmers to reach the certification. The sets of standards are applicable either for a cooperative of smallholders or a company with hired labour (plantation) (Fairtrade International 2022). In Sri Lanka, there are 10 Fairtrade certified tea producer organizations and plantations (FLOCERT 2021).

Thesis contains of several chapters and subchapters displaying information gathered during the literature review and its processing. First chapter is dedicated to tea cultivation in Sri Lanka and the methods of processing and trade. The chapter also includes important information about the composition of tea workers. Next chapter is dedicated to agricultural cooperatives and farmer associations in Sri Lanka and worldwide. The chapter contains of multiple case studies conducted in different countries and summarizes the main benefits and challenges for cooperative members. Another chapter describes plantations as a farming system in Sri Lanka and worldwide. The information included in the chapter was concluded from different literature sources and summarizes main benefits as well as challenges of this second farming system. Last chapter of the literature review part describes Fair Trade and its effect on farmers in the world. This chapter describes one of the large Fair Trade organizations, Fairtrade International. The official standards and rules of the Fairtrade are described in this chapter. Author also used several literature sources to summarize information about positive and negative effects of Fairtrade in agricultural cooperatives, as well as in plantations. In the end, all the sources and information collected during the literature review are summarized in the Result section. The most important conclusions of author are placed in the Results and Conclusion section, together with authors recommendations for future research and investigation to the topic.

2. Aims of the Thesis

This bachelor thesis is devoted to the empowerment of tea farmers in Sri Lanka. Author of the thesis evaluates possible ways of empowerment and poverty alleviation through different methods of tea farming in Sri Lanka, role of agricultural cooperatives and plantations in the developing countries and impact of Fairtrade ethical certification. Main goal of Fairtrade is to improve the working conditions and life quality primarily of small-scale farmers. For certification of tea, Fairtrade uses different standards for small-scale farmers formed in cooperatives and different for the tea plantations. There are a growing body of literature analysing empowerment of farmers through Fair Trade organizations, but there is limitation of literature that compares both methods of certification within one product. This thesis reviews Fairtrade from each side and summarizes the main pros and cons of the whole system.

The thesis refers to number of the research papers and categorizes them to the context of following topics: agricultural cooperatives, hired labour organizations (plantations), benefits and challenges of Fairtrade.

Main specific objectives of the research:

1. What are the main factors of empowerment through “agricultural cooperatives” or “farmer-based organizations¹” in the world?
2. Are Fairtrade cooperatives in tea sector of Sri Lanka more suitable for empowerment of small-scale farmers than Fairtrade plantations?

The key hypothesis of the thesis is: Fairtrade certified cooperatives are more beneficial for Sri Lankan tea farmers than Fairtrade certified plantations.

¹ Synonym term of the “agricultural cooperatives”. In this thesis, the term “cooperatives” will be used.

3. Methodology

This thesis is based on extensive literature review of secondary sources that inspect the livelihood of farmers in developing countries and the possibilities of farmers' empowerment through different systems of farming. Methodology approach of reviewing the literature was inspired by Snyder (2019), specifically the "*semi-systematic review*" method. This method is suitable for research topics that might have limited data for further processing, or the topic has wider spectre of possible outcomes. Therefore, the semi-systematic review uses different sources for further critical evaluation. Wong et al. (2013), who uses a different term "*meta-narrative review*" describes the method as evaluation of different opinions and ideas published by several authors and forming a fresh point of view of the topic.

Selection of secondary sources was based on a) topic of the source, b) relevance to the topic and c) accessibility to full text. Author mainly worked with Web of Science (WOS) database. During the research, author used keywords: "*cooperatives*", "*agricultural cooperatives*", "*cooperatives empowerment*", "*Sri Lanka cooperatives*", "*Sri Lanka tea*", "*Sri Lanka tea cooperative*", "*small scale farmer*", "*small farmer Sri Lanka*", "*plantation*", "*plantation Sri Lanka*", "*tea plantation Sri Lanka*", "*Fairtrade*", "*Fair Trade*", "*Fairtrade plantation*", "*Fairtrade cooperative*", "*Fair Trade Sri Lanka*". All keywords show specific number of sources which is narrowing if the specification is inserted. For example, the keyword "*cooperatives*" appears in 204,325 results in the period from 1945 until 2022. The largest number of papers was published between 2014 and 2021. Specified keyword for "*Agricultural cooperatives*" shows 6,687 results. But the keyword "*Sri Lanka Cooperative*" shows only 250 results. Similar ranges of results were found under the keyword "*Plantation*", that shows 55,771 results, but more specified "*Plantation Sri Lanka*" shows 347 results and "*Tea plantation Sri Lanka*" shows only 101 results. Comparable number of results was found also under other keywords and their specifications, such as "*Fairtrade*" and "*Tea Sri Lanka*".

According to the WOS database, most of the sources related to the topic of this thesis were published between 2012 and 2021, where, for example, published papers of keyword "*small farmer Sri Lanka*", 11 out of 104 sources were published in 2021, which is the largest number of published articles in one year for this topic. Similarly, for the keyword "*Sri Lanka cooperative*", 69 sources out of 250 were published between the

years 2020 – 2021. There are currently 631 results under the keyword “*Tea Sri Lanka*”, from which 128 articles were published between 2018 – 2021.

Smaller number of sources, that do not appear in the WOS, author obtained through Google Scholar or EBSCO. Additionally, for inspiration and further insight, author used adequate amount of grey literature.

Used sources were sorted in the table with 6 main categories: Cooperatives – positive effect (12 sources), Cooperatives – negative/no effect (7 sources), Fairtrade – positive impact (9 sources), Fairtrade – negative/no impact (23 sources), Plantation – positive impact (5 sources) and Plantation – negative/ no impact (8 sources). Sources were then divided by the author, year, main research purpose and country of data collection.

4. Literature Review

4.1. Tea Production in Sri Lanka

Tea cultivation in Sri Lanka initiated with British intervention and plays a major role in Sri Lanka's economy since 19th century until present (Tea Board 2014a). First intention of British governors was to make Ceylon famous for coffee production, which was a successful move, as Sri Lanka was the largest coffee exporter in 1870s (Tea Board 2014a). However, due to new coffee plant disease, plantations were destroyed and so the economy of the country, until James Taylor, who owned few acres of land in Loolkandura, experimented with tea plants from India and established first small plantation (Wijetunga & Sung 2015). Later, majority of plantations were converted from coffee to tea and Sri Lanka became one of the main countries for tea cultivation. Plantations were mostly owned by British investors, who rarely, if ever, visited the plantations (Tea Board 2014b).

The biggest issue was social welfare of plantation workers. During the colonial period, working conditions at the estates were very poor. Previously, when Sri Lanka was under control of Dutch, former coffee plantations were full of enslaved locals. Nothing changed after incoming of British, who extended the slavery. Workers had no proper access to a safe water, women faced sexual harassment and children labour was a standard (Restakis 2010). This was the reason for Sri Lankan workers to leave the plantation systems and establish their own small farms (Ilyas 2014). Sinhalese refused to work under plantations with foreign owners, when most of them owned at least a piece of land that could be used (Ilyas 2014). British planters experienced an emergency, plantations were abandoned without a proper labour force. This was a reason for them to start importing workers from South India, especially from Tamil Nadu (Ilyas 2014). Nowadays, Tamils are still a major labour force in tea plantations (Siegmann et al. 2019).

Ceylon² tea is one of the most widely recognised tea worldwide. Together with China, India and Kenya, Sri Lanka leads the tea market. According to the FAOSTAT latest data available, Sri Lankan total production of tea in 2019 was 300,120 t.

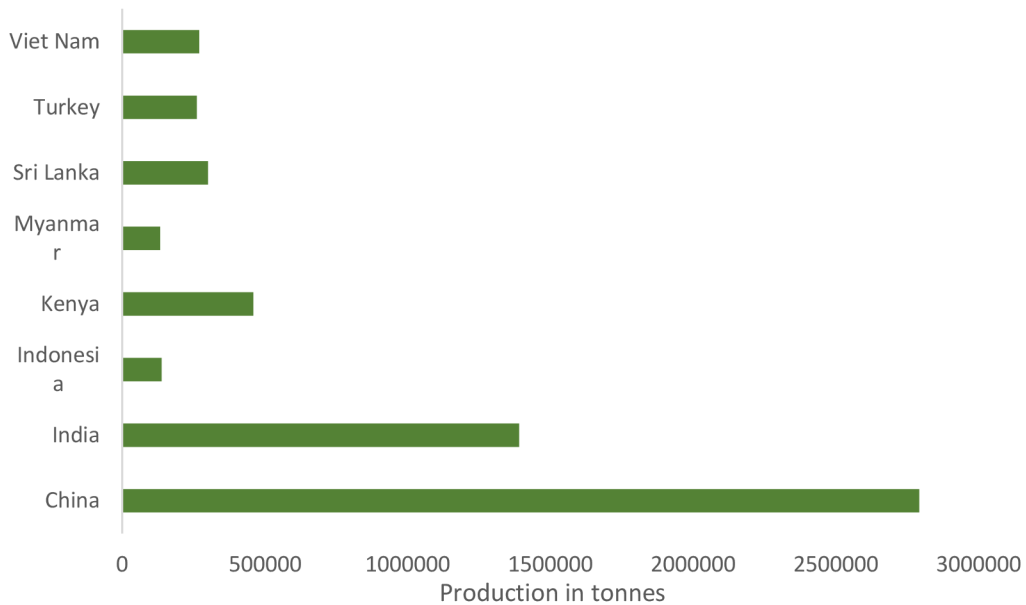


Figure 1 Tea Production Worldwide 2019 (FAOSTAT 2021)

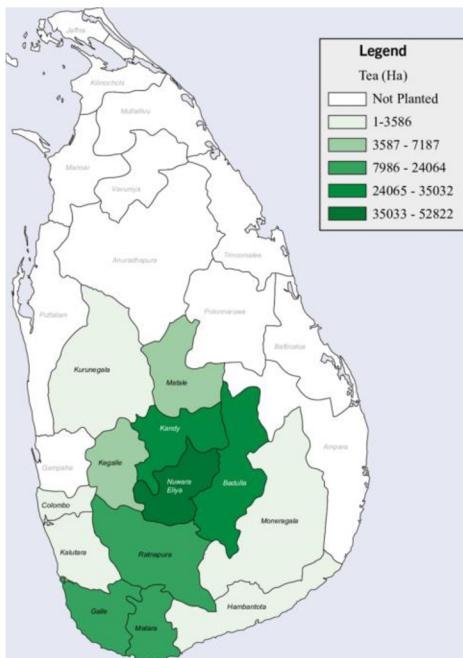


Figure 2: Sri Lanka tea cultivation map (Esham et al. 2018)

Tea in Sri Lanka is cultivated mainly in the country's inland; majority of tea production happens in the areas of Nuwara Eliya, Kandy and Badulla. For details, see figure 3 (Esham et al. 2018).

Sri Lanka has diverse climate in several parts of the country. Whereas coastal and Northern parts are hot and humid, inland of the country has colder temperatures and higher percentage of rainfall because of higher elevation (Department of Meteorology Sri Lanka 2016).

² Ceylon is a name of the geographical area of Sri Lanka. It also used to be an official name of the country until 1972

Ceylon tea is cultivated in 7 districts: Nuwara Eliya, Dimbula, Uva, Uda Pussellawa, Kandy, Ruhuna and Sabara Gamuwa (Wijetunga & Sung 2015) and is divided into 3 main tea growing regions. These regions are divided by the geographical location in the country: Low Grown Tea (up to 600 m sea level), Mid Grown (600 – 1200 m sea level) and High Grown (1200 m + sea level). According to statistics of Tea Board in Sri Lanka, total area of tea cultivation in the country expands up to 221,000 ha and more (Tea Board 2014c). The highest share on the total tea production has the Low Grown tea (Perera 2014).

For growing a high-quality plant, it is important to abide several steps. In Sri Lanka, the cultivation starts with clearing the lands from trees and shrubs, often done by combination of timber and slash and burn methods. Clearing of the land is followed by proper drainage and organization of the land, mainly by planning the lines for future bushes. After the plant is placed to the ground, it is important to remove harming weeds and ensure sufficient shade, mainly by planting trees around the crops. Crops are regularly fertilized to obtain essential nutrients. Bushes must be also frequently pruned. When it comes to harvest, specific parts of *Camellia* are manually plucked. Basically, only the two top leaves are harvested for the best quality (Tea Board 2014d).

4.1.1. Black Tea Manufacturing

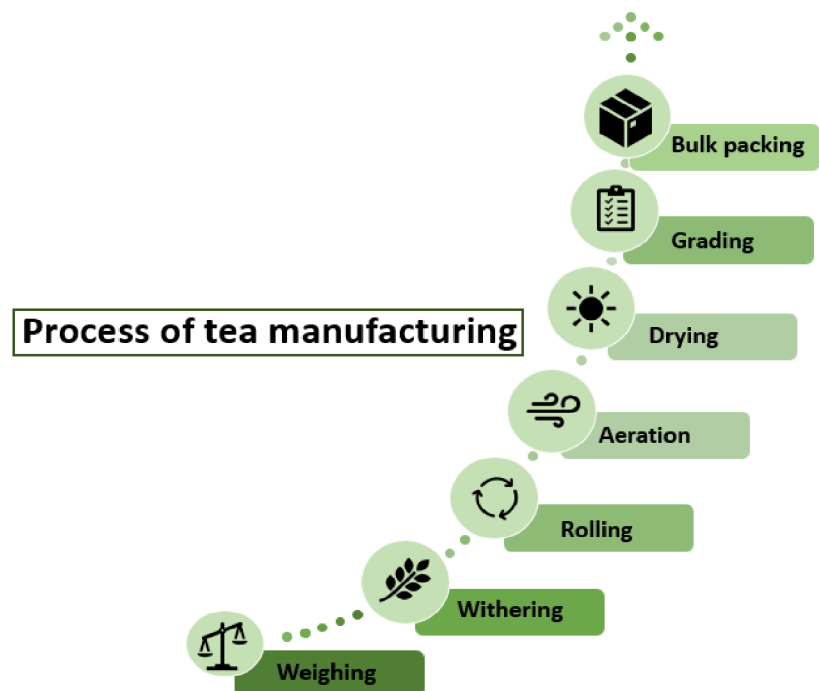
The uniqueness of Ceylon Tea lies in the methods of cultivation and manufacturing of the *Camellia sinensis*. Sri Lankan tea producers use mainly the orthodox method of tea manufacturing, which is a traditional way of tea processing. Also, Sri Lankan variable climates, subsoils, but even the fact that tea comes mainly from a small-scale farm, make each shrub of *Camellia* unique for its quality and taste (Tea Board 2014d). The orthodox methods require higher labour force, but through appropriate use it guarantees an exceptional product quality. Orthodox method is done through several important steps, where each step needs specific machinery and treatment. Processing starts at the plantation or small-scale farm, where usually women pluck the upper part of tea stem (Munasinghe et al. 2017).

If the green leaf comes to the factory from smallholders, it is mostly delivered by green leaf dealers or collectors, that collect the raw material from smallholders and deliver it to the factory (Perera 2014). Significantly less farmers deliver the green leaf to the

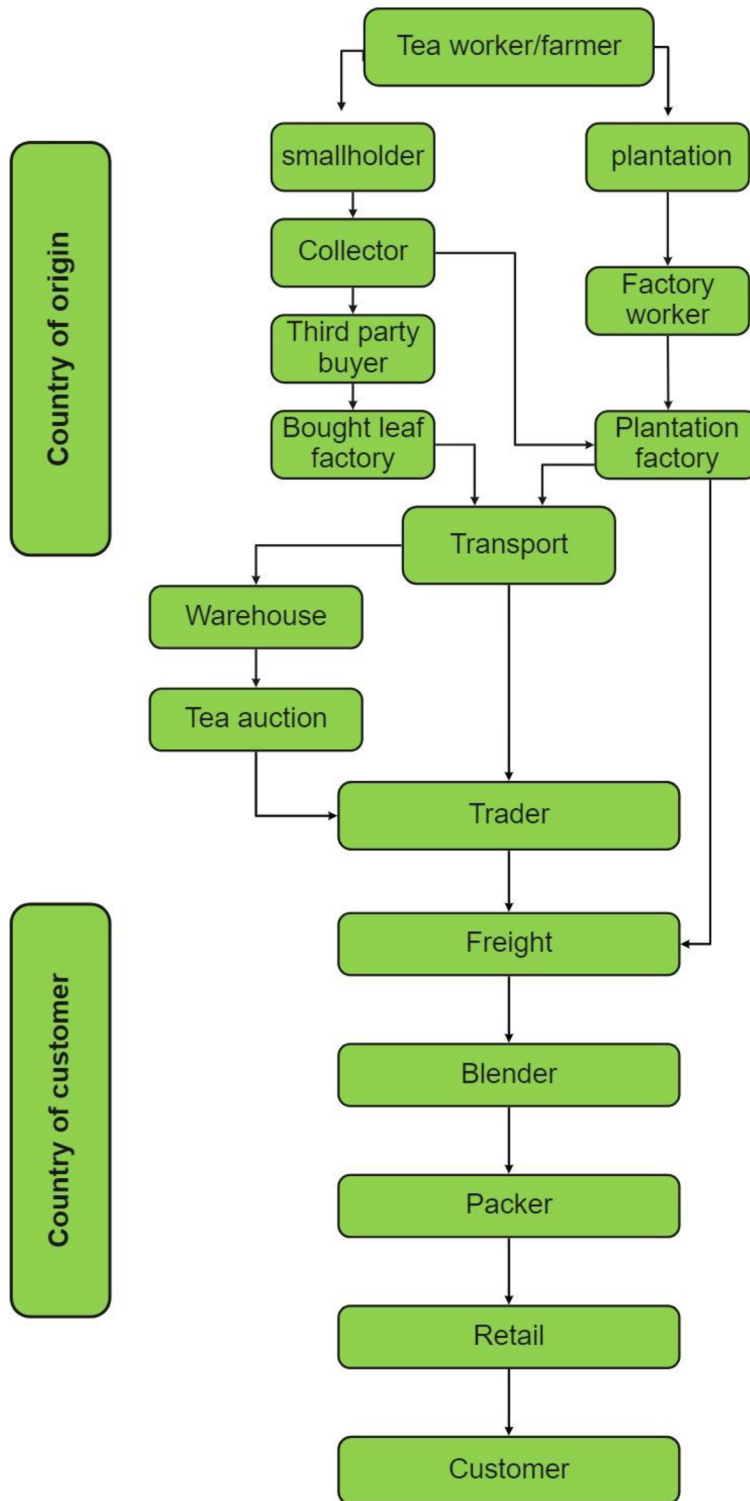
factory by own transport or through tea agents, who collect the green leaf from cooperative members (ILO 2018). Green leaf is then collected at the factory, it is checked and weighed. Factory can reject the green leaf if the quality does not meet the factory's requirements (ILO 2018). According to detailed description of tea supply chain by Wal (2008), tea that is grown on plantations/estates is collected by plantation workers who deliver it directly to the estate factory.

Factory workers prepare the green leaf for withering. Leaves are ready for another step in the process when two thirds of the moisture are gone. Then, the leaves are mechanically rolled, which releases the juices and essential oils from the plant. There the oxidation starts. Oxidation (or aeration) is very important part of the process because it makes the taste of the tea. To keep the taste and prevent the leaves from another chemical reactions, leaves are dried in the temperature around 100°C, which creates the final product, black tea. Tea is then graded according to the customers preferences. There are 3 main grades, leafy, broken and dust. These grades are subsequently split into a lot of specific grades, according to the taste, colour, smell, and kinds of use. As the last step, the tea is bulk-packed immediately after processing to preserve the taste and quality (Tea Board 2014e).

Figure 3 orthodox tea manufacturing process
(Tea Board 2014e)



Tea Supply Chain



miro

Figure 4 Tea Supply Chain; inspired by Wal (2008)

4.1.2. Trade and Export

According to Tea Exporters Association (TEA) Sri Lanka, the total amount of exported tea from the island was over 230 MT, from which around 104 MT was traded as bulk tea and 104 MT was traded as tea bags (TEA 2017a). Major importers of Ceylon tea are Iraq, Turkey and Russia (TEA 2017a). Despite the fact that Ceylon tea belongs to the mostly consumed tea in the world, the advantage in market competition is decreasing for Sri Lanka (Mujahid Hilal 2019). Study of Mujahid Hilal (2019) claims that “*the viability of the Sri Lankan tea industry makes it imperative to adopt production of value-added tea products, promoting local brands in the global market and marketing the products in the international market*”. Author also claims that consumers and traders around the world prefer instant tea products (Mujahid Hilal 2019). A study of Islam et al. (2021) revealed that Sri Lankan tea export does not influence the economic growth on a long-run. Author claims that the reason behind this could be inefficient resource use or poor structure of the industry (Islam et al. 2021).

4.2. Plantations as Farming System

According to a FAO working paper by Smalley (2013), plantations belong to a commercial agricultural system of cash crop cultivation. Plantations are large-size farms, that are maintained by hired workers, who can be residing directly at the plantation, commuting, or brought from different areas or countries as migrant workers. Plantations can belong under private or corporate ownership (Smalley 2013). Plantation job is often the only option for marginalized farmers to access fixed salaries. Plantations ensure job for thousands workers, despite the low wages (Bhowmik 2011). However, due to low wages and poor conditions, workers migrate to larger cities to pursue a better career. Nowadays the migration wave from plantations to offices is increasing and the future of plantation work is uncertain (Dishanka & Ikemoto 2014).

The working conditions, wages and social wellbeing is generally known as very low at the plantations. Krumbiegel et al. (2018), who reviewed several aspects of plantations, states that even though plantations are being established to maximize the profit from agricultural production, owners of them often overlook the sustainability of land and nature. The main issues described in the paper are soil erosion, deforestation and

landscape changes (Krumbiegel et al. 2018). Another study by Santika et al. (2019), that was conducted in Indonesian oil palm plantations revealed that plantation agriculture has almost no impact on poverty alleviation. Furthermore, plantations need a major organizational change to protect livelihoods from socioeconomical aspects and there are actions which should be taken from the aspect of environmental protection (Santika et al. 2019). Similar results of poor livelihoods were found by Gansemans & D'Haese (2020) in the study of workers' livelihood at pineapple plantations in Costa Rica. Generally, plantation workers lack basic education, suffer from diseases due to poor hygienic standards (Bhowmik 2011; Dishanka & Ikemoto 2014; Chandrabose 2019). According to findings of Chandrabose (2019) there is a high level of illiteracy among the plantation workers, which has roots in poor schooling management at the plantations. Another important aspect to improve in the plantation system is women empowerment. A study in India conducted by Rajbangshi & Nambiar (2020) showed very low results in the terms of women empowerment. Women are still being marginalized and abused in the plantations and receive inadequate working conditions to maintain the households (Rajbangshi & Nambiar 2020).

4.2.1. Tea Plantations in Sri Lanka

Tea plantations in Sri Lanka make the rest of the tea production of the island (approximately 25 %), even though their history is larger than for the small-scale plantations (as mentioned above). The number of registered tea estates in Sri Lanka is 328, with extent of 77,553 HA of land used for cultivation. The estates (mainly the privatized ones) usually provide their workers with extension services and facilities, such as plantation medical centre, housing, credit provisions or transportation (Kodithuwakku & Priyanath 2010). Almost every plantation has workers, who are members of trade unions (e.g. Ceylon Workers' Congress, Lanka Jathika Estate Workers' Union, Joint Plantation Trade Union Centre) (Thomas 2021). The unions help raising the voice of workers through the plantations (Siegmann et al. 2019). If at least 40 % of company workers join the union, they can sign a contract of "*collective bargaining agreement*" (CBA), which gives to the workers more rights and benefits during bargaining (WageIndicator Foundation 2021). The CBA is signed between the union and regional plantation company (Siegmann et al. 2019). Thomas (2021) describes trade unions on plantations as very important and strong communities of workers. His research

summarizes the trade union policy as a strong tool for creating an equal and safe environment for plantation workers (Thomas 2021). He also compared the CBA with ethical certification and found that CBA in Sri Lankan tea sector is much more powerful than certifications, because the rules of the CBA are more complex and clear, also, the CBA has a greater history and tradition among tea plantation workers than the certifications, such as Fairtrade, Rainforest Alliance and others (Thomas 2021).

On the contrary, Sri Lankan plantations are also intertwined with several challenges that cause obstructions on the workplace. Generally mentioned obstacles for workers are harsh conditions at the workplace, diseases caused by pests and chemicals, lack of hygiene and sexual harassment (Dishanka & Ikemoto 2014; Kudagammana & Mohotti 2018; Chandrabose 2019; Warnasooriya et al. 2021). These challenges together with strict management rules negatively influence the work productivity, which affects the plantation management (Kodithuwakku & Priyanath 2010).

4.3. Agricultural Cooperatives

“Cooperatives can be an important institution to promote the transformation of the smallholder farm sector from a (semi) subsistence farm sector to a commercial and intensified agricultural sector” (Verhofstadt & Maertens 2014).

The International Cooperative Alliance (ICA) defines agricultural cooperative as an association of small-scale farmers (ICA 2018a). According to Bro et al. (2017) *“agricultural cooperatives are designed to bring together smallholder farmers to overcome production and market barriers, by providing inputs, extension services, and help with processing farm products”*. Small-scale farmers often face various kind of challenges while trying to trade with their commodities (Bizikova et al. 2020). A major issue is that small-scale farmers must often undergo is the insufficient size of production supply, which makes it difficult to meet the demand in the market. Furthermore, farmers often fail to sell their products directly to the market and they must rely on third-party traders (ICA1, 2021). Study of Hao et al. (2018) claims that cooperative membership has positive impacts on selling the products to wholesalers.

ICA states: *“Cooperatives are people-centred enterprises owned, controlled, and run by and for their members to realize their common economic, social, and cultural*

needs and aspirations. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others” (ICA 2018b). Cooperatives should also promote sustainable farming practices (Bro et al. 2017) and should be led towards equitable development in rural areas (Ma & Abdulai 2017).

In order to guarantee good-quality life to farmers through cooperatives, there must be higher cooperation with local governments and institutions that may provide financial support (Calkins 2013; Ma & Abdulai 2017). Ma & Abdulai (2017) claims that there is a need for cooperation of government and well-educated farmers to enhance interest of small-scale farmers and to boost the capacities of cooperatives.

4.3.1. Cooperative Benefits for Small-scale Farmers

Smallholder farmers worldwide are generally lacking an access to the corporate-led commodity markets (Assefa et al. 2013). A possible solution stated by Verhofstadt & Maertens (2014) is cooperative membership, which *“leads to the adoption of modern inputs, increased intensification, increased commercialization of farm produce, and higher revenue, labour productivity and farm income”*. The capacity for demanded production will increase as well (Assefa et al. 2013) and more attention will be paid to sustainable practices, fertilizer uses, environmental protection and accessing the extension services (Abebaw & Haile 2013).

Gramzow et al. (2018) stated that if the certain level of trust is developed among the farmers in a cooperative, it is a benefit in many directions. Along with trust, information and education play a crucial role in a well-managed, empowering cooperative. As showed in a study of Füsün Tatlıdil et al. (2009), farmers who are able to receive information, training and are able to access the extension services have wider knowledge about the whole structure of the sustainable agriculture and therefore their trust in the cooperative infrastructure and management is higher. Mishra et al. (2018) claims that cooperatives could be a successful tool for poverty reduction, as the incomes play crucial role in the overall livelihood of farmers and their families. The empirical study of Ma & Abdulai (2017) shows that the cooperative membership has positive impact on investment returns, gross income and farm profit. Another studies claim that

farmers in certain cooperatives are rewarded with higher incomes than farmers who are not members of any collective organization (Verhofstadt & Maertens 2014; Bizikova et al. 2020). Along with the income, Calkins (2013) investigated that the cooperatives are a strong tool for improving the quality of life in the areas where the government fails to do so. Wossen et al. (2017), focusing the study on cassava production in Nigeria, state that cooperative membership positively impacts households of farmers and raises the technology adoption.

Cooperatives have also positively impacted on the women empowerment. Studies of Bizikova et al. (2020) and Dohmwirth & Liu (2020) show that women members of the organizations are more likely to be empowered and have better access to leadership roles. The study of Poudel & Pokharel (2018) also resulted positively for women empowerment, especially in aspects of strengthening social relationships and reducing gender inequality. Authors Dohmwirth & Liu (2020) conduct from their study that women members of mixed cooperatives have stronger voice in the groups and tend to become the head of household. For women, aspects like shared land ownership, access to cooperative extension services and equal relationships are the most important to raise their voices in the cooperative and to become more empowered (Meier zu Selhausen 2016).

To give a specific example of a country, where the cooperatives are well managed and reflex the main aims of farmer organizations designed by ICA, we can mention Japan (Esham & Kobayashi 2013; Islam et al. 2018). Japanese cooperatives are often based on community farming, which pushes the concept of cooperatives on another level (Esham & Kobayashi 2013). The local cooperative systems are unique and inspire cooperatives worldwide (Islam et al. 2018).

4.3.2. Challenges Associated with Cooperatives

“Paradoxically, the main problems of the cooperative come from its democratic organization and the member involvement” (Bezençon 2011). The study of Calkins (2013) resulted very positively for cooperatives, but the author states several challenges that cooperatives must face. He claims that cooperatives cannot work only as one individual organization, therefore there is a need of collaboration with state organizations, NGOs, qualified agronomists, government and other institutions (Calkins 2013)

O'Brien et al. (2013) reports that even if there is a certain amount of trust in the cooperative, farmers still sell the products to different companies and private owners. This "free-reeding" behaviour increases organizational costs and revenue loss of the cooperative (O'Brien et al. 2013). Mujawamariya et al. (2013) allege that cooperative lose its uniqueness if the organization accepts products from farmers outside the membership, yet it pays the same premium price for the product as it pays to regular member. On the other hand, cooperatives could not financially survive without the producer supply and many cooperatives are thus facing financial issues that can lead to further crises (Kodama 2007). Another questionable matter in this case is market-oriented cooperatives, who allow memberships of larger farms in regards of gaining more profit (Bijman & Wijers 2019). By the author, some cooperatives are becoming large businesses, moving away from the original intention of cooperatives, which are protecting rural smallholders from poverty and marginalization (Bijman & Wijers 2019). Hao et al. (2018) found that cooperative membership for farmers is a good tool to introduce wholesalers to farmers and to help with transactions and contracts but does not provide any significant benefit to farmers when it comes to selling products directly through cooperative.

4.3.3. Cooperatives in Tea Sector of Sri Lanka

Cooperatives in Sri Lanka were intensively introduced to the agricultural sector in 1994 (Esham & Kobayashi 2013), although the very first cooperative in Sri Lanka was established in 1906 (Birchall & Simmons 2009). Despite the statements, that cooperatives are a tool for support and empowerment of smallholders (ICA), in Sri Lanka, many of the cooperatives have never been so. Studies of (Esham & Kobayashi 2013) and (Mahindapala 2020) point out, that the cooperatives are often built with a purpose to only increase the profit of the cooperative, but the wellbeing of its members is not considered as important. Authors mainly highlight lack of governance in the groups and poor management, as even the leaders of the cooperative often misunderstand the purpose of the farmer company. These issues then lead to the poor participation of shareholders in the activities, meetings, and projects of the cooperative (Esham & Kobayashi 2013; Perera 2014; Munasinghe et al. 2017; Mahindapala 2020).

Only around 6 cooperatives are actively supplying the tea sector in Sri Lanka, from which only one cooperative, Morawakkorale Tea Producers' Co-operative Society, is restricted to tea production only (Mahindapala et al. 2020). This cooperative was established in 1953 in Deniyaya with main vision of preventing tea smallholders from exploitation and marginalization. In the area of the cooperative, members can use a retail or fertilizer shops, petrol station and other extension services. All the facilities work on credit, so farmers who do not have sufficient money to purchase the needful, cooperative will provide them with a loan which they pay after the pay day. Prices of the green leaf are often higher than average and at the end of the year, all farmers receive a “*second salary*”, which is deducted from their supply during the year. Children of the members are offered scholarships (Mahindapala et al. 2020). Morawakkorale cooperative runs 3 tea factories that process the tea produced by cooperative members. Nowadays, the cooperative has around 5,000 members (Knowledge with Amila 2019).

Another cooperative that has very positive responses from its members is the Small Organic Farmer's Association (SOFA). SOFA, established in 1997, is a Fairtrade certified small-scale farmer organization for high quality tea, spices, coffee, and other agricultural products. SOFA pays attention to local environmental sustainability and organic methods of cultivation. The products grown are sold in local and international markets and rest is used for home consumption. Members of the organization have a stable income and work in a transparent and democratic environment (SOFA 2021) Fairtrade premium in this cooperative has been used for several important development projects. Training in organic agriculture and providing members with everything they need for successful farming is one of the main and basic standards. SOFA already built several infrastructures, such as tea collection centres and farm lanes. There are several projects with social context as well. There are special women's projects that support female members of the cooperative by income generation schemes and enables them to become independent (Fairtrade Foundation 2021). Studies confirm the successful management and improved life quality of the organization's members (Holmes 2015; Qiao et al. 2016). Nowadays, the cooperative has over 3500 member farmers, divided in 53 branch societies (SOFA 2021)

4.4. Smallholders in Tea Sector of Sri Lanka

Another large group of tea farmers in Sri Lanka are farmers that are neither members of associations or cooperatives but cultivate tea on their own or as a family business. As mentioned above, smallholders in tea sector are the main source of green leaf distribution for Sri Lanka. 75 % of tea cultivators in Sri Lanka are smallholders. Number of smallholders is nearly 400,000 and they all together own over 122,000 hectares of land (TSHDA 2019). All smallholders are registered under the Tea Small Holdings Development Authority (TSHDA) (Perera 2014). According to the official annual reports, the authority supports local small holdings by provision of relevant training, fertilizers, pesticides and financial support (TSHDA 2019). Studies are being sceptical to the TSHDA. Even though the reports show positive numbers, smallholders, especially in rural areas, are still being marginalized (Perera 2014; Munasinghe et al. 2017; Mahindapala 2020). Perera (2014) claims that the problem of tea smallholders is uncertainty and lack of skills to cultivate higher quality tea without harming the environment, hence, only low percent of farmers keep records of their business and most of them do not have any business knowledge to boost the production and their sales. According to the study of Perera (2014), issue of inappropriate cultivation methods leads to environmental crisis. Farmers are uninformed on usage of chemicals such as fertilizers, pesticides, or herbicides and most of farmers rely on rainwater to irrigate their crops (Perera 2014). Majority of the land above 900 m has been deforested for tea cultivation and tea plants are then being heavily fertilized by inappropriate amounts of chemicals, which leads to soil and water degradation and might endanger the health of farmers (Munasinghe et al. 2017).

Another challenge for smallholders are volatile prices for the green leaf. Tea factories set the prices for the raw material and smallholders depend on these prices without any voice. Very often, these wages are insufficient for farmers to cover basic household expenses and live decent life (Munasinghe et al. 2017). Farmers can always choose which company they want to supply with the green leaf, however, they often stay loyal to one factory despite the volatile prices (Perera 2014). Factories are the price takers from the tea auction in Colombo (Rembeza & Radlińska 2020). The Colombo Tea Auction (CTA) is held every Tuesday in Colombo and it is the largest tea auction on the world (TEA 2017b). According to the study of Rembeza & Radlińska (2020), the CTA

is not only price maker for Sri Lanka, but it strongly influences tea prices at other big tea auctions, such as tea auction in India and Kenya. Approximately 95 % of tea produced in Sri Lanka is sold through the auction (Gamage & Wickramaratne 2020).

4.5. Fair Trade³

4.5.1. Definition of Fair Trade

World Fair Trade Organization (WFTO) defines Fair Trade as a type of business that is built on social equity, transparency and respect of both, traders, and suppliers (WFTO 2021). Van Rijsbergen et al. (2016) describes Fair Trade as a certification that “*is promoted to improve rural welfare through better market access and improved agriculture practices*”. Utting-Chamorro (2005) states: “*Fair Trade represents an innovative approach to make the rules of global trade work for disadvantaged producers in the South and for sustainable development*”. Oya et al. (2018) defines all ethical certification systems as a set of voluntary standards, which “*make agricultural production sustainable in socio-economic terms and agricultural trade fairer for producers and workers*”. These standards are set to improve social and environmental effects caused by traditional trade systems (Oya et al. 2018). Fair Trade works through organizations which internationally support craftsmen and farmers (especially from developing countries) and aims to create safe working conditions in hand with protecting the environment and ensuring respect of basic human rights (WFTO 2021). There are various Fair Trade recognized labels around the world, among which are the well-known organizations, such as Fairtrade International, World Fair Trade Organization, Fair for Life or Fair Trade USA (Fair World Project 2020). Fair Trade is based on principles of sustainability, which are summarized into specific ethical standards, depending on community cooperation, fair working conditions, and equality (Fairtrade International 2020). Farmers are motivated to join certified organization by being offered a minimum price for their products and premium price paid over the minimum price (Fairtrade International 2020). Oya et al. (2018) describes the intervention of organizations as a group of projects, that “*include the process of standard setting and compliance, advocacy among consumers*

³ In this thesis, I use two terms. Fair Trade as general type of ethical trading and Fairtrade as a specific non-profit organization and its certification and audit system.

capacity building for producers, building supply chains, price interventions, and the application of acceptable labour standards”.

Fairtrade works with both, cooperatives, and plantations. Both farming systems have different sets of standards for each product. However, tea production can be certified both ways, either as a plantation or as a democratic association of farmers – producers’ groups. In next subchapters we will look closely into both systems of certification.

4.5.2. Fairtrade Cooperatives

The official set of Fairtrade International standards states, that each certified cooperative must be composed from small-scale farmers, who manage their own farms and bring their products to the cooperative, with a limitation for seasonal workers and hired labour. Fairtrade cooperatives are mainly constructed on democratic decision making of members through regular meetings and voting. Cooperative set the prices of products according to fixed minimum price, that cannot be lowered even if the regular market prices are decreasing. Farmers also benefit from Fairtrade Premium price, which is collectively assembled and used for cooperative improvements such as infrastructure building, education purposes and other different extension services (Fairtrade International 2019a).

Several studies explored the world of certified cooperatives around the world and found overall mixed results (see e.g. Méndez et al. 2010; Qiao et al. 2015; McEwan et al. 2016; Salignac et al. 2021). Salignac et al. (2021) interviewed Fairtrade certified small-scale farmers across India and Vietnam to explore farmer’s view of participation in Fairtrade. This extensive study brought positive results as farmers within the cooperatives feel the difference in more democratic environment and other benefits, either for whole community or individuals (Salignac et al. 2021). Slightly older study of McEwan et al. (2016) did similar research of Fairtrade certified cooperative in South Africa and found, that poor farmers from rural areas are disconnected from Fairtrade benefits. The study also revealed that farmers have limited knowledge about the whole system of certification, resulting in unawareness of the real value of their products (McEwan et al. 2016). Extensive study of 18 coffee cooperatives in Mexico and Central America by (Méndez et al. 2010) shows mixed positive and negative results of Fairtrade certification. The positive sides were found in higher average prices for the coffee and farmer’s access

to credit (Méndez et al. 2010). However, the amount of certified coffee sold to the Fairtrade market was low and farmers often had to sell the coffee in the conventional market for lower prices (Méndez et al. 2010). Qiao et al. (2015), researching the tea cooperatives in China and Sri Lanka found effective to connect Fairtrade and organic certification in purpose of balancing the lower yields and requirement of higher labour connected with organic farming, with premium prices of Fairtrade. In this case the intention was successful and cooperatives benefit from both certifications (Qiao et al. 2015).

4.5.3. Fairtrade and Hired Labour

Same as cooperatives, Fairtrade plantations have sets of standards described for each product. Each plantation must democratically vote for members of Premium Committee composed of its workers and hired labour, that will take care of the Premium money and decide how to spend it. Premium money is saved in the special bank account and committee members are joint signatories. Committee members also create Premium plans on how to spend the extra amounts wisely. Members must be open to discussions with other workers and must be able to set up at least one General Assembly meeting with all workers a year. Fairtrade plantations are subjected to standards that are mainly focused to health and safety conditions on the workplace. There are high safety measures when handling with chemicals. Use of potentially hazardous chemicals is restricted due to safety of workers and the environment. Another important part of the standards is focused on working conditions, specifically working hours, overtime restrictions and gender equality. And same as the standard for cooperatives, Fairtrade guarantees the fixed minimum price for each product. Fairtrade also requires minimal wages of the workers. (Fairtrade International 2019b).

Fairtrade certified plantations were in the past also subjected to several researches (see e.g. Krumbiegel et al. 2018; Raynolds & Rosty 2019; Raynolds 2020; van Rijn et al. 2020). A study of Fairtrade certified bananas in Dominican republic by van Rijn et al. (2020), focused on wages and livelihood of households of workers showed, that the wage of worker of certified plantation does not significantly differ from the wage of non-certified worker. The job security also did not show any significant improvements, however the workers of certified plantations received more non-financial benefits, such

as higher number of paid leaves during the year (non-certified plantation workers receive around 7 days, certified around 15), easier access to healthcare, education and other extension services (van Rijn et al. 2020). Similar study was conducted in Ghanaian pineapple plantations by Krumbiegel et al. (2018), where the job satisfaction (in comparison with non-certified plantations) was higher and so were the wages. However, less than 50 % of products were sold to Fairtrade market, which resulted in receiving relatively low Premium money from Fairtrade (Krumbiegel et al. 2018). Very similar results were found in the study of Nicaraguan coffee plantations under the certification of Fair Trade USA (Raynolds & Rosty 2019). Raynolds (2020) focused her study on certified flower plantations in Ecuador in context of gender equality and women empowerment. The results of this study are mostly positive, as the author during the research found improvements in work conditions, increased job opportunities for women and empowerment, however, the problem of sexual harassment and time poverty still persists (Raynolds 2020).

4.5.4. Positive Impact of Fair Trade

Farmers working under the Fair Trade ethical organizations are supposed to be free from poverty and to be better situated in the market (Karki et al. 2016). In many cases, Fair Trade improves the social development and wellbeing of farmers who are members of certified organizations of companies (Bacon et al. 2008; Bezençon 2011). Bacon et al. (2008) conducted a 6 year long research on Fairtrade certified specialty coffee plantations in Nicaragua, focusing on household level improvements. The study stated that certified cooperatives highly benefit from Fairtrade, many in aspects of education, financial level, and infrastructure. Households of farmers working under the ethical certification felt the improvement in time-management and budget of the family, thanks to the fixed working hours and improved incomes (Oya et al. 2018). Fair Trade also takes responsibility of agrochemical usage and restricts use of harmful fertilizers and pesticides, which has positive impact on farmers health and the environment (Sellare et al. 2020b). Bassett (2010), who reviewed cotton Fairtrade certified plantations in West Africa highlights the benefits of certification mainly in gender equality on workplace and use of modern cultivation techniques learnt by Fairtrade training programs.

4.5.5. Negative Impact of Fair Trade

Despite the positive impact of the organization on several companies and farms around the world, there is a lot of criticism against Fair Trade. According to the research of Fairtrade Coffee in Brazil by Alvarenga & Arraes (2017), the main issue is the quality of coffee produced in cooperatives under Fairtrade certification. As Brazil coffee is widely recognized around the world for its good quality, consumers usually tend to select their coffee according to the taste or favourite brand. Authors in the paper state that Fairtrade does provide the premium prices and better working conditions but is not much devoted to the quality of the coffee produced under its label. Even though consumers would be willing to pay the premium price for an ethically grown coffee, they will choose another substitute with better quality and without certification (Alvarenga & Arraes 2017). Another example from Latin America is Nicaragua, where Beuchelt & Zeller (2011) in their ten-year long study found, that farmers working under Fairtrade certified organizations are often poorer than farmers selling to a conventional market. The main problem is a profitability of the organization, which, even with premium prices, cannot balance the total labour cost (Beuchelt & Zeller 2011). Utting-Chamorro (2005) stated that there is no straight evidence of farmers' improved livelihood through Fair Trade and she claims that the sustainability of the trade is uncertain. Mitiku et al. (2017), researching the coffee certification schemes in Ethiopia, claims that Fairtrade certified farmers receive higher prices for their production, but "*the premium cannot keep the households in profit*". Bacon et al. (2008) sees the limitations of Fairtrade in not being able to protect farmers from food insecurity and poverty. There are significant improvements in household living standards, but the economic benefit of the certification is uncertain (Valkila 2009; Chiputwa et al. 2015; Ibanez & Blackman 2016; Akoyi & Maertens 2018; Ssebunya et al. 2018). Oya et al. (2018) deduce that prices in certified farms and organizations are higher than conventional market, but the limitation of certified traders flattens the premium prices.

Bezençon (2011) states, that small-scale farmers face issues when it comes to the capacity building of the certified organizations. As stated in the standards of Fairtrade, small-scale farms are not allowed to hire full-time workers. Bezençon (2011) claims that many farmers would like to expand their business but cannot do it because of this standard.

Another criticism originates from collaboration of Fairtrade with transnational corporations (TNCs), which is often considered a move against original philosophy and visions of Fairtrade and Fair Trade in general (e.g., see Reed (2009) or Dolan (2010)). However, some authors see the Fairtrade's involvement in the TNC supply chain as a benefit for small-scale producers. As (Khan et al. 2019) states: "*Embracing Fairtrade practices by a corporation with a transnational supply chain may ultimately help in raising the living standards of marginalized producer sections*".

According to the several studies (see, e.g., Mujahid Hilal (2019), Utting-Chamorro (2005), Reynolds (2020), Loconto (2015)), Fairtrade seem to be failing the question of gender equality and women empowerment, which is one of the main part of its official standards (Fairtrade International 2019a, 2019b). Ange et al. (2019) stated that even if the empowerment through organization rises, the cultural norms, determining rights of women in the given areas remain the same. Another study states that ethical certification cannot fully remove the inequalities between male and female, however it can be a powerful tool (Meemken & Qaim 2018). Lyon et al. (2017) see the problem of empowering women across the organizations in the "time poverty". Organizations and private standards create beneficial environment for women, however, women often lack the time for additional activities (Lyon et al. 2017).

VanderHoff Boersma (2009) did extensive research on Fairtrade practices around the world and according to his finding, core problem of Fairtrade is focusing on the effects of market rather than the root problems. Organizational standards are directed to the specific problems, such as poverty, working conditions, salaries, or gender equality on a workplace (Fairtrade International 2019a, 2019b). But VanderHoff Boersma (2009) states: "*To focus on the effects of the system (i.e. poverty), and not to the means for changing it, is not a viable long-term strategy*". Similar findings are stated in the study of Beuchelt et al. (2009), who suggest to Fairtrade and other organizations to firstly focus on management and education of farm managers and to develop extension services.

5. Summary of Results and Discussion

The tea sector of Sri Lanka has been criticized by several authors around the world for its lack of governance at the plantations, difficulties for farmers and their families and low wages. To increase empowerment in the tea industry, cooperatives or ethical certification could be a possible solution. The review of scientific literature exposes several findings related to the topic of farmer's empowerment through discussed farming systems. Studies, chosen for this research, were conducted in developing countries and reveal mixed results from the field of cooperatives and Fair Trade. Because of limited number of scientific research conducted on same or similar topic in Sri Lanka, author used research results in other developing countries to compare with existing research from Sri Lanka and the recommendations of such research could be applied to Sri Lankan context.

Table 1 Literature sources

Purpose	Primary topic	Author	Year	Research country
Cooperatives – positive effect	Improvement of farm performance	Verhofstadt & Maertens	2014	Rwanda
	High trust towards cooperative and integration to the market	Gramzow et al.	2018	Tanzania
	Cooperative extension services improve the performance of members	Fusun Tatlidil et al.	2009	Turkey
	Description of system that lowers transaction cost of efforts for climate adaptation	Araral	2013	Phillipines
	Cooperative members are more likely to adapt sustainable practices than non-members	Bro et al.	2017	Nicaragua
	Contract farming through cooperatives significantly rises the income	Mishra et al.	2018	Nepal
	Improved income, working condition, environmental benefits	Bizikova et al.	2020	SSA
	Cooperative members receive higher incomes, extension services and healthcare	Calkins	2013	Cote d'Ivoire
	Improved household welfare, higher income and access to extension services	Wossen et al.	2017	Nigeria
	Women's empowerment	Dohmworth & Liu	2020	South India
		Poudel & Pokharel	2018	Nepal

		Meier zu Selhausen	2016	Uganda
Cooperatives – negative/no effect	If the cooperative is connected to an ethical certification, the standards of the certification decelerate growth of the cooperative	Bezençon	2011	Cameroon
	Higher income, but low quality of extension benefits of cooperative	O'Brien et al.	2013	East Africa
	Non-members selling to cooperative receive same price as members	Mujawamariya et al.	2013	Rwanda
	Unstable financial conditions of cooperative	Kodama	2007	Ethiopia
	Market-oriented cooperative has lower potential than community-oriented cooperative	Bijman & Wijers	2019	Mixed
	None or negative impact on members income	Hao et al.	2018	China
Fairtrade – positive impact	Improved working conditions, wellbeing	Salignac et al.	2021	Vietnam, India
	High improvement of working conditions at the workplace	McEwan et al.	2016	South Africa
	Higher income, ethical workplace and adoption of sustainable practices	Méndez et al.	2010	Central America, Mexico
	Fair Trade certification ensures better socio-economical conditions of farmers	Qiao et al.	2015	China, Sri Lanka
	Higher job satisfaction and higher income	Krumbiegel et al.	2018	Ghana
	Fairtrade improves livelihood of farmers	Karki et al.	2016	India

	Community level improvement	Bezençon	2011	Cameroon
	Increased livelihood among farmers under Fairtrade	Bacon et al.	2008	Nicaragua
	Income increase	Oya et al.	2018	Mixed
Fairtrade – negative/no impact	No effect on labour rights	Raynolds & Rosty	2019	Nicaragua
	Wageworkers in Fairtrade have less rights	van Rijn et al.	2020	Dominican Republic
	Unfair distribution of benefits among members	Alvarenga & Arraes	2017	Brazil
	Poverty levels remain same after certification	Beuchelt & Zeller	2011	Nicaragua
	No impact of Fairtrade on income due to volatile coffee prices	Utting-Chamorro	2005	Nicaragua
	Poverty level remain same after certification	Mitiku et al.	2017	Ethiopia
	Food insecurity and poverty among smallest farmers	Bacon et al. (2008) – as well as positive	2008	Nicaragua
	Organic Fairtrade cultivation has negative impact on income	Valkila	2009	Nicaragua
	Poverty level remain same after certification	Chiputwa et al.	2015	Uganda
	Organic Fairtrade cultivation has negative impact on income	Ibanez & Blackman	2016	Colombia
	Income remains same after certification	Akoyi & Maertens	2018	Uganda
	Income remains same after certification	Ssebunya et al.	2018	Uganda
	Owners are not able to fully manage their farms due to strict Fairtrade standards	Bezençon	2011	Cameroon
		Reed	2009	Mixed
Criticism towards involvements of TNC's to Fairtrade	Dolan	2010	Kenya	
	Khan et al.	2019	Mixed	

	Poor management	Mujahid Hilal	2019	Sri Lanka
		Raynolds	2020	Ecuador
		Loconto	2015	Tanzania
	Gender inequality remains same after certification – no significant changes	Ange et al.	2019	India
		Lyon et al.	2017	Mexico
		Meemken & Qaim	2018	Uganda
	Marginalization of the smallest farmers	VanderHoff Boersma	2009	Mexico
	Unsustainability of ethical certification	Beuchelt et al.	2009	Nicaragua
Plantations – positive impact	High variety of extension services for plantation workers	Kodithuwakku & Priyanath	2010	Sri Lanka
	Trade unionism	Thomas	2021	Sri Lanka
	Fairtrade combined with trade union offers decent working conditions and higher wages	Siegmann et al.	2019	India and Sri Lanka
	Secured work contract	Bhowmik	2011	India
	Job satisfaction is much higher in Fairtrade certified plantations	Krumbiegel et al.	2018	Ghana
Plantations – negative/no impact	Poor management and working conditions	Dishanka & Ikemoto	2014	Sri Lanka
	High exposure to chemical fertilizers	Kudagammana & Mohotti	2018	Sri Lanka
	Low income causing migration from plantation work	Chandrabose	2019	Sri Lanka
	Hazard of diseases caused by pests	Warnasooriya et al.	2021	Sri Lanka
	Soil erosion and water contamination	Krumbiegel et al.	2018	Ghana
	High poverty rates	Santika et al.	2019	Indonesia
	Gender inequality and low health standards of women	Rajbangshi & Nambiar	2020	India
	Harsh working conditions and low bargaining power	Gansemans & D'Haese	2020	Costa Rica

First research question of this thesis regards to different ways of empowerment through agricultural cooperatives worldwide. According to the sources used in this thesis we can identify benefits, as well as difficulties that occur behind cooperative membership for farmers. There is evidence of results that can be pointed out for larger group of cooperatives worldwide, repeating over the years of research. This fact demonstrates that the policies and management style of cooperatives have not significantly changed over the years and that the commonly known issues as well as benefits mentioned above.

According to the Table 1 we can see positive as well as negative aspects of cooperatives. Mostly mentioned benefits of cooperatives are higher income, adoption of sustainable agricultural practices, and facilitated access to extension services. It is important to mention that successful cooperatives are built on good management and high trust between members and the managers. Well-run cooperatives are effective tool for empowerment of farmers, integrating women participation to the cash crop cultivation and creating strong community. The challenges and negative aspects of cooperative investigated through the review are poor management of the cooperatives, lack of governance and low-quality extension services for members. A study of Kodama (2007) mentioned also unstable financial conditions of the cooperative.

In Sri Lanka, cooperatives have been integral part of the agriculture since late 90's. The responses for the cooperative sector are however negatively commented by researchers (Esham & Kobayashi 2013; Perera 2014; Mahindapala 2020). Main issue of Sri Lankan cooperatives is high profit orientation but lack of extensive services for the members. There is high rate of unawareness of cooperative principles by cooperative managers. The tea sector is filled predominantly by small-scale owners and their families, yet there is only one cooperative that exclusively serves the tea industry and does not produce any other commodity. It is the Morawakkorale cooperative, which has built large trust among its members and can empower its members through different channels and extension services. The cooperative follows several standards like Fairtrade ethical standards; however, the cooperative is not certified. As Sellare et al. (2020) stated, better handled and managed cooperatives do not need any ethical certification for successful empowerment of its members, because if the managers have strong aims to create sustainable and empowering community, they will create their own standards of ethnicity and sustainability. Morawakkorale is a perfect example of this statement and shows, that

even the tea sector of Sri Lanka, which has not been yet popular for cooperatives, can form highly prosperous farmer associations.

Second research question is based on position of tea farmer or worker in Sri Lanka and examines, if either Fairtrade cooperative or Fairtrade plantation is better for empowerment and poverty alleviation of tea farmers. Research clearly showed that majority of tea farmers are smallholders maintaining their small-scale plots and selling the tea to nearby factories. Recent studies show uncertainty and lack of education among tea smallholders, specifically studies of Perera (2014) and Munasinghe et al. (2017). Even though each small-scale tea farmer has the right to be protected and supported by TSHDA, data collection results of different authors show slightly different information. Especially rural area farmers lack the access to all extension services and support from TSHDA and other organizations (Perera 2014; Munasinghe et al. 2017; Mahindapala 2020). Ceylon tea is over centuries cultivated almost exclusively by traditional methods. Farmers learn from generation to generation how to cultivate their plots. However, the tea cultivation has also negative impact on soil, water, and local environment, if not done properly. Heavy usage of chemical fertilizers and deforestation leads towards environmental changes and can affect Sri Lankan biodiversity, as well as health of citizens.

Tea plantations on the other hand are complex companies where workers sign job contracts and work under the specific estate conditions. Plantations have generally positive effect on labour force as they offer thousands job opportunities based on written contract. On the other hand, severe issues, such as working conditions, gender inequality, sexual harassment and poor hygienic standards still occur at the plantations. Important concept of plantations in Sri Lanka are trade unions and collective bargaining agreements, which have a great history over the period of plantation cultivation of tea. According to the literature review, the CBA is more attractive for plantation workers than the ethical certifications, because the rules of CBA are very clear, and workers are familiar with the system over the years (Siegmann et al. 2019; Thomas 2021).

Fairtrade in Sri Lankan tea sector still does not have a significant influence on tea sector since relatively small number of cooperatives and plantations are Fairtrade certified. On the other hand, those that are Fairtrade certified, are showing overall positive results on both, social and environmental level (Qiao et al. 2015; Siegmann et al. 2019; SOFA 2021). Since the main contributors to the tea sector are small-scale farmers, the focus should be oriented mainly towards them. Based on the author's findings through

the literature review, it is important to spread awareness about better ways of tea cultivation and trade, especially in the most rural areas. Many farmers are unaware of possible changes or modernization of the cultivation, mainly due to lack of information channels. A first step towards empowerment of smallholders should be establishing new cooperatives in different tea cultivation areas, that follow the basic ICA principles and prioritize the profit, as well as the empowerment of smallholders. The Fairtrade certification would be an ideal second step to create safe environment for cooperative members and to empower local communities of farmers and their families. Fairtrade will also secure the minimal prices for farmer's green leaf and integrate them into the democratically led community, from where they can learn basic principles of market and will be involved in the cooperative decisions. Fairtrade can also improve the environment by sustainable agricultural methods and lower use of chemicals during the cultivation.

Needless to say, cooperatives are only suitable for landowners. For the individuals who cannot cultivate tea on their own plots, plantations are the only option. According to the literature review, tea plantations in Sri Lanka have the most positive responses if the CBA is signed between the plantation and the trade union, as the traditional way of plantation management still prevails. Fairtrade certification can be used as an addition to the CBA, mainly by changing the workforce policies and health measures at the plantation.

Conclusion

Main goal of this Bachelor Thesis was to compare different methods of tea farming in Sri Lanka and to find the best possible solution for empowerment of tea smallholders and workers. Author's hypothesis for this research was that the Fairtrade cooperatives are the best solution for tea farmers in Sri Lanka. After critical evaluation of all chosen sources, author partially confirmed the hypothesis, with some recommendations for possible solutions. Fairtrade in Sri Lanka is involved in cooperatives as well as plantations and both raise the development of the sector. The SOFA cooperative is one of the largest cooperatives in Sri Lanka, which gained multiple certifications and offers ideal working conditions for the members.

Majority of tea farmers in Sri Lanka are unorganized smallholders, who are selling tea to the factories by themselves, and only a fraction of smallholder tea farmers in Sri Lanka are members of a cooperative. The cooperative agriculture in Sri Lanka is associated with poor management and low satisfaction of members, however the well-managed cooperatives with empowering ambience also exist in the tea sector.

Tea plantations in Sri Lanka have a great history, associated with harsh working conditions, low wages and slavery. Over the time, plantation workers developed trade unions, which protect their rights and raise their voices. The unions also sign a collective bargaining agreements with the plantation owners to overcome exploitation and harsh conditions at the workplace. Plantations, together with trade unions, are more likely to form effective working conditions for the workers than the cooperatives or the smallholders' sector itself.

After consideration of above-mentioned factors, author recommends establishment of new tea cooperatives, that will follow principles of ICA. Fairtrade certification of such cooperatives can be a next step to secure minimal prices, widen the extension services and to ensure democracy. Also, because majority of tea cultivators in Sri Lanka are smallholders, Fairtrade should be mainly oriented towards the smallholder sector in order to establish democratic associations, raise farmer's voices and lead them towards sustainable and efficient work.

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