

Visit to Small Organic Farms Association (SOFA) in Sri Lanka 2011

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Background

This is a brief summary of a presentation given to Cumbrian Fairtrade Network members in Windermere on the 24th of September 2011. The talk was based on a trip to Sri Lanka during which Murray and Liz had an opportunity to visit the Small Organic Farmers Association (SOFA) based in the centre of Sri Lanka in the hills surrounding Kandy. SOFA has been registered as a Fairtrade producer of tea and spices for some 14 years. Murray and Liz were in Sri Lanka to participate in and contribute to a conference on evaluating aid interventions in the capital Colombo. During the second week of a 15 day stay, they were able to visit SOFA to find out more about this example of Fairtrade in action, to observe the benefits of the Fairtrade premium and to discuss the challenges that face small producers. Discussions were held with the Chair of SOFA at their headquarters in Gampola and the farmers themselves.

SOFA

The story of SOFA and Biofoods (the company that processes all the products from SOFA) is enlightening. SOFA is a dedicated organic farmer group which produces organic spice & tea under the Fair Trade concept. All the agricultural fields of SOFA are inspected & certified as organic by the Control Union in the Netherlands. Its mission is to work with disadvantaged farmers to produce a range of quality organic products for export, at the same time contributing to the socio-economic development of the farmers' agricultural communities

SOFA's founder, Dr Ranaweera, observed in the early 90s that small-scale farms in Sri Lanka's mid-country had been abandoned or neglected because of the poor prices or lack of demand for mid-grown tea compared to the more prized low- and high-grown teas. The scattered, vulnerable farmers had been exploited by middlemen who paid low prices for their unprocessed green leaf.

Negative experiences with other companies and non-governmental organisations whose business schemes came to nothing left the farmers distrustful of businesses and institutions which approached them with promises of better times. Bio Foods was set up in 1993 by Dr Ranaweera as a vehicle for his commitment to organic agriculture, it was set up at the same time as farmers were approached to form partnerships. Bio Foods (PVT) Ltd, processes and exports organic teas and spices and provides technical support to its suppliers.

Dr Ranaweera's strategy was to identify and approach farmers to set up partnership projects supporting their conversion to organic production, expand production and improve the quality of their tea. Bio Foods also guaranteed to purchase their entire green leaf production for processing into green and black tea.

The plan initially met with little enthusiasm. Dr Ranaweera then began to identify and recruit potential farmer leaders who could help convince the other farmers of the viability of his vision.

Eventually, in 1997, the farmers were mobilised into a coherent group and divided into farmer societies, known as blocks, according to geographical location and registered as a Fairtrade producer. By 2001 the farmers were more enthusiastic and confident about the partnership that started with the lease of a local abandoned tea processing factory. The company's agricultural extension officers helped increase tea production and trained the farmers in organic agricultural practices. Farmers formed organic farmer societies and received assistance to improve their families' socio-economic development; progress had been made in diversifying into spices and other cash crops and establishing alternative income generating schemes.

Decision making

SOFA operates with three levels of decision making on what happens to the FT premium and on the strategic future of SOFA.

- Level 1: decisions made by the block (up to 40 families) on immediate needs like bridges, bio-processing, small community buildings etc.
- Level 2: Regional - AGM meetings (decisions about larger investments like schools, communications etc)
- Level 3: strategic - this level concerns the training efforts, nursery emphasis (for seedlings etc), possible product lines, marketing etc.

Bio-foods is a big stakeholder in all levels of decision making and is probably the most influential voice.

Challenges

We experienced a very open approach to our questions and discussions with both the staff at the headquarters of SOFA in Gampola and from the farmers we met in the hills. It was clear that the premium had been used to good effect and had made an impact on the quality of local life and we saw the schools, the roads, the units and the farms, including a collection point for tea bush tips which were taken down for processing by Biofoods. However, there were some challenges to this approach which emerged during our discussions. These are summarised below.

Longer term land use: most of the blocks were small and likely to decrease in size as the land is inherited and divided up between children. There is a chronic shortage of good land for tea and spice production. This process is exacerbated by competition from the larger tea estates both privately and government owned which do not produce organically. Their tea is cheaper.

Sustainability (elasticity of supply and demand): like all primary producers in the developing world, the tea farmers were subject to systemically unfair terms of trade. Their production (supply) is relatively inelastic (it remains constant in terms of volume and cost) while the world market is highly elastic (demand is volatile in terms of price and product). This means that with a guaranteed price for tea produced by SOFA, it has to be protected by fluctuations in world prices. While the unprocessed tea is bought entirely by Biofoods, this is possible but this may counter world prices and it relies on the value commitment by Biofoods to the farmers.

A monopoly buyer and supplier (dependency): In short, SOFA's existence was reliant originally on one man's passion. This might create problems of succession planning. Long term futures appear to depend on sustaining the 'special relationship' with Biofoods which is the monopoly buyer of raw material, supplier of training, seedlings, product development and marketing. Biofoods argue that this balance is to the advantage of small farmers because they can concentrate on production. Others have argued that it encourages and sustains a dependent relationship.

Summary

The visit was a magnificent opportunity to see the Fairtrade concept in action within a particular model of development. It is difficult to judge the balance between the power and influence of Biofoods and the control the small farmers themselves had over the production and sale of their tea. That something good was happening in the organic tea gardens of Kandy was observable. While there are challenges to the practices developed by SOFA, the benefits to the farmers and their families were tangible and their daily lives had been improved. In terms of sustainability, much will depend on how these challenges play out in the future.