

INFLUENCE OF FAIR-TRADE CERTIFICATION IN ENHANCING ORGANIZATIONAL PERFORMANCE: A CASE OF KENYA TEA DEVELOPMENT AGENCY FACTORIES IN BOMET CENTRAL SUB-COUNTY; KENYA

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Abstract: This research was about finding out influence of Fairtrade Certification in enhancing organizational performance: A case of Kenya Tea Development Agency factories in Bomet Central Sub-county. This study involved the following objectives: To determine how fair trade certification influences environmental sustainability, to evaluate the influences of fair-trade certification on community development .to determine the extent to which fairtrade certification influences made tea prices and to determine the extent to which fair-trade certification influences made tea prices. The study also established the influence of Fairtrade on the product quality of tea. The research design was descriptive survey. The study targeted 2 managers 50 workers and 20 clients of small scale tea factories operating in Bomet Central Sub-County. The following factories which were involved included Motigo, Tirgaga and Kapkoros tea factories. The researcher employed the use of questionnaires as the main research instrument. The case study research design was used in the study. Stratified random sampling technique was used to select the sample size. The responses were analyzed and presented by use of descriptive statistics.

Keywords: Influence of Fair-Trade Certification in Enhancing Organizational Performance.

Abbreviations:

KTDA: KENYA TEA DELOPMENT AUTHORITY

1. INTRODUCTION

Fair Trade is generally considered as a tool to aid development, with the Fair Trade movement being part of the “new globalization”, reshaping patterns of international trade and the processes of corporate expansion that have historically undermined global ecological and social conditions (Murray and Raynolds, 2007). Traditional patterns of international trade have resulted in inequalities between commodity producers and purchasers to the detriment of producers and it is believed that Fair Trade can tackle this imbalance and, at the same time, offer benefits beyond economic returns in the form of the Fair Trade premium which is invested in community projects such as building schools in producer communities (McArdle and Thomas, 2012).

The Fair trade business model comprises of the payment of a Fair Price that is set internationally by the Fair Trade Labeling organization (FLO). The Fair trade price is supposed to cover all the costs of production as well as enable the group earn a better livelihood. It is considered to be a minimum price. Where the international price of tea is below the

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Fair trade price, buyers must pay the Fair Trade price and premium. Where it is above the Fair trade price, buyers must pay the higher market price. This ensures that the producers always get the higher price (Africa Now, 2010).

Mwaura and Muku (2007) noted that despite the success of smallholder tea sub-sector, problems started to emerge in the late 1980s due to government interventions and KTDA's institutional organization. Furthermore, the limited ownership and decision making by smallholders on processing, marketing and distribution of profits at the factory levels failed to provide incentives to produce quality tea and reduce operational inefficiencies in tea collection and processing. The liberalization process implemented in 1999 had the sole aim of removing constraints to the industry's growth. Through the process, the government withdrew from controlling services such as extension, processing and marketing to allow private sector to take over, restructured KTDA to a private entity (Kenya Tea Development Agency) and removed restrictions on foreign exchange to allow exporters to keep earnings in foreign currency (Nyangito, 2001). It was anticipated that the interventions would result in lower marketing margin, higher producer prices and increased productivity (Winter-Nelson and Temu, 2002). Despite the fact that increased production has been achieved through improved productivity and expansion that has been purported to lead to high profitability (Ronno and Wachira, 2005), poverty escalation is high with queries on the poverty level and factors influencing it remaining unanswered (CBS, 2005).

Tea is mainly grown in several counties which include Kericho, Bomet, Nandi, Kiambu, Muranga, Kisii, Nyamira, Meru, Nyeri, Kerinyaga, Embu, Kakamega, Nakuru and Trans-nzoia. In these areas the crop enjoys 80% favorable weather patterns. Production is shared between multinational companies and small-scale growers. Both sectors have benefited from many scientific advances in tea cultivation, although the average yields in the small scale sector are below those in the estates sector which stands at around 1800 kg ha. Despite the yield disparities, the small-scale sector has managed to achieve higher quality standards resulting in consistently higher auction prices. The industry is the largest employer in the private sector, with more than 80,000 people working on the estate and about 3 million people earning their livelihood from the sector (Gesimba, Langat, Liu and Wolukau, 2005)

Around the world agriculture is and will continue to be a major building block in the achievement of the Millennium Development Goals (MDGs). Recent statistics show that agricultural production needs to increase by 70 percent by 2050 in order to feed the world, while demographic growth, climate change, and urbanization put pressure on available cultivable land. In Kenya, agriculture is the largest economic sector and remains the best opportunity for economic growth and poverty alleviation. Agriculture is practiced by both large and small scale farmers. Most of the small farmers have little education and limited exposure to modern financial instruments. Further, many of these small farmers have little or no experience in financial management. Therefore, this brings new attention to the issue of banking sector outreach or financial inclusion in the agricultural sector on small scale rural farmers (Kalunda, 2014).

The Kenya Tea Development Agency (KTDA): Kenya Tea Development Agency's predecessor the Kenya Tea Development Authority, was established in 1964 by an act of parliament as a parastatal charged with the responsibility of developing and fostering the young and nascent small scale growers sector. From one initial factory serving 19,000 growers and only 4,700 ha of tea, today KTDA has 67 factories spread in 24 districts. The factories are owned by 560,000 growers who cultivate over 92,800 ha of tea. Although the tea industry has been completely liberalized, government control still exists under the Tea Board of Kenya (TBK), whose directors are directly elected by key stakeholders in the industry. The government still continues to oversee the maintenance of rural access roads and generally creating an enabling environment for expansion of domestic and international tea markets. The board has embarked on a five year plan to promote tea as a beverage choice among Kenyans. Currently Kenya's per capita tea consumption stands at 0.44 kg/year or approximately 5% of the total marketed tea. The mandate of the board also includes registration of growers, licensing of tea manufacturing factories, research, registration of buyers, brokers, packers management agents and tea consumption promotion((Gesimba, Langat, Liu and Wolukau, 2005).

The mission of Fair-trade is "...to connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives" (Zurich, 2016). One way of promoting fairer trading conditions is to introduce a minimum price for the certified crop. In comparison, Rainforest Alliance and UTZ do not directly intervene in the market. Another key role of Fairtrade is to empower democratically organized producer organizations. The producer organizations receive a fixed Fairtrade premium and decide themselves how to invest the premium in favor of the whole community. The Fairtrade standard works with a

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step-wise approach, where the producers have to fulfill core requirements (necessary requirements to become certified). In total, the Fairtrade standard covers 84 core requirements, whereby most of the requirements are linked to the social dimension (55%), followed by the economic dimension (24%) and the economic dimension of sustainable development (21%) (Zurich, 2016).

As fair trade certification became more prominent, pressure for more rigorous certification also increased. Producers had to start paying for certification that was largely controlled in Europe. There was little public conversation about this changing power dynamic between poor producers of color and wealthier, mostly white buyers and activists. There are no tools for discussing issues of power and trade in relation to race, class, gender, sexual orientation, language, or education. It could be imagined that fair trade had vanquished colonialism and unequal exchange and brought about global justice and equality. In reality, however, the lack of conversation about basic trade relationships, coupled with the rigorous examination of farmers, but not companies or buyers, condoned a major unevenness in the trade system. Although it was far better than conventional trade, it was not fair. While we implemented the term fair trade to help promote healthier trade relationships, the term itself implied that those relationships existed, that we had achieved a just trade system. In fact, while fair trade, as it is currently constituted, has delivered great benefits, a closer look suggests that it could more accurately be called “less unfair trade.”(Spring 2012).

Since 2000, fair trade sales and consumer awareness have increased tremendously, as the range of fair trade organizations has also expanded. From the early days of lace and home decor, handmade items now include clothing, sports equipment, toys, and other items. From its initial focus on coffee, fair trade product certification has expanded to tea, chocolate, sugar, vanilla, fruit, wine, and much more. In 2002, the first World Fair Trade Day was celebrated to heighten consumer awareness and to strengthen connections among fair traders and interested citizens around the globe(Fair trade Federation, 2016).

Statement of the Problem:

Fairtrade aims to create an environment in which small producers are able to develop sound, resilient businesses, workers are able to exercise their rights and freedoms and earn a living wage, consumers are informed and demand fair trading practices as the norm, and policies (public sector and private sector) support and enable sustainability in trade. Despite these apparent successes, Fair Trade has been the subject of considerable controversy, provoking critiques from inside and outside the Fair Trade system. Internal debates have centered on whether the marketing and selling of Fair Trade by large corporations such as Nestle undermines the principles of Fair Trade. The challenge of fairtrade has been profound in developing countries with the question of fairness being raised. The study seeks to establish influence of fairtrade certification in enhancing organizational performance: a case of KTDA factories in Bomet central sub-county.

Objectives of the study:

This study was guided by the following objectives:

- I. To determine how fairtrade certification influences environmental sustainability
- II. To evaluate the influences of fairtrade certification on community development
- III. To determine the extent to which fairtrade certification influences made tea prices.
- IV. To establish the extent to which fairtrade certification influences quality of tea

Research Questions:

This study was guided by the following questions:

- I. How fair trade certification does influences environmental sustainability?
- II. How fair-trade certification influences community development?
- III. How does fair-trade certification influence made tea prices?
- IV. How does fair-trade certification influences tea quality?

Significance of the Study:

The study through first hand collection of data, provided a new perspective on the effectiveness of fair trade system on organization performance and this would enable the management to put them in line with the corporate and business strategies of the organizations. The study would also benefit the management of KTDA in coming with various strategies of improving employee performance. Additionally, this study provided a base for strategic planning for employee to resonate with emerging issues as relates to competitive strategies. Other than these the findings of the study would help the KTDA management to compare their performance with others in the study area. Additionally, the findings of the study would be the basis for reforms in the activities and operations of organizations

2. LITERATURE REVIEW

From water bottles to chocolate, athletic equipment to office supplies, over the past decade many companies have developed fair trade and ethically sourced products. Companies that did not originally incorporate these practices into their business models are increasingly changing their operating principles. This is due to the purchasing power of consumers whose concern is environmental, social, and legal impact of their spending. Fair trade is about providing reasonable prices. Decent working conditions, local sustainability, and equitable terms of trade for farmers and workers in developing countries.

Overview of Fair Trade Certification:

This brings us to the fair trade movement. Free market policies have brought millions of small-scale farmers into competition with industrial agriculture. Fair trade is an international social movement and market-based approach to alternative trade that claims to help improve international trading conditions and promote sustainability for small and medium scale producers in developing nations.

Most credit the fair trade movement as we know it today to a community collaborative of farmers from Chiapas, Mexico who, in the 1980s, wanted to market their coffee to consumers without using middlemen so they could receive a fair wage. Since that time, of course, fair trade has become an international phenomenon and most fair trade organizations (or FTOs as many call them) are based out of Europe, North America and Australia.

Today, fair trade is a campaign actively engaged against the presumed negative effects of international neoliberal economics, labor exploitation and free trade, and many consider it to be more than just a network of producers and consumers, but rather a social movement.

International 'fair trade' organizations and businesses provide fair trade products to international consumers; certify producers, farmers and communities who can benefit from a fair trade model of production; and some organizations also make it their mission to use fair trade to inform the public on how they can make a difference against the consequences of globalization, exploitation and even human trafficking.

Quoting the Fairtrade Labeling Organization, or FLO, an international organization that assists in setting certification standards, "quote - fair trade is an ethical certification system and movement with a people-first approach to trade. Fair trade offers farmers and workers in developing nations the opportunity to improve their lives and plan for the future. For the consumer, fair trade is a lifestyle." end quote

Four Principles of Fairtrade system:

So, the question is: how can the fair trade system achieve all this? The fair trade movement is guided by four primary principles that proponents claim actively work against the negative consequences of free trade and exploitation.

First, fair trade prides itself in not being exempt from considerations of providing a quality product for a fair price. Certified fair trade products are expected to be products that consumers want, and must be of high quality.

Second, fair trade must be ecologically sustainable. As previously mentioned, many opponents of neoliberal trade are concerned with the environmental impact of non-sustainable farming techniques. Environmental costs of production for fair trade products must be fully incorporated into the price of the products, and producers must work toward ecological key practices such as the elimination of chemical pesticides.

Third, fair trade must ensure social sustainability for the producer community. Social costs have to be integrated into the price of products, and most certification labels provide producers with what they call a social premium - or specific profits that must be used by the community for social programs. This seeks to incorporate the full cost of production into the price, and allows producers greater control over the wellbeing of their community.

Finally, fair trade seeks to increase direct relationship between producers and consumers, cutting out unnecessary middle men. Not only does this allow for more of the profits to go directly to the producer, but also develops and raises the consciousness of the consumer that their purchases directly benefit and support the producer and their community.

These four principles go hand in hand with most certifying labels, and are theoretically what drive the fair trade movement. Some certifying organizations, such as Trans Fair USA also include the requirement for producers to take part in community cooperatives, connecting them with support from their surrounding community; and other requirements vary from label to label.

Critical Review of Literature:

Whether Fair Trade can achieve its intended goals has been hotly debated in academic and policy circles. In particular, debates have been waged about whether Fair Trade makes “economic sense” and is sustainable in the long-run. Development economist, Paul Collier, in his book *The Bottom Billion*, writes that “They [Fair Trade certified farmers] get charity as long as they stay producing the crops that have locked them into poverty.” (Collier 2007, p. 163) In a recent article, *The Economist* writes: “perhaps the most cogent objection to Fairtrade is that it is an inefficient way to get money to poor producers.” (The Economist, 2006) On the other side of the debate are those that argue that Fair Trade does in fact benefit farmers by providing higher incomes and greater economic stability. For example, Laura Reynolds (2009, p. 1083) writes that Fair Trade “offers farmers and agricultural workers in the global South better prices, stable market links and resources for social and environmental project and that it “provides consumers with product options that uphold high social and environmental standards.”

With Fairtrade, as with charity Christmas cards or free range eggs, customers pay a higher price in the belief that nearly all the extra will go to the intended beneficiaries. The Fairtrade Foundation’s basic guarantee is, ‘A fair and stable price to farmers for their products’ (Fairtrade Foundation, 2011). A reasonable consumer might assume from this that 80%, say, of the extra amount paid went in higher prices to the farmers, in such a way as to get the greatest good for the greatest number. This section examines what actually happens to the money. First it asks how much reaches the exporting cooperative, half way up the marketing chain. Then it asks what happens to this money: how much goes in added costs to the Fairtrade cooperatives; how much is spent on social projects; how much goes in extra money to Fairtrade farmers; and what harm is caused to non-Fairtrade farmers. To the extent that the money does not reach the intended beneficiaries, there is an increase in Death and Destitution. To the extent that consumers are not given information that might change their decision to buy Fairtrade, there is Unfair Trading, which is unethical (Griffiths, 2011).

All this, is against a popular belief by the practicing activists as it could be noted by Fine (1998) that “a trading partnership, based on dialogue, transparency, and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, disadvantaged producers and workers—especially in the South”

Some may claim fair-trade is already embedded in the co-operative economy and the co-operative movement since the 19th century. In this way trade amongst cooperatives that adhere to their co-operative principles is defined by some as “Fairtrade”. However, almost all of this trade was trade between co-operatives in the northern countries.

Critics will claim that fair trade first interest rather lays in attracting more customers by getting in the picture with a clean image through so-called cause-related marketing’. Whatever the motives, it cannot be denied that ethical trade is gaining ground and is widely publicized. Apart from workplace conditions, corporate social responsibility also touches aspects related with sustainability and environmental awareness, such as animal protection, rainforest conservation and genetically modified organisms. Overly, fair-trade labelling has given a boost to the whole trade justice movement.

Co-operatives and fair-trade organizations are action-driven institutions. They have gained their respectable position in both Northern and Southern countries through continuous and consistent social and economic engineering. Both movements are convinced of the value of their work as well as their track record. The involvement of millions of

shareholders, members, clients and volunteers is an indicator that there is societal support for what they do and achieve. However, in the emerging information society legitimacy and public recognition does not come solely with the value of what you do, but increasingly with the evidence-based confirmation and good marketing of what you do. Co-operatives and fair-trade organizations have to blend their action-processes with information-processes. Knowledge generation and utilization then becomes extremely important. Both the co-operative and the fair-trade movement have to come up with the scientific evidence that they make a difference for their stakeholders (the shareholders, the poor, the clients) and have comparative advantages over other kinds of organizations operating in the same kind of environment and claiming to produce the same benefits(Daveltere and Pollet 204).

Producers have to meet a variety of criteria that focus on a range of areas, including labor standards, sustainable farming, governance, and democratic participation (FLO 2010). Certified groups are guaranteed a minimum price for their produce, which is defined according to product and region. If the market price is above the minimum price, Fair Trade contracts must pay at least as much as the market price. Groups are paid a social premium amount in addition to the market price, which is mandated for community social, health, and infrastructure investments. Contracts are guaranteed for many seasons to reduce fluctuations in market access and price. For most products, only co-operatives of farmers can be Fair Trade certified. In cases of plantation crops, such as cotton or tea, the plantation itself can be certified, with corresponding rules for the treatment of labor. Over the past decade, the number of FLO-registered producer organizations has grown rapidly, from 508 in 2005 to 991 at the end of 2011(Dammert and Mohan 2014). Fair Trade certification is carried out by FLO-Cert, which was created by Fair-trade International in 2004. Producer organizations must pay the application, initial certification fee, and renewal fees. The yearly certification fee ranges from 1,430 Euros for an organization with less than 50 members to 3,470 Euros for an organization with more than 1,000 members (FLOCert2011). There are also costs associated with paying for inspection and renewal of certification (Geiger-Oneto and Arnould 2011), hiring a cooperative marketing manager (Bezencon 2011), as well as paying down debts associated with periods during which the cooperative was certified but was unable to find an overseas buyer (Geiger-Oneto and Arnould 2011).

Among the most visible changes regarding fair trade is the availability of a continually widening range of fairly traded products, not only at increasingly professional Fair Trade specialist retailers, but also at conventional retailers. Sales have also increased rapidly, especially since the middle of the 2000s, due to factors including the increased availability of products and greater awareness among new consumer groups. But fair shopping is not only a matter for private individuals. The keyword here is “fair public procurement” – public authorities making fair purchases – which is gaining relevance and is supported by civil society organizations, who switch to fair trade products where possible for their own use and events. Also today’s business world is faced with the issues of fair and sustainable management to a much higher degree than 15 years ago, increasing the focus on production and labor conditions along their own supply chains. The study’s results suggest that the Fair Trade movement’s information and educational activities – as well as its public outreach, its networking with various societal actors, its political lobbying and campaigning together with other social forces – has contributed to this development.

Despite the increased significance of social sustainability for business, politics, and society, there is still considerable potential for change. The principles of fair trade haven’t been comprehensively implemented in German food retailing, for example – unfair trade practices still occur. Also, despite positive trends, consumers and public procurement bodies don’t focus consistently on the social factors of production and trade for their purchasing decisions. Additionally there is further regulatory scope at the international, European, and national levels to establish frameworks fostering equality in global trade and sustainable development

Environmental sustainability and Fair-trade certification:

Among the many way requirements, the standards prohibit the use of certain agrochemicals that are harmful to the environment and health and focus on reducing the use of pesticides. They ensure there is personal protective equipment is used, that farms are free from hazardous waste and are using water sustainably, and encourage activities to enhance biodiversity(Fair trade Foundation, 2015).

Bacon et al 2015 notes that the numerous influences on farmers’ decisions to adopt environmentally friendly farming practices make it difficult to assess which practices and livelihood outcomes link to fair trade. on the same note, (Shahzad 2010), argues that sustainability can be achieved by means of ; people’s rights to healthy environment, preservation of

environment resources, assessment of environmental impact, information provision on the environmental effects of economic activity, cooperation over using trans-boundary resources, planning and implementation of environmental standards. Fair trade International's environmental standards aim to minimize the risks and negative environmental effects associated with the industrial agriculture model, including, but not limited to, agrochemical pollution, biodiversity loss and increased greenhouse emissions (Bacon et al 2015).

Above and beyond, organizations should try to achieve environmental responsibility by staying within the limits of carrying capacity of ecosystems. It is pretty difficult to explain clearly the carrying capacity ecosystems (Shahzad 2010).

Community development and Fairtrade certification:

Fair traders have done much to increase consumer and business awareness of the issues involved while helping small producers improve the conditions under which they work and live. Fair trade improves the social consciousness of the consumers and increase pressure toward the broader adoption of ethical codes of conduct by mainstream processors and retailers (Shahzad, 2015)

Fair trade focuses on capacity building at the local level and on helping producers integrate into global economy on just terms. Because of its development focus, fair trade is claimed to be a long-term strategy to alleviate poverty rather than a mere stopgap aid measure. A critical review of the literature reveals three broad categories of fair trade beneficiaries: producers, cooperatives and communities (Samantha, 2012). Producers invest premiums in social and business projects like youth scholarships programs, health care, clean water, quality improvement trainings, and organic certification (www.FTRN.org).

A trading partnership, based on dialogue, transparency, and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of disadvantaged producers and workers- especially in the south (Fine, 1998). Again, according to Dragusanu, Giovannuci and Nunn, 2014, it is worth noting that fair trade is one of the many voluntary standards that have emerged. World trade often exploits people. Many of products that are sold in the west, for example are made by low-paid working in unpleasant and sometimes dangerous factories in developing countries and hence a fair trade industry which is still growing has assisted to boost the welfare of such workers and producers.

Market Tea Prices and Fairtrade certification:

One of the main goals of Fairtrade international is to ensure that producers especially tea and coffee producers get a fair price i. e. a better deal and terms of trade that allow to improve their lives (Fair trade international, 2014). A number of studies show that consumers are willing to pay for Fair Trade products (Durevall, 2015)

Durevall, 2015, again, noted that supporters of Fair Trade argue that there might have been large differences between conventional and Fair Trade product prices in the past when Fair Trade sales were small, but competition has reduced them as markets have matured.

Fair Trade organizing enables farmers to improve their market power, resulting in better prices. Moreover, when there are transaction costs, such as from acquiring information about market requirements, transporting goods, and acquiring bargaining power with other actors, Fair Trade can help underprivileged market actors pay for such costs. For example, some producers may encounter search frictions in finding an importer willing to buy their products. In the presence of these market failures, the Fair Trade scheme may subsidize co-operatives' efforts to match with an importer and improve their bargaining power (Baumann et al. 2012).

The question of how Fair Trade affects the welfare of small-scale rural farmers is a contentious one. From a theoretical point of view, one of the most controversial issues within this topic is the price premium. In particular, Fair Trade has been assessed regarding the potential effects of using price floors as a mechanism to increase local producers' incomes. The price premium may hamper general equilibrium market clearing and create excess supply and inefficiencies by distorting market mechanisms. If Fair Trade is sufficiently large to impact world markets, demand for mainstream non-Fair Trade products could be reduced as consumers begin buying Fair Trade products, thus generating a negative demand externality. At the same time, world supply could be affected as some producers move out of the mainstream market to produce for the Fair Trade market. If the reduction in demand is bigger than the reduction in supply, many producers will be selling to a smaller market, and mainstream producers could be made worse off depending on the price elasticity of demand (Leclair 2002). If supply is large relative to demand, prices will tend to decrease.

Some authors, however, argue that the price premium is justifiable due to its potential to eradicate monopsony powers and other market imperfections in supply chains. In linked input markets, where market power is yielded to increase the cost of fertilizers, credit, or access to infrastructure, Fair Trade could restore competition and reduce input prices. According to Hayes' model of a Pigou-Robinson employer monopsony, the employer buys the harvest from the small scale farmer or craftsman or employs them in production. In this context, Fair Trade is viewed as an alternative to employer monopsony for independent producer households or other workers. While this yields welfare benefits independent of the price premium, if the Fair Trade cooperative is too small to affect the monopsonistic employer, the price premium is required to obtain pro-competitive effects (Hayes 2006).

When imperfect competition is in place with a monopsonistic/ oligopolistic market structure, prices may not be Pareto-optimal; instead, they may reflect the market power of exporters, importers, or intermediaries. For example, Ronchi (2006) finds that downstream actors exercise market power in the coffee sector in Costa Rica which reduces the amount farmers get paid. The author finds that Sandra concluded that several changes towards fair trade objectives could be observed for the assessment period of 2000 to 2015. For civil society, politics and public sector, for retailers and manufacturers as well as for consumers, a trending change in awareness was notable – albeit to a differing extent for each group.

Product Quality and Fair-trade Certification:

Quality is among the important attributes in the food marketing. Although in most cases quality is a result of post-purchase, the customer perceives quality of products through various extrinsic features such as brand; packing; price and the retail store. In regard of the issue of fair trade tea in particular customer perception of quality is based on various features such as the brand and the trust customer has on the NGOs to deliver organic products and dish out the premium price to the producer (Nandonde, 2012). Most Fair trade products Minimum Price, which aims to cover the average cost of sustainable production. This acts as a vital safety net for farmers and workers and protects them from market price fluctuations. If the market price is higher than the minimum price, then producers receive the market price (Fair trade Africa, 2015).

Theoretical Framework:

A Theory of Change describes the change that an initiative wishes to see in the world and its understanding of how it will contribute to that change. Fairtrade International has developed a Theory of Change for Fairtrade as part of work to improve the Fairtrade Monitoring, Evaluation and Learning (MEL) system. The Theory of Change captures the range of things Fairtrade does as a system (i.e. its interventions) and relates these logically to desired immediate, mid-term and long-term changes. It thereby provides a framework for identifying appropriate indicators for measuring the results of Fairtrade and progress towards Fairtrade's goals.

The Theory of Change reflects existing and agreed Fairtrade strategy and does not seek to set new strategy or new directions for Fairtrade. It is acknowledged that the nature of Fairtrade strategies and activities evolves over time in line with experiences and a changing environment. However, it is assumed that the fundamental vision, purpose and principles of Fairtrade remain constant, as does the basic approach (e.g. supporting democratic organizations of small producers and workers, using voluntary standards and third party certification, etc.). The Theory of Change focuses on aspects of Fairtrade which are assumed to remain relatively stable. Nevertheless it will be reviewed periodically using data generated by the MEL system, to assess whether adjustments may be required (Fairtrade International, 2013)

3. RESEARCH METHODOLOGY

Research Design:

Descriptive survey design was adopted in carrying out this study. The method was relevant because it is used to assess perceptions, attitudes and opinions about events, individuals or procedures. Mugenda and Mugenda 1999, notes that descriptive methods are widely used to obtain information that describes existing individuals about their perceptions, attitudes, behaviour or values.

Target Population and sample size:

The study will target 2 managers, 50 employees and 20 clients of two KTDA factories in Bomet Central Sub-County.

Table 3.1: Ratio of Respondents from Each Group

	Number from Each group	Percentage
Managers	20	2.78%
Employees	500	69.94%
Clients	200	27.78%
Total	720	100.00%

Source: Field Survey 2018

Sample Size Determination:

A sample of seventy two (72) respondents was picked to constitute the sample size. This was determined using the 10% formula n/N , where n represents the sample size and N represents the finite population. This expression was important because it gave the researcher the require population and a known sample (Gatara, 2010).

Sampling Procedure:

The researcher adopted stratified random sampling on deciding how managers employees and other clients in the KTDA factories implementing Fairtrade in Bomet Central Sub-County will fill the questionnaires so as to ensure desired representation from each sub-group. In this sampling subjects were selected in such a way that the existing sub-groups in the population was more or less reproduced in the sample. The researcher presented questionnaires to 2 managers in the factories under study, and 50 employees from the same factories. The research equally involved 20 clientele of the Fairtrade KTDA factories in Bomet Central Sub-County. This gave a total of 72 respondents who were involved in the study.

Data Collection Instruments:

Questionnaire was the main data collection instrument for collection of primary data. A structured questionnaire with both open ended and close ended questions was used for ease of interpretation and also gathering a wide range of data. One questionnaire targeted the small scale dairy farmers and another one targeted the extension service. Questionnaires were developed as per the research objectives; it was piloted where correction was made by adding more content, modification and deleting. Observation checklist, document analysis was also developed as per the objectives

Data pre-testing:

A pre-testing was done (pilot study) was conducted to validate the instrument. It was sent to three respondents who were selected on a convenience basis and asked to comment on length, format, general understanding and wording.

Administration of the Instruments:

The researcher made preliminary visits to the three Fairtrade KTDA factories in Bomet County concerning their employees before the actual administration of the questionnaires to each of the respondents. This ensured the achievement of a good return ratio and also the respondents had a chance to seek for clarification on the items of questionnaires.

Data Analysis Procedure:

The data was analyzed using descriptive statistics. The descriptive statistics which was used in the analysis of data in this research included the calculation was a significant difference between responses from the groups of respondents and between the two factories which have implemented Fairtrade.

4. DATA ANALYSIS, RESULTS AND DISCUSSION

Environmental sustainability:

In assessing the performance of the environmental conservation activities which are supported by, the interviewees were requested to indicate the activities which are financed by Fairtrade in those factories since the implantation of Fair Trade. Their responses were shown in table 4.1.

Table 4.1: Environmental Conservation Activities

Activity	No. of responses	Percent
Rehabilitation of Wetlands	20	17.24%
Rehabilitation of Water Springs	41	35.34%
Tree Planting	50	43.10%
Garbage Collection	5	04.32%
Total	116	100.00%

From the table above the respondents listed the environmental conservation activities as follows: Rehabilitation of wetlands with 17.24%, Rehabilitation of water springs with a score of 35.34%, tree planting at 43.10% and Garbage Collection at 4.32%. This is indication that these activities are supported by fair trade.

Table 4.2: Influence of fair-trade certification on community development

Activity	No. of responses	Percent
Sponsoring of needy students	21	18.10%
Construction of libraries	31	26.72%
Construction of classrooms	47	40.52%
Construction of laboratories	7	06.04%
Construction of water tanks	10	08.62%
Total	116	100.00%

Far trade funds have been indicated to have participated in community development projects. The responses from the interviewees on community activities sponsored by fair trade monies includes educating of need students, construction of libraries, classrooms, laboratories and water tanks. 18.10% of the responses indicted the sponsoring of need students in educating, 26.72% favored the construction of libraries, and 40.52% of the responses were on the construction of classrooms.06.04% and 8.62% of the responses favored construction of laboratories and construction of water tanks respectively.

Table 4.3: Calculation of Spearman’s Rank Correlation between amount of fair trade funds and product price

Total amount Premium Product price Ksh'000'000		Average (Ksh)		d	d ²
Raw score	Rank	Raw score	Rank		
0.150	10	286	5	5	25
1.000	9	292	2	7	49
1.600	3	284	6	-3	9
1.800	3	265	8	-5	25
1.800	3	254	6	-3	9
1.900	2	290	3	-1	1
1.340	6	270	9	-3	9
2.400	1	290	3	-2	4
1.700	7	295	1	6	36
1.300	8	257	10	-2	4
= 4.75		= 2653		Σ d ² =158	

$$r^2 = 1 - \frac{6 \sum d^2}{n(n^2 - 1)}$$

$$r^2 = 1 - \frac{6 \sum 158}{10(10^2 - 1)}$$

$$r^2 = 1 - \frac{948}{990}$$

$$r^2 = 1 - 0.9576$$

$$r^2 = 0.0424$$

Since the calculated value of (0.0424) is less than the critical value (0.3197), then there is a statistically significant relationship between the total amounts of fair trade funds and the average product price realized by the factories at 0.05 significance level

Table 4.4: Rating of influence of Fair Trade

	Very Poor	Poor	Fair	Good	Very Good
	1	2	3	4	5
E/Conservation	2	2	312	1039	3.9
C/ development	3	2	320	1024	2.4
Average Prices	5	1	211	1022	2.2
Product Quality	6	1	201	1018	1.8

Source: Field survey 2018

The results show that environmental conservation resulted from the influence of fair trade most with a weighted average of 3.9. Fair trade influences product quality least with weighted average of 1.8.

5. SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction:

The following chapter presented a summary of the study findings conclusions and recommendation drawn from the study the study sought to examine the influence of fair trade certification on organizational performance. This general objective was guided by the following objectives:

- i. To determine how fair-trade certification influences environmental sustainability
- ii. To evaluate the influences of fairtrade certification on community development
- iii. To determine the extent to which fairtrade certification influences made tea prices.
- iv. To establish the extent to which fairtrade certification influences quality of tea

Summary of the findings:

Based on the study objectives and data analysis the following is a summary of the major research findings.

Fair-trade certification and environmental sustainability:

From the table above the respondents listed the environmental conservation activities as follows: Rehabilitation of wetlands with 17.24%, Rehabilitation of water springs with a score of 35.34%, tree planting at 43.10% and Garbage Collection at 4.32%. This is indication that these activities are supported by fair trade. This figures can be scrutinized in table 4.3 above.

Fair-trade certification and community development:

Fair trade funds have been indicated to have participated in community development projects. The responses from the interviewees showed community activities sponsored by fair trade monies includes educating of need students, construction of libraries, classrooms, laboratories and water tanks. 18.10% of the responses indicated the sponsoring of need students in educating, 26.72% favored the construction of libraries, and 40.52% of the responses were on the construction of classrooms.06.04% and 8.62% of the responses favored construction of laboratories and construction of water tanks respectively as shown in the table 4.4 above.

Fair-trade certification influences made tea prices:

The third objective of the study was to determine the effect of fair trade on the price of the product of the said companies. In the study it was found out that there is a statistically significant relationship between the total amounts of fair trade

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funds and the average product price realized by the factories at 0.05 significance level. From table 4.5, it was noted that environmental conservation is the major activity supported by fair trade certification while fair has the least effect on the quality of the product in question.

Conclusions:

Based on the objectives of the study, it was established that fair trade influenced various environmental conservation activities such as rehabilitation of water springs with a bigger support as compared to others such as conservation of wetlands. Community development activities also benefits from fair trade according to this research. Activities such sponsoring of needy students, building of classrooms among others benefited from fair trade implementation. In collaboration of this finding, the study further established then there is a relationship between the total amounts of fair trade funds and the average product price realized by the factories.

Recommendations:

The following recommendations are germane for policy making, practice and future research are made:-

Recommendations for policy and practice:

Since findings showed that the study further established then there is a relationship between the total amounts of fair trade funds and the average product price realized by the factories in question government need to invest more in this fair trade related activities by increasing of subsidies /grants to the institutions. This is very important for more wealth creation. Besides tax exemptions need to be considered so that profitability can be enhanced for the survival of this industry.

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