



Fair Trade: An Overview

By Rebecca Forecast

This paper helps to answer some of the key questions about Fair Trade – what it means, why it is important and what role co-operatives can play in supporting the Fair Trade movement both now and in the future.

What is Fair Trade and why is it important?

Fair Trade challenges the injustices of conventional trade, which can discriminate against producers in the developing world. It campaigns for long-term changes and improvements to the lives of producers by making sure they receive a fair price for their products.

As awareness of Fair Trade has increased, shoppers in the developed world have shown businesses that they are prepared to pay a little extra for the reassurance that their tea, coffee or bottle of wine has not been produced at the cost of the producer. At the same time, businesses have begun to see that they can trade fairly, and still be profitable and successful – providing a win-win situation for everyone involved.

Fair Trade has drawn attention to the injustices and challenges that producers face. It has given them an opportunity to voice their concerns, particularly through media coverage associated with the campaign for Fair Trade. Now, each year “Fairtrade Fortnight” provides great opportunities for people to learn about the difficulties faced by producers and to become involved with campaigns for trade justice.

How does Fair Trade work?

Fairtrade (one word) refers exclusively to FLO, which operates the blue and green Fairtrade Mark on products. Fair Trade (two words) refers to the wider movement which includes organisations such as the World Fair Trade Organization, European Fair Trade Association, and Network of European Worldshops.

There are now many organisations, companies and brands in the Fair Trade movement. Fairtrade (one word) is perhaps the most familiar scheme to ethical shoppers and refers to the certification system operated by Fairtrade Labelling Organizations International (FLO). Its logo, the FAIRTRADE Mark, is recognised by 70% of the UK population.

Not all Fair Trade products are labelled under the FLO system, as other ethical organisations have developed their own standards and labelling systems. For example, the World Fair Trade Organisation labels *organisations* committed to Fair Trade rather than individual products, measuring their commitment according to its 10 principles of Fair Trade, and so shoppers can look out for the WFTO label on products such as handicrafts.

FLO is an international umbrella body, which is responsible for developing for developing it is Fairtrade standards, supporting producers and

ensuring that the standards are upheld by its members. There are 19 Fairtrade Labelling Organizations covering 23 countries. The first to be formed was Max Havelaar in the Netherlands in 1988. The UK Fairtrade Foundation was established in 1992 and has contributed significantly to expanding the range of Fairtrade products and building awareness amongst concerned shoppers. There are also three regional producer networks which represent producers on the FLO board and are closely involved in standard setting, strategy and governance.

To become a Fairtrade certified supplier, a producer organisation must meet Fairtrade standards. Smallholder organisations must have democratic, accountable structures and the plantation workers' rights must be protected in accordance with recognised international standards, including core conventions of the International Labour Organisation (ILO). Producers must establish a democratic system for deciding how the premium from Fairtrade is invested.

Producers also have to show that they have met certain standards such as avoiding dangerous chemicals, protecting their environment and involving women in decision-making. FLO continually monitors certified Fairtrade suppliers to ensure standards are upheld. Different producer groups across the developing world have formed local and regional networks, through which they share knowledge, resources, experience and training, represent producers within FLO and, crucially, speak out together against unfair international trade laws.

So, when you buy a FLO-certified Fair Trade product, what are the benefits to producers?

- A **minimum standard price**, which is the lowest price that a buyer is allowed to pay the producer. If the market price rises above this minimum, then the price paid is the market price plus the Fairtrade premium.
- A **Fairtrade Premium**. This is paid *in addition* to the market or minimum price and is to be invested in social, economic or environmental development projects. These might include school buildings, clean water pumps, healthcare projects or projects for income diversification or women's empowerment. The way in which the premium is spent must be decided upon democratically by the producer organisation, but it does not go to individuals.

The total value of FLO sales in the UK in 2008 was £700 million, since when many more products have been developed and more large companies, such as Cadbury, Nestle and Starbucks, have also begun to sell Fairtrade chocolate and coffee.

What does Fair Trade mean to producers?

Whichever labelling system is used, Fair Trade is much more than simply a label. It is a way for people to help themselves out of poverty. It is a way in which we can improve the lives of producers who provide us with the many bananas or chocolate bars we buy every day. Producers and workers across the developing world are getting a better deal and a better standard of living because of Fair Trade sales. The Fairtrade Foundation states that approximately 7.5 million people, including producers' families and dependents, are benefiting from Fairtrade. If you included other types of Fair Trade, it would be even more!

What do producers tell us are the main problems with Fair Trade?

Fair Trade is an important step in the right direction for ensuring that producers benefit more fairly from international trade. To improve it further, it is important to keep responding to producers' needs. Although Fairtrade producer groups receive a better deal from their Fairtrade sales, they are not necessarily able to sell all the crops they grow to the Fairtrade market. Some do not sell more than about 10% of their produce, which highlights just how important it is for more buyers to trade under Fairtrade terms, and for more shoppers to demand it!

The development of high-street supermarkets and multi-national companies' own Fairtrade lines has increased the availability of Fairtrade products to shoppers and significantly boosted their sales. If these sales continue to rise, this could help a greater number of producers to sell their products under Fairtrade terms. However as Fairtrade continues to enter mainstream markets, the system needs to evolve to prevent producers facing further difficulties. Multi-national companies frequently change their suppliers, which can mean they buy from one producer one day and another producer the next. For the producers, this makes it difficult to plan as they do not know how much of their crop will be sold to each buyer from one year to the next.

Producers feel that Fairtrade should emphasize a commitment to a long-term sourcing relationship, placing requirements on buyers as well as producers, and that FLO should ensure that these commitments are honoured by all companies working with Fairtrade products. FLO contends that Fairtrade standards provide for longer-term relationships and greater security for producers through specific contracts and regular sourcing plans that are intended to sustain trade.

Some producers also find the procedures for Fair Trade standard setting difficult, because they feel that they are too unrealistic or expensive to achieve. They complain that these standards are set by people from developed countries who do not always have a complete understanding of their situation. Producers want to be able to talk to someone when they are struggling to meet these standards that are asked of them. Support is available from FLO for producers who are finding the standards hard to achieve, and representatives from the three producer networks play a part in setting the standards, but FLO recognises there is room for continuous improvement and producers will be consulted in the major restructuring of Fairtrade producer standards scheduled for 2010.

So how have co-operatives helped Fair Trade?

Co-operatives can take many different forms, from groups of producers that want to bargain together for a better price for their crops to groups of shoppers who want to pay a fair price for their shopping. Co-operatives started over 200 years ago and have always tried to put values such as democracy and “concern for community” at the heart of what they do. Fair Trade and co-operatives are therefore often natural partners.

Producer co-operatives are run democratically, which provides them with the ideal structure for meeting the Fairtrade standard of democratically deciding how the Fairtrade Premium can be equitably used for the benefit of the community. Being part of a co-operative also brings strength in numbers and a way for producers to negotiate for better prices and access loans. Retail co-operatives such as the Co-operative Group in the UK were some of the first to make Fair Trade products available in supermarkets, whereas previously they were bought mainly by people who shopped in specialist ethical or world shops.

Co-operatives clearly bring some unique elements to the Fair Trade movement. There have been some interesting models of enterprise that have developed through a fusion of co-operative and Fair Trade concepts. These models give producers more involvement in and ownership of the enterprise and allow them to receive more profit from the sale of Fair Trade products. The following case-studies of La Siembra and Kuapa Kokoo are great examples of this.

La Siembra:

La Siembra is a North American worker co-operative which produces Fair Trade confectionary under the “Cocoa Camino” brand. The co-operative is committed to extending co-operative principles in all its activities, from the producer to the shopper and at every stage in between. The co-operative sources its raw materials such as cocoa and sugar from producer co-operatives in Latin America. It has assisted these co-operatives to establish their own factories for processing the cocoa and sugar, meaning they have more involvement in the overall process of chocolate production.

Colin MacDougal, who works at La Siembra, said: *“La Siembra is not only selling Fair Trade products, but through the co-operative value chain, is creating a new economic system which allows producers to gain greater control of the value chain and therefore a higher share of the overall revenue generated from the end-product. By ensuring not only that producers receive a fair price for their raw materials, but that they also have greater access to the value chain, the trade between La Siembra and its producer co-operatives adds depth to both Fair Trade and co-operative principles.”*



Above: The Cafiesa Factory, a co-operative cocoa processing factory in Dominica which La Siembra supports and collaborates with.

(Courtesy of Barry Esau, La Siembra)

Below: Co-operative to co-operative Fair Trade chocolate bars (Courtesy of Samantha Lacey)

Kuapa Kokoo:

Kuapa Kokoo is an agricultural co-operative in Ghana, West Africa. It was set up in the early 1990s, and shortly after, it achieved Fairtrade status. At the AGM in 1997, its members voted to go one step further, and with the help of Twin Trading, The Body Shop, Christian Aid and Comic Relief, they invested in Divine, a chocolate company of their own which is based in the UK. This meant that they could share in the profits of the chocolate bars made from their cocoa beans.

The 2008 Kuapa Kokoo Annual General Meeting was more like a celebration than a meeting. There was music and dancing and people came from societies throughout Ghana to attend. It now has over 40,000 members in about 1,300 village societies. The co-operative has been hugely successful in getting more women involved. The 2008 AGM voted 12 women onto the 20 member National Executive, including the position of Financial Director. It also runs a Research and Development team that helps to educate producers in a wide range of issues and runs a credit union to provide loans.



*The Kuapa Kokoo 2008 AGM
(Courtesy of Samantha Lacey)*

Sources: Divine (2009) and interview with Regina Corleley from Kuapa Kokoo at the 2008 AGM.

What is the future for Fair Trade?

As Fair Trade becomes increasingly popular there is potential for more producers to benefit. However this poses the Fair Trade movement with hard challenges and difficult choices. It must carefully manage the involvement of big multi-national companies and mainstream supermarkets to ensure that producers' voices continue to be heard.

So how can this be achieved?

By **creating standards** which encourage Fair Trade retailers to engage in more long-term contracts with producers that involve two way communication and support.

By using the **political influence** of Fair Trade to try to change the unfair trade rules that keep producers poor

and make Fair Trade necessary in the first place.

Co-operatives have a crucial part to play in the future of Fair Trade. Consumer co-operatives, through their unique relationship with their members, are in a great position for increasing consumer awareness about Fair Trade. Co-operative retailers such as The Co-operative Group are becoming increasingly renowned for their responsible business practices. This places them in a strong position to continually raise the bar on what it means to be a responsible retailer and to encourage all Fair Trade retailers to trade in a way which most benefits producers in the long-term. At the other end of the value chain, producer co-operatives need to be strengthened so that voices of co-operative members and leaders can be heard through lobbying and advocacy channels.

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