



Does Fair Trade contribute to sustainable development?

5th Brussels Development Briefing
16 April 2008

On 16 April 2008, CTA and other partners convened the fifth 'Brussels Development Briefing' - part of a series of bimonthly Development Briefings on ACP-EU rural development issues. Around 120 participants gathered in Brussels to discuss the Fair Trade initiatives and the outlook for ACP countries.

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Supporting fair traders and farmers

Together with Liselotte Isaksson from the European Commission and Viwanou Gnassounou from the ACP Secretariat, Dr. Hansjörg Neun, Director of CTA, welcomed the participants to the 5th Brussels Development Briefing. The discussions being focused on the issue "Does Fair Trade contribute to sustainable development?", Dr. Neun opened the session referring to Louis Michel's words on the "Tsunami affecting food pricing". Rising food prices, climate change, and the discussion around biofuels, put

pressure on the agricultural sector, especially on small



scale producers. In this context, the issue of Fair Trade represents an important occasion for us, as consumers, to consider the impact of our choices on the human and natural environment.

Ms. Isaksson explained that the European Commission has been following closely the developments in this area, it does not intend to regulate Fair Trade, because "regulation would not be beneficial or appropriate." Instead the Commission can support the provision of information on these schemes - both for consumers and producers as a way to improve the market functioning.

Mr. Gnassounou said that at ACP, level Fair Trade is seen as a new market opportunity to support. Joining Dr. Neun in raising the issue of food miles, which complicates opportunities for international trade, he concluded by saying that we urgently need more

coherence between different approaches, in order to assure a greater support and durability to initiatives like Fair Trade.

The EP commitment on Fair Trade

Chairing the first panel of the meeting, Linda McAvan stressed the commitment of the European Parliament to Fair Trade. Ms. McAvan recalled the establishment of the Fair Trade working group and the adoption of a Fair Trade resolution in 2006. Contrary to what was said, she felt that it would be important to have some control on Fair Trade standards. For example, we find now ethically blended products such as coffee which may contain as little as 5% fair trade content: the EU could help to ensure that consumers are not misled and that producers get a fair price.

Fair Trade needs clear public policy support

Anja Osterhaus from the Fair Trade Advocacy Office acknowledged that, as an alternative business model, Fair Trade is not perfect, nor it can solve all the problems in the north-south trade. But it shows that different trading systems are possible. It should therefore be supported by public policy to ensure that fair trade standards and principles are followed.

Ms. Osterhaus gave an overview of the Fair Trade system, explaining that its aim is to "ensure market access under fair terms, particularly for small and marginalized producers from developing countries." She explained that there are two ways to commercialize Fair Trade products: the first is a direct trading relationship between trade producer and retailer such as world shops. The second is the labeling route, where conventional companies acquire Fair Trade labels for their products. For both

approaches, it is essential that Fair Trade standards and principles are met.

Fair Trade can be briefly described as a “development approach to trade”, which provides a fair price to producers, covering thus the costs of sustainable production and living. This means that a stable minimum price is ensured, but it can rise alongside the global market prices. Payment is given in advance to producers to purchase inputs. This method of market access helps to overcome supply side constraints, and empowers local producers. A typical criticism to Fair Trade is that given the stable price paid to producers, innovation is not encouraged. Mrs. Osterhaus strongly disagreed, arguing that Fair Trade is instead a tool to diversify and test new options.

One of the most important economic trend of the last 5 to 10 years, is that consumers in the European Union are increasingly interested in so called “luxury products”, which means also products that should benefit people and the environment. This trend is confirmed by a considerable growth in Fair Trade, with annual growth rates around 40% and 2 billion Euros spent on fair trade in 2007. For some commodities, a major proportion of the industry is now Fair Trade. For example: 25% of bananas sold in the UK, 50% in Switzerland, and 90% of bananas produced in the Eastern Caribbean. Awareness has raised to such an extent that in Belgium, for example, 80% of consumers recognize Fair Trade labels.

Concluding her presentation, Mrs. Osterhaus argued that “public policy support to Fair Trade is needed to support growth, both in the EU and ACP countries”. If from the ACP side Fair Trade is recognized to bring benefits and producers are supported, this can make a great impact, also on the EU side.

Fair Trade goes mainstream

Stephanie Ware Barrientos, from the University of Manchester, focused her intervention in the context in which Fair Trade has grown, providing an analysis of Fair Trade in the mainstream of food retailing. She explained that Fair Trade has experienced rapid growth over the past ten years, both in terms of the quantity and range of products sold. The growing social awareness about Fair Trade in recent years is due to the effects of globalization, particularly the rising incomes of consumers, more accessible information, and increasing travels. Civil society organizations that were discontent with the effect of trade liberalization, played a very important role as well. Apart from taking the campaigning route, some of them concentrated on promoting alternative trading methods for small producers, in order to sustain their livelihood. Supermarkets have been critical as well: 25% of all UK Fair Trade products were supermarket “own brands”, and this really changed the dynamics of the markets into which Fair Trade products are exported.

As far as the relation with other ethical sourcing schemes is concerned, Fair Trade labelling is only one of a growing number of these proposals. The mainstream is more and more embracing Fair Trade principles, as can be seen in company codes of labour

practice, corporate social responsibility initiatives and other environmental and social labelling schemes.

To illustrate the benefits of Fair Trade, she took the main Ghanaian Fair Trade certified cooperative, Kuapa Kokoo, as an example. It sells approximately 4% of its cocoa to Fair Trade, while the majority goes into the mainstreamed market. The producers’ organization is also the main shareholder of the UK based company Divine Chocolate. They also supplied a Fair Trade own brand chocolate to the Co-op supermarkets. This wide range of activities helped them to have a clear perception and lot of information about the market they are dealing with and represents a great example of how Fair Trade can benefit a small village organization.



Mrs. Barrientos finally drew attention to the challenges and opportunities for Fair Trade. The complex supply chains of new products, such as cotton, make it more complicated to ensure compliance with standards. Moreover, due to the Fair Trade expansion to mainstream, we can expect more tensions between commercial and social Fair Trade objectives. The level of supermarket commitment is sometimes doubtful, and their negotiating power can put a downward pressure on prices. The expansion of Fair Trade, however, can be seen as an opportunity because it can now reach markets which were not accessible before. More small producers can benefit from Fair Trade labelling schemes, and new Fair Trade products can be developed. The overall rise pushes the Fair Trade movement closer to the goal of increasing fairness in trade.

Fair Trade or food miles?

Natalie Berg of PlanetRetail shed light on how retailers, supermarkets and manufacturers are dealing with Fair Trade issues. The global market for Fair Trade products is growing at 40% year-on-year. Fair Trade sales in Austria increase 63%; Belgium 86%, Ireland 77%, and Sweden 73%. However, the UK, Switzerland and France still had the highest Fair Trade sales numbers in 2006. In response to consumer demand, retailers are increasing their offer of Fair Trade products – mostly through private labels and brands. Fair Trade products tend to be positioned on their own, separated from the other items in the supermarkets’ shelves, unlike organic food, which has been increasingly integrated into the other categories. Some retailers and supermarkets are converting entire product categories to Fair Trade, as Sainsbury’s did with bananas and sugar, the Co-op with all hot beverages and Marks & Spencer with all sugar in jams and conserves. Fair Trade “even makes its way onto discount shelves”, Ms. Berger told the participants. In 2006, Lidl in Germany launched a private label range for Fair Trade products under the Fairglobe brand, which is viewed by critics “as a smokescreen”.

It is not just supermarkets that are becoming 'fairer' - McDonalds, Dunkin Donuts and Starbucks all offer Fair Trade products. Manufacturers are also involved: Tate & Lyle will convert 100% of its retail branded sugar to Fair Trade by 2009, which will be the largest switch ever to Fair Trade by a UK company.

Turning to the challenges Fair Trade has to face, Ms. Berg recognized that the surge in commodities prices will surely affect Fair Trade products. However, the



main challenge remains to further educate and inform consumers. Many feel their individual actions will not make a difference. Others are confused: "Which is better, Fair Trade or local foods? Organic or Fair?". Furthermore, the food miles debate is increasing the demand for local foods, which

could become a threat to air freighted Fair Trade products. The air freight labels being introduced in the UK may discourage consumers from purchasing products transported over long distances. Tesco is developing a measure of the carbon footprint of all its products, and others are testing similar schemes to measure energy use during the product's complete lifecycle.

Mrs. Berg concluded by mentioning some of the opportunities for Fair Trade, such as the increased distribution and commitment from supermarkets, the awareness raised thanks to the growing publicity and the opportunities offered by private labels.

Fair Trade labelling as a development tool

Fair Trade labelling is one of the ways to commercialize Fair Trade products. Gelkha Buitrago from Fairtrade Labelling Organisations International (FLO) explained how certification standards work.

FLO grew out of Fair Trade history beginning in the 1950s, when Fair Trade started as a grassroots movement. In 1987, 'Max Havelaar' was launched as the first Fair Trade label in the Netherlands, and other labelling initiatives followed in Europe and North America. In 1997, FLO was founded. In 2002, it launched the FAIRTRADE Certification Mark. Within the FLO system, producers are not only the beneficiaries, they also share the ownership, FLO being a multi-stake holder organization at all levels. Producers and Labelling Initiatives are members also of the Board of Directors and of the Standards Committee. FLO is not only about standard setting, it has four pillars: producers' support, consumers' awareness and advocacy are the other central parts of the system.

FLO Fair Trade standards for producer organizations and hired labour address the three pillars of sustainability: Social development is encouraged by promoting democratic, non-discriminative and transparent organizations where the majority of members are small farmers. Child labour is forbidden

and employers have to address occupational health and safety principles. Employees have the right to organize themselves in an association and bargain collectively. Economic development is addressed by guaranteeing a stable minimum price plus premium and market access. Environmental development is strengthened by encouraging members to protect the environment, avoiding agrochemicals, waste and GMOs. It is important to note that there are standards for both producers and traders - who have to undertake long-term relationships with the producers and pay the agreed minimum price plus premium, in advance if required by the producer. To better involve producers in the standards issue, standards and decision-making processes are developed in consultation with producers; furthermore, FLO is committed to follow the ISEAL code of good practices for the development of standards.

How does FLO address some of the challenges in this area? To ensure the compliance with standards, the Producer Business Unit within FLO supports producers to understand and comply with the standards and maintain certification. The cooperation with some partner organizations on the field is crucial to this end.

The costs of certification can be covered by the Producer Certification Fund, or later by the Fair Trade premium.

Moreover, there is a North-South issue to be tackled: many of the standards are Northern-driven, that is why Southern

producers are involved at all levels within FLO.

To maintain and even increase the market access of producers,



FLO and its members' labelling initiatives try to raise awareness, open markets and identify market opportunities in the North.

FLO is member of ISEAL, an umbrella organization which promotes best practices among the different certification schemes, trying to reduce overlapping. Within this context, Mrs. Buitrago mentioned the cooperation with organic certification bodies as a critical way to reduce the costs for producers.

Fair Trade must be a partnership approach

Acknowledging the benefits of Fair Trade labelling schemes, Moctar Fall of Interface Trading pointed out some of the limits and difficulties experienced by small and most disadvantaged producers. He suggested that the European Commission Delegations in the ACP countries should organize debate such as this one, to sensitise people; in his country for example, Senegal, there is a "roaring silence" on Fair Trade.

Mr Fall started by stressing that Fair Trade is a partnership approach and that its developments must integrate the interests of all stakeholders: producers

should be involved at all stages of the certification process. This could benefit their comprehension and acceptance of standards.

Welcoming the systematization effort of the Fair Trade organizations, to face the recent proliferation of Fair Trade trademarks in the North, he underlined that a more systematic approach is needed. Southern producers are still too much confused about the authenticity of the proposed certification process, due to a lack of transparency.

Inherent problems of Fair Trade certification schemes can only be addressed within a framework of “wide-ranging, inclusive consultations which involve all stakeholders, in particular producers, in establishing standards, implementation strategies and support measures”, Mr. Fall argued. He concluded with a call for more investments in producers’ training, to help them complying with the standards required by the certification schemes.

Belgian Fair Trade Centre

How do European governments support Fair Trade schemes? As an illustration, Samuel Poos from the Belgian Technical Cooperation introduced the ‘Fair Trade Centre’, a programme integrated into the Belgian Development Cooperation. With a budget of only 1 million euro per year, the ‘Fair Trade Centre’ programme concentrates on four main components:

Every year in October, the Fair Trade Week takes place in Belgium. It aims to increase awareness about Fair Trade amongst Belgian consumers, and wants to encourage them to purchase Fair Trade products. Through innovative campaigning, such as Fair Trade songs or a Fair Trade Award, passive consumers are stimulated to become active and to make the fair choice.



The Fair Trade Centre also supports Fair Trade producers to gain market access and to commercialize their products. Currently, 23 projects are being carried out, from company matching between producers and importers to the creation of new Fair Trade products, from producers’ training to several market studies. The Fair Trade Centre also participates in Trade Fairs, such as the ‘Brussels Fashion Fair’ and ‘Tourism autrement’.

On the Befair web site (www.befair.be), the Fair Trade Centre gathers and analyzes information on Fair Trade in Belgium, disseminating it via the web site and newsletters.

The Fair Trade Centre also serves as a forum between Belgian Fair Trade organizations, bringing the relevant actors together.

Mr Poos concluded with some future perspectives, pointing out that Fair Trade should be integrated in the bilateral development cooperation strategies and that it should apply also to other sector, notably tourism. Sustainable trade should be supported as well.

Multi-stakeholder approaches to Fair Trade

Christopher Wunderlich introduced the Sustainable Commodity Initiative (SCI) - a multi-stakeholder platform facilitated by the United Nations Conference on Trade and Development (UNCTAD) and the International Institute for Sustainable Development (IISD).

He argued that the success of Fair Trade has brought new dynamics into the wider trade sector. Supply chain concentration is increasing, and end-markets are shifting to new countries. To respond to the complexity of the issues at stake, a collective multi-stakeholder approach is needed, which is what the SCI proposes.



The first project they are working on, together with the Belgian Fair Trade Centre, is impact assessment. At the moment, there are mostly case studies plus very few thorough and neutral analyses. Tools are therefore being developed to measure the costs and benefits of such programs at field level. The goal is to empower producers and policy-makers (public and private) through provision of information, to better plan activities and investments and to shape decisions. The second issue addressed is capacity building to develop sustainable enterprises. Increasingly, Fair Trade producers have to perform in competitive environments. Through networking, support can be jointly provided at the producer level. Key areas identified for support are: good agricultural practices, organizational development, financial literacy and risk management, access and use of market information, traceability and quality management system. The third area they are working on is the access to affordable finance. The SCI has supported the formation of a trade association of financial service providers, the Finance Alliance for Sustainable Trade (FAST), which works with small and medium scale Fair Trade producers.

Fair Trade cotton from West and Central Africa

Mamadou Ouattara of the Association of African Cotton Producers (AProCA) provided a very specific perspective on Fair Trade. He pointed out the benefits and challenges of Fair Trade schemes for Western and Central African cotton producers.

AProCA was set up in 2004 to defend the interests of African producers against distortions on the world cotton market. Member countries are located in Western and Central Africa. Benin, Burkina Faso and

Mali are among the biggest cotton producers in the region and the importance of cotton to national economies can not be underestimated. In Burkina Faso, it makes up 51% of national exports, and in Benin and Chad it amounts to 38% and 36%.

While more than 99% of the cotton produced is conventional cotton, the share of fair trade or organic cotton has risen in recent years. In Mali, Burkina Faso, Senegal and Cameroon, fair trade cotton rose from 1300 tonnes of fibres in 2005 to 8000 tonnes in 2007. In comparison with the prices of conventional cotton on world markets, which lies between 145 and 175 CFA/kg, Fair Trade and organic cotton producers earn, respectively, 272 CFA/kg and 306 CFA/Kg.

In line with the comments made by Mr. Fall, Mr. Ouattara highlighted the challenges faced by Western and Central African small producers. They are generally badly equipped, and have a low average output. Moreover, they have very low skills in soil fertility management and land management, and the co-existence of GMOs and organic seeds also causes difficulties.

Above all, the certification and supervision costs prevent many small scale farmers from engaging in Fair Trade schemes. Mr. Ouattara



concluded his presentation with some data: as an example, per kilogram of seed cotton, Fair Trade certification costs 10 CFA, or 0,036€ per kg fibre.

From a niche to a commodity market

Barry Newton, director of the Belize Sugar Association, and Gavin Wakley, from Tate & Lyle, told the audience about their recent agreement, which aims at converting 100% of Tate & Lyle retail branded sugar to Fairtrade by the end of 2009. The scale of this is quite interesting, as it takes Fair Trade products to a new level, shifting from a niche market to a commodity one. According to Mr Newton, this example is going to be applicable to other products in the future.

The FT potential for ACP exports

After having chaired the second panel of the Brussels Development Briefing on Fair Trade, H.E. Federico Alberto Cuello Camilo, Ambassador of the Dominican Republic, concluded the meeting.

He highlighted that the Briefing was a good opportunity to understand not only challenges, but also potentials of Fair Trade for ACP countries, notably as far as their agricultural exports to the EU market are concerned. In his words Fair Trade may represent an interesting and viable niche market for ACP commodities like sugar, whose preferential access to the EU market is to expire.

Referring to the recently signed EPA between the EU and the Dominican Republic, where Fair Trade is included as a binding condition, he pointed out how producers have benefited from that. He concluded stressing the importance of the Brussels Development Briefings for providing a valuable platform for this type of discussions.



Next briefing

The next Briefing will take place the 2nd July 2008 and will deal with 'New drivers, new players in ACP rural development'.

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