

FAIR TRADE AND THE ECONOMIC CRISIS



After a decade of euphoric growth, sales of fair trade products have slowed in several European countries. The economic crisis has hit and many players have had to adjust their strategies.

How is the fair trade sector reacting?

How can it ensure that solidarity consumption is not sacrificed on the altar of falling purchasing power now impacting a significant number of households?

Multiple operators are involved from producer to consumer. They all contribute to the development of fair trade channels, but not all are experiencing the same constraints.

What is the future for this type of virtuous entrepreneurship, particularly in Belgium?



A CHANGING SECTOR

Fair trade emerged as a truly credible alternative to traditional consumption at the beginning of the 1990s, moving from the stalls of a few militant networks to supermarket shelves.

With annual growth rates of over 20% on average, the market for fair trade products has grown considerably, particularly over the last decade.

The emergence of new players contributed to widening the gap between the early, integrated vision (each of the links in the chain was fully committed to promoting these values) and a more commercial approach, defended notably by Max Havelaar, which believes that growth in the sales volumes of certified products justifies building partnerships with networks that are primarily interested in sales prospects.

As a result, the number of sales channels with operators with different motivations has multiplied. **The profile of the players involved in selling fair trade products has diversified considerably, spanning entrepreneurial ethics and quick profitability.**

THEN THE CRISIS CAME

The housing market collapsed in the United States in 2008, a victim of irresponsible credit institution practices. The banking industry stumbled and entire sections of first the American and then the global finance sector crumbled, threatening the economies of entire countries.

It is, we are told, the worst economic crisis since the end of the Second World War.

Companies and communities, the pillars of the "real" economy, were impacted in turn, collateral victims of financial excesses. Unemployment increased quickly in several European countries (from 8.3% in 2007 to over 23% in 2011 in Spain, for example²) and consumer purchasing power dropped dramatically leading tens of thousands of people into poverty on the continent. The crisis eventually affected everything, from banks to households.

At first, the fair trade sector appeared to resist the tremors better than most³ but, beginning in 2010, reality caught up with the players in these sectors. Max Havelaar France, for example, recorded a significant drop in its growth rate (from 13% to 5%) compared to the previous year.

IT IS HAPPENING NEAR YOU

The economic crisis also affected fair trade players in Belgium with notable differences between the types of structures involved in these sectors.

Big operators appeared to be the least affected. Max Havelaar Belgium announced an increase in sales of about 10% in 2011 thanks primarily to the launch of new products by major retailers, as the organisation explains in one of its latest reports: *"Delhaize made a major commitment at the end of 2011 by launching a large number of new products (and) many well-known brands opted for another way of doing business."*⁴

The fair trade operator was therefore able to take advantage of its strategy of getting closer to major retailers which are themselves, of course, among the main beneficiaries of the famous label's growing name recognition (recognised by about eight out of every ten Belgian consumers.)⁵



Crédit : Ethiquable

MAJOR RETAILERS...OR NOT

Despite its emblematic nature, Max Havelaar does not represent the entire fair trade sector in our country.

As the coordinator of the **Belgian Federation for Fair Trade**, Eric Dewaele has been a first-hand witness to the different trajectories taken by different types of operators in the sector. His view of the issues is quite illuminating: *"Several of our members are experiencing problems because of the crisis while, in fact, at the same time, sales of fair trade products (particularly food items) are growing at major retailers. It's important to be careful because if fair trade ends up limiting itself to sales generated by major retailers, it could quickly drift away from its initial goals."*



We shouldn't forget that major retailer brands will always emphasise return on capital and that, from their point of view, sales of fair trade products must also meet this objective."

According to Eric Dewaele, in addition to this ethical argument, there is also a structural threat for operators investing primarily in this sales channel: **"Companies that supply major retailers must be very careful to maintain their independence to ensure that they aren't eaten by the major brands, in particular during times of crisis when they harden their stance."**⁶

Vincent De Grelle, who represents Ethiquable Benelux, is aware of this risk, which he fully understands: *"Ethiquable Benelux has existed for a little over two and a half years now which means that we started up during the crisis. However, we haven't really felt its impact. We've had good growth of over 40% a year despite competition from house brands. From the beginning, we developed a sales channel diversification strategy working with major retailers and also with specialised shops and hospitality industry professionals. This sales system diversification is fundamental as is the diversification of product lines."*⁷

THE CRISIS AND MORE

In fact, Ethiquable has significant assets with which to take on the market. This is not the case for all fair trade entrepreneurs and many are suffering through the effects of the crisis, particularly in the non-food sector.

Some, like the Sjamma organisation in Ghent have been particularly hard hit and have had to close part or all of their operation. Tout l'Or du Monde, a boutique-café in downtown Brussels, had to close in March 2012.

According to Isabelle Steenebruggen, manager of Pachamama, "the fair trade family boutique", the main problem is the price of certified artisanal products, notably clothing and textiles. In her opinion, they cannot compete with products manufactured at very low-cost and sold by major retailers, particularly at a time when households are worried about their purchasing power. "There is no such thing as cheap fair trade," she explains. *"Despite the clearly superior quality of our products, purchasing fair trade is still too often seen as a form of charity."*

What do other fair trade entrepreneurs think?

Philippe Vander Elst created his company, Latino Fierros, in Brussels in 1998. He imports fashion accessories and jewellery from Latin America and sells them wholesale to retailers and boutiques across Europe. While he agrees with his colleague about the contraction of turnover (nearly 50%), he believes that the crisis is not the only cause. He explains that, *"Of course the crisis has slowed business, but it isn't especially because we sell fair trade products. In fact, I don't often mention it as a sales argument. What counts most for my customers is the quality of our products and their match with current fashion. In fact, that's one of the main reasons for our difficulties. We clearly didn't invest enough in renewing the designs of our product lines when we should have."*⁸



ADVICE FOR YOUNG ENTREPRENEURS



There is no doubt that the financial crisis is weighing down on the fair trade sector, however, probably not more than on other businesses, and not to the point of discouraging initiators of these types of projects. Being a fair trade entrepreneur is certainly more difficult today than a few years ago, but this is true of all businesses.

Here is some advice given to us by the pioneers we've consulted. **It's self-evident, but it has to be hammered in. Whether fair trade or not, what matters is the quality of the company project and particularly of the preliminary study of the entire commercial chain.** The market to be explored, the volumes to be reached, and the strategies to be implemented must all be clearly identified from supplier to end-customer.

With fourteen years of experience, Philippe Vander Elst has very clear ideas on this issue: *"The most important thing is the quality of the product, its design, and the marketing force to be set up. The fair trade argument that consists in saying that you support cooperatives in developing countries is clearly not sufficient and won't enable you to move out of niche markets. The product on offer has to be well thought out. You have to develop products that create a long commercial chain with well-studied distribution networks. The product has to be of high quality and be of a design or original enough that you can sell it at a price that works for everyone including the producer, the retailer, and the importer. Your offer has to be super professional from every standpoint: packaging, image, processing, etc. You have to facilitate the work of your buyers."*⁹

Vincent De Grelle, also emphasises the vital importance of the Business Plan, which must *"reflect your vision of the project, its quality, the relevance of your positioning, and the fact that you have thought through every aspect including financing, which is basic."* **No concession can be made on product quality or the soundness of the fair trade project.**

The emphasis on fair trade can then become a commercial asset. Vincent De Grelle believes that the success of Ethiquable Benelux is due in part to the work done by his organisation to promote and make visible the impact of certified product sales on the daily lives of producers in southern countries.

A RESPONSE TO THE CRISIS

While they acknowledge that the crisis has complicated their business (to varying degrees), some fair trade professionals in Belgium explain that it has also shed light on the limits of the conventional economic system and that it has created a vast movement of sympathy for the social and solidarity economy in its various forms.

This increased awareness appears to be a ground-swell which, despite cost issues, could open new horizons for fair trade on a long-term basis.

TO FIND OUT MORE:

"Starting a fair trade business ", a booklet of the Trade for Development Centre published in December 2011, available on www.befair.be



Vincent De Grelle (Ethiquable) and the representatives of the Peruvian cooperative Agropia at the Trade for Development Centre in Brussels.

He explains that, *"We know our producers very well. We are close to them and make an effort to bring producers and consumers closer together so that the latter are aware that the money they are spending really does change things for the farmers, artisans and their families."*

There is one point on which all of these committed entrepreneurs agree: the importance of partnerships. According to Vincent De Grelle, this is one of the keys to new paths to growth. *"It's in everyone's interest to work as partners, as we do, for example, with Oxfam to bring representatives of African and Latin American cooperatives to Belgium. We have to play the partnership card, design joint offers, build bridges between our activities, share our actions. The Belgian Fair Trade Federation plays a very precious role in this respect."*

1 Source: Fairtrade/RSE News

2 Source: *Perspective Monde* - Université de Sherbrooke - <http://perspective.usherbrooke.ca>

3 Source: *Le commerce équitable face à la crise économique* - www.developpementdurable.com - 2008

4 Source: Fairtrade Max Havelaar Belgium, *Reller producteurs et consommateurs - Rétrospective 2011* - Available on www.maxhavelaar.be

5 Source: *Le Commerce équitable est en pleine ascension...* - www.maxhavelaar.be/fr/nouvelles/le-commerce-equitable-est-en-pleine-ascension

6 Interview with Eric Dewaele, coordinator of the Belgian Fair Trade Federation, 6 March 2012.

7 Interview with Vincent De Grelle, manager of Ethiquable Benelux, 6 March 2012.

8 Interview with Isabelle Steenebruggen, manager of Pachamama, 6 March 2012.

9 Interview with Philippe Vander Elst, manager of Latino Fierros, 12 March 2012.