

# FAIR TRADE: BREAKING APART?

*Fair Trade USA recently left Fairtrade International, the world's leading fair trade federation to launch its own initiative.*

*Small producers in Latin America have created their own certification label in response to the opening of the Fairtrade Max Havelaar label to large plantations.*

*Tensions are increasingly flaring within a movement that has different development visions and approaches to fair trade.*

*Will it fall apart?*



Le nouveau label de  
Fair Trade USA

Since January 2012 Fair Trade USA has broken its ties with Fairtrade International (the fair trade federation to which Max Havelaar Belgium belongs) to launch a new initiative: Fair Trade For All. Fair Trade For All wants to allow major coffee, tea, and sugar cane plantations, among others, to become fair trade certified. To date, Fairtrade International had only allowed banana, tea, flower, and other

plantations to be certified for market supply reasons. According to the organisation, there are too few small certified producers in certain industries to meet demand.

The global fair trade movement unanimously condemned the initiative of Fair Trade USA, which prefers to maximise sales volumes rather than the impact on producers.

Fair trade NGOs in many countries have worked hard to develop market access for small farmer organisations and to raise the awareness of consumers about the structural injustices of international trade. All for nothing? Certifying plantations that partner with large importing and processing companies will result in direct competition for small producers, who could be pushed out of the trade that was created for them.

According to Merling Preza, president of both Prodecoop, a coffee producer cooperative in Nicaragua and of CLAC, the Latin America and Caribbean Network of Small Fair Trade Producers<sup>1</sup>, Fair Trade USA's decision was like a bucket of cold water. "Large corporate coffee buyers have been the chief opponents of farmer-led efforts to lobby for increases in fair coffee prices."<sup>2</sup> The Fair Trade USA initiative will cause the balance of power between farmers and agri-business to shift inevitably toward the latter.

## An evolution that is not all that surprising

Fair trade has seen solid two-digit growth over the past few years. Growth slowed in 2011, but increased by 10% in Belgium in a falling consumer market. This was a very good performance. The growth was the result of the "mainstreaming" of the sector and of the participation of large companies. The Fairtrade label sells and multinationals have understood that the average consumer is increasingly interested in it, as long as prices remain reasonable.



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In England, the Sainsbury supermarket chain has sold for the past five years only bananas that are Fairtrade certified. Marks & Spencer responded to its customers' demands and converted all of its tea and coffee to fair trade. The same trend is being seen in Belgium, although it is more cautious. Both Carrefour, under its Agir brand, and Lidl, under its Fairglobe brand, sell ranges of Fairtrade labelled products. On the other side of the Atlantic, in the United States, the fair trade market only really started to take off when Starbucks gave in to a national campaign launched by Global Exchange in 2000 and began to serve fair trade coffee in its coffee shops. Fair trade organisations and certifiers then persuaded more companies and brands to sell fair trade coffee and other products.

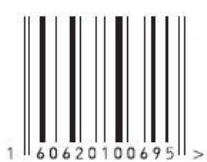
## Are we witnessing a bona fide "recovery" of fair trade?

The participation of large multinational companies raises questions within a movement that had set itself the goal of condemning excesses, bad practices, and even the foundations of international trade. The initial objective was both to improve the living conditions of farmers and lay down the foundations of another kind of trade.

*Business Week* magazine<sup>3</sup> reported on a lively debate at the beginning of April 2008. Walmart, the world's largest retailer, had just launched three coffees certified fair trade by Transfair USA (the former name of Fair Trade USA), after having already started selling fair trade teas, bananas, and roses via its Sam's Club subsidiary.

According to a number of American fair trade organisations, Walmart has not changed its practices much. The world's leading retailers have a negative impact on the sector. They "want to continue working with mass producers like plantations rather than going the tougher route, which is identifying small farmers and buying from them", says Carmen K. Lezzi, executive director of the Fair Trade Federation, a group of 100% fair trade companies.

According to Rink Dickinson, president of Equal Exchange, a Massachusetts' organisation that only buys products from cooperatives managed by the farmers themselves: "When large, conventional plantations get fair trade certified for improving practices, we consider that 'fair-trade lite'. There may be reforms, but it is only a kindlier, gentler version of the same old thing and falls short of what some of us are advocating."



Another example: The 2005 certification of a Nestlé instant coffee was controversial, even among members of Fairtrade International like Fairtrade Italia. Associations such as ActionAid and Baby Milk Action reacted quickly denouncing a cynical hijacking of a generous philosophy for the benefit of one of the most criticised multinationals on the planet<sup>4</sup>. Many people accuse Nestlé of jumping on the fair trade bandwagon. We shouldn't be naive. As the French organisation Artisans du monde points out, "The commercialisation of fair trade products by those who benefit most of the instability of world coffee prices does not necessarily demonstrate a new ethics of responsibility on the part of multinationals, but rather the need for the latter to capture new consumers in a stagnant market."

This was clearly the case when, reacting to the Fairtrade certification of Cadbury's Dairy Milk, the best-selling chocolate in the United Kingdom, Nestlé decided in 2009 to get its KitKat certified... but only in Ireland and in Great Britain in

order to maintain its footing with its direct competitor, without extending the approach to other countries where fair trade is less present.

Remember that Greenpeace attacked KitKat in a viral video that created a buzz in 2010. The environmental organisation asked Nestlé to stop buying palm oil from a company that was deliberately destroying Indonesian forests. One question in passing: Is it right to provide the Fairtrade label to a product for one or two ingredients while a third is sorely lacking?

To ensure that a company does not project an image of cheap respectability, Fairtrade International should demand, among other things, that it:

- Commits to certifying a certain percentage or a certain number of its products, which will increase over time
- Obtains its supplies primarily from small producer organisations that are already certified. Fairtrade International should not give in to the pressure of certification of plantations and major producers with which major global groups already have a commercial relationship.

## What about pragmatism in all this?

Other players are being pragmatic. According to Transfair Canada (the equivalent of Max Havelaar), "Multinationals are needed for distribution in our markets. Without them, it would be difficult to bring products to market. For example, companies that process cocoa into chocolate are a requirement for the fair trade cocoa market. The same holds true for bananas. They have to be ripened and the big compa-

nies have the financial resources to do this. Multinationals therefore are an important part of the supply chain."<sup>5</sup>

We also have to make it possible for major corporations to test the market and increase their volumes over time, based on changes in consumer demand. It would be unrealistic to ask these companies to change their business radically from one day to the next without testing consumer "reaction".

And finally, major groups are now selling what we have always asked them to, that is, fair trade products. Even a small percentage of the total volume of a major company can mean millions of kilos of product benefiting tens of thousands of farmers in the South.

According to Christophe Maldidier of Solidar'monde in France, this infatuation must be qualified and a distinction, unfortunately invisible to consumers, must be made: "An

increase in consumption is a priori a good thing for producers in the South who benefit in greater numbers from better selling conditions. However, this big increase has a perverse side-effect: it creates different channels with varying degrees of fairness, although all are FLO certified<sup>6</sup>. In one case, there is one more intermediary, the private exporter, whereas in another, the producer cooperative exports directly. This means that the added value is allocated differently depending on the channel and that there are, therefore, different incomes for producers. Consumers have no way of knowing this since, at the end of the chain, the product still has the same fair trade label, Max Havelaar in this case."<sup>7</sup>

### The emergence of a small producer label

From their part, small fair trade producers have also reacted. In November 2010, at the 4th CLAC General Assembly<sup>8</sup>, they launched their own label called the "Small Producers' Symbol."<sup>9</sup>

The idea had been floating around for some time already, since it had become clear that, by opening the Fairtrade Max Havelaar label to major banana and tea plantations, the Fairtrade International federation was moving away from its original mission of providing market access to small farmers and changing the way in which international trade is carried out. The National Fair Trade Coordination (CNCJ) of Peru confirmed this: "FLO, the international organisation that certifies fair trade in the world, allowed access to major commercial operators to the detriment of small producers."



"We needed to differentiate ourselves as small producers that defend the original values of fair trade: cooperation, democratic governance, support for small farmer agriculture, etc." explains Jeronimo Pruijn, executive director of Fundepo (Foundation of Small Organised Producers).<sup>10</sup>

The label has criteria covering production, organisation, management, respect for the environment, the management of relations between producer and buyer organisations and, of course, the prices paid to producers. Contrary to the system of Fairtrade International, which was devised in the North, the small producers' label was created and developed by farmer organisations in the South. Twelve organisations are currently certified in Honduras, Peru, the Dominican Republic, Guatemala, Mexico and Ecuador.

The new label is slowly but surely gaining recognition. To show its exclusive support for small farmer agriculture, Ethiquable of France has just replaced the Fairtrade Max Havelaar label with the small producers' label on two of its products: coffee from Ecuador and sugar from Peru.

It is clear that there are different concepts of development on the "fair trade planet". A malaise has gradually infiltrated the movement. Other labels and fair trade guarantee systems already exist or are being created and will exacerbate tensions. The World Fair Trade Organization (WFTO<sup>11</sup>) is preparing its own certification system for organisations. Ecocert and IMO, two organic certifiers have already created their own also, Ecocert Equitable and Fair for Life, respectively.

People who have been following fair trade for some time will remember that the two founders of the Max Havelaar label already had divergent views about the role to be played by big companies. Today the differences are becoming apparent.

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Trade for Development Centre Coordinator, May 2012.

*The author is solely responsible for the opinions expressed in this article. They do not necessarily represent the opinions of BTC or of the Belgian Development Cooperation.*



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1. The network has 200,000 farmers in over 20 countries.
2. Michael Sheridan, *Merling Preza makes the case against FT4All*, 9 November 2011. <http://coffeelands.crs.org/2011/11/merling-preza-makes-the-case-against-ft4all/>.
3. Business Week, *Is Fair Trade Becoming 'Fair Trade Lite'?*, 18 June 2008
4. ConsoGlobe, *Nestlé « équitable », scandaleux ou bienvenu ?*, April 2007
5. Caroline Whitby during a debate organised by *Équiterre* on 7 December 2004.
6. Acronym of Fair Labelling Organizations International, the former name of Fairtrade International.
7. Interview with Christophe Alliot, *Max Havelaar France*; Christophe Mالدیدر, *Solidar'monde*; Santiago Paz López, *Central piurana de cafetaleros "cepicafe"* - Laura T. Reynolds, *Center for fair and alternative trade studies, Fair Trade in crisis?* Courrier de la planète.
8. Latin America and Caribbean Network of Small Fair Trade Producers
9. To find out more: <http://clac-comerciojusto.org/simbolo-pequenos-productores>
10. Philippe Chibani-Jacquot, *La liste des labels équitables s'allonge*, Novethic, March 2012.
11. World Fairtrade Organization – [www.wfto.com](http://www.wfto.com)