Fair Trade: Opportunities, Tensions and Uncertainties

Darryl Reed
York University

“Potential and Limits of the Social and Solidarity Economy”
UNRISD, Geneva
May 6-8, 2013
The Argument

- A contradictory development
- Potential contributions to SSE
- Tensions threatening SSE potential
- The uncertain future of Fairtrade
The Development of Fairtrade: Some Contradictions
Contradictions with the FLO System

- **Competing Norms - within Fairtrade Int’l (FLO)**
  - Fairtrade Principles
    - Solidarity, Democracy, Sustainability, etc.
  - Minimum standards
    - Minimum price (?), Social premium, Quality standards, etc.

- **Competing Forms of Production - within FLO**
  - Small Producers
    - only 4 products exclusively produced by small producers
  - Large Estates
    - Dominate production in several products (tea, bananas, flowers)

- **Different Status/Power within Governance Structures**
  - Dominance of Northern Labeling Bodies (over producers)
    - Only recently were producers allowed representation, membership
    - Power differentials influence decision-making
  - Democratic credentials of some national labeling bodies?
Contradictions Between FLO and Others

- **FLO**
  - **Social Regulation** ➔ SSE and/or Corporate Accountability
    - Governance
      - Membership limited to Labeling Initiatives (NGOs) and Producers
        - No corporate members
      - Board composed of National Labeling Bodies and Producers
        - Plus 3 independent positions
      - Standards – Hard standards (but often monitoring, enforcement weak)
  
- **Other certifying bodies**
  - **Private Regulation** ➔ Corporate Social Responsibility
    - Two Forms
      - “Multi-stakeholder” models (Utz, Better Cotton Initiative, Fair for All)
      - Self-Regulation models (Starbucks’ C.A.F.E. Practices)
    - Governance
      - dominated by corporations
      - self-appointing boards (little or no accountability)
    - Standards
      - soft standards – often voluntary, best practices (corporate friendly)
      - weak monitoring
## Fairtrade Value Chains

<table>
<thead>
<tr>
<th>Nature of the Value Chain</th>
<th>Corporate Involvement</th>
<th>Form of Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) 100% social &amp; solidarity economy</td>
<td>none</td>
<td>Solidarity-based relations</td>
</tr>
<tr>
<td>2) social economy &amp; solidarity dominant</td>
<td>retail</td>
<td>Solidarity-based relations</td>
</tr>
<tr>
<td>3) corporate dominant (some small producers)</td>
<td>retail &amp; licensing</td>
<td>Socially-regulated market relations</td>
</tr>
<tr>
<td>4) 100% corporate</td>
<td>retail, licensing &amp; production</td>
<td>Socially-regulated market relations</td>
</tr>
<tr>
<td>5) corporate dominant (some small producers)</td>
<td>retail &amp; licensing</td>
<td>Privately-regulated market relations</td>
</tr>
<tr>
<td>6) 100% corporate</td>
<td>retail, licensing &amp; production</td>
<td>Privately-regulated market relations</td>
</tr>
</tbody>
</table>
SSE (Co-op) Value Chains

PRODUCER CO-OPERATIVES
- e.g. Las Colinas Co-op (El Salvador)
- Mamsera Primary Society (Tanzania)

PROCESSING EXPORT CO-OPS
- e.g. APECAFE (El Salvador)
- KNCU (Tanzania), CONACADO (D.R.)

PROCESSING & MARKETING CO-OPS
- e.g. Equal Exchange (UK & US), Co-op Coffees (US), La Siembra (Canada)

DISTRIBUTION CO-OPS
- e.g. Suma (UK), Essential Trading (UK), Co-op Group (UK), Tucson Co-op (US)

FINANCE CO-OPERATIVES
- e.g. Shared Interest (UK), CFNE (US), Nat'l Co-op Bank (US), Rabobank (NL)

RETAIL CO-OPERATIVES
- e.g. Hanover Food Co-op (US), Midcounties Co-operative (UK)

Products → Resources
Financial Investment

Developing World
Developed World

Credit & Loans
Financial Investment

Business & Society
Opportunities for Fairtrade as SSE Bodies
Opportunities as SSE Value Chains

- **Capacity Building for Producer Organizations**
  - Access to resources (finance, technical support, etc.)
  - Learning (markets, organizational structures, etc.)
  - Scaling up
  - Moving up value chains

- **Community Development**
  - Social and economic infrastructure
  - Public engagement

- **Development of New Product Markets**
  - Agriculture
  - Resources
  - Manufacturing

- **Development of New Markets for Products**
  - Domestic Fairtrade
  - South-South Fairtrade
Opportunities as SSE Producer Networks

- **Capacity Building**
  - Peer to peer learning
  - Resource sharing

- **Education**
  - Consumers, government agencies, producers, etc.

- **Advocacy and Public Policy**
  - Local and national government
  - International agencies
  - Certification bodies
Opportunities as SSE Regulatory Bodies

- **Two possible avenues**
  - FLO System
  - Producer Networks
    - CLAC’s Small Producer Label (“Beyond Fairtrade”)
- **Functions**
  - Establishing Norms
    - identifying SSE organizations in Fairtrade
    - Small producers, Alternative trade organizations
    - minimum standards
  - Facilitating business relations
    - between SSE enterprises
    - between SSE enterprises with conventional firms (minimum stds)
- Education
- Advocacy
  - Trade reform, public policy
Tensions in Fairtrade as SSE Bodies
Tensions Within and Among Producer Associations

- **Three regional producer associations**
  - Latin America and the Caribbean
    - What limits on Fairtrade products?
    - Resources?
    - What roles as producer organizations
    - Own certification?
  - Africa
    - How small are small producers?
    - How marginalized?
  - Asia
    - Estates as producers organizations?
Tensions from Unfair Competition

- **Unfair Competition within FLO**
  - Unfair competition from large estates
    - Large estates have lower costs
    - Can squeeze out small producers
  - Unfair Competition from large retailers
    - ATOs have higher costs
      - Live up to fairtrade principles (not just minimum standards)
      - 100% fairtrade
      - Can be squeezed out of the market

- **Unfair Competition from non-FLO bodies**
  - Efforts to confuse consumers
  - Use of market power (access to distributional channels)
Tensions in Governance (within FLO)

- **Different Goals**
  - Poverty Eradication vs.
  - Empowerment of Small Producers

- **Different Target Audiences**
  - Small producers vs.
  - Agricultural workers

- **Different (institutional) Interests**
  - small producers vs.
  - Labeling bodies

- **Different Analysis**
  - Free markets (competitiveness) vs.
  - Oligopolistic markets (unfair competition)

- **Different Strategies**
  - Rapid growth (new products, lower standards) vs.
  - Slow growth (consolidating markets, learning)
The Uncertain Future of Fairtrade
Uncertainties

- **Which “Fairtrade” Regime will prevail?**
  - Which actors will be key protagonists?
  - What are the key sites of contestation?
  - Which strategies will win the day?
Corporate Social Responsibility

- **Actors**
  - Large Corporations
    - Food Retailers, Specialty Chains, Agro-food Industries, Estates
    - Industry bodies
    - Cross-sector bodies (WBCSD)
  - NGO partners
    - Astro-turf organizations
    - Pragmatic/resigned/desperate/naive NGOs

- **Key site of contestation**
  - market

- **Strategies**
  - Voluntary regulation
    - A “market for values”
    - Lobbying activities (to ensure a market approach)
  - Mass Marketing
    - Imitating SSE, CA initiatives
    - To confuse, mislead consumers
Corporate Accountability

- **Actors**
  - NGOs, Social Movements
    - Development, Environmental, Social Justice (religious-based)
    - Focus on poverty reduction
  - Labour unions
    - in agricultural commodities
    - northern, southern supporters

- **Key Site of Contestation**
  - state

- **Strategies**
  - Strengthen regulation on corporations
    - Labour & environmental stds
    - Trade agreements, purchasing policies
  - Mobilization to pressure states
Social & Solidarity Economy

• **Actors**
  - Agricultural Producers
  - Other SSE actors
    - Northern importers, distributors (co-op retailers)
  - Consumer/Citizens, Social Movements
    - Relations of solidarity

• **Key Site of Contestation**
  - Production

• **Strategy**
  - Social economy value chains
    - Bonds of solidarity
  - Supportive public policy
    - To control promote SSE, To constrain corporate power
  - Education and mobilization