

## Fair enough?

**Making an ethical consumer choice in your weekly shop might mean that you pay an extra 75p, but the difference your purchase could make to its producer in the developing world is immeasurable. Nick Thorpe finds out what's new in fair trading.**

Four computers, a new photocopier and furniture for local schools; farm access roads repaired; street lighting installed in a town for the first time; a new community centre built; and a new lawn mower to tame the wild grass at the sports ground, meaning young people can now take part in football, cricket and rounders leagues once again. Regina Joseph, from Dominica in the Caribbean Windward Islands, has a lot to be thankful for, considering the Caribbean banana industry was on the brink of a disastrous collapse not long ago.

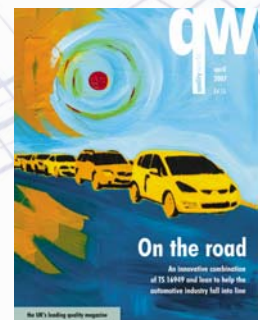
The Windward Islands used to control 60 per cent of the UK banana market but has seen its share slashed to less than 20 per cent in the last 15 years, due to falling retail prices and the emergence of lower-cost South American producers. Farmer revenues have fallen 83 per cent to just US\$5.3m annually and there are now fewer than 700 remaining farmers from the original 11,000.

Regina attributes Dominica's new facilities entirely to the formation of the Carib Territory Fairtrade Group, and the accompanying premiums paid for community improvement. Without that breakthrough, she maintains, the industry would have completely collapsed.

She grows a variety of crops for her family and for sale at the local and regional markets. She is a single parent of five children between 16 and 26 years of age. Two of her daughters and their five children live with her on her small 2.5 acre farm. It produces 35 boxes of bananas every two weeks which are usually exported to the UK and account for 70 per cent of the family income. Since the emergence of fair trade in Dominica six years ago, the fortunes of the islanders have been revived: exports of fair trade bananas have seen a six fold growth and now account for over 70 per cent of the island's production.

### Growing origins

Fair trade is a means of helping small-scale and other disadvantaged producers in developing countries improve their quality of life by providing a more profitable and stable trade relationship. The products must meet a set of international standards set by an independent body and, in return, producer organisations that supply fair trade goods receive a minimum price that covers the cost of sustainable production and an extra premium that is invested in social or economic development projects.



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The fair trade story can be traced back as far as the 1950s with organisations such as Oxfam, and later Traidcraft but it wasn't until the late 1980s, with the formation of the Max Havelaar Foundation in Holland, that fairer trading really entered the public domain with the launch of the first fair trade consumer guarantee label.

The move was inspired by Mexican farmers who asked for better coffee prices instead of development aid and led to the sale of the first jar of Max Havelaar coffee in 1988. Four years later a group of development agencies including Christian Aid, Oxfam, Cafod and Traidcraft came together to form the Fairtrade Foundation in the UK. The aim was to form an independent certification programme to guarantee that disadvantaged producers in the developing world were getting a better deal. The Women's Institute soon followed suit and two years later the first products were launched featuring the Fairtrade label: Green & Black's Maya Gold chocolate, Café Direct and Clipper tea. In the first year alone these items earned around £2.7m.

Over the next ten years, the fair trade initiative spread around the world as consumers' ethical consciences have grown. By 2005 there were 20 active fair trade markets including countries across Europe, in the US, Japan and Australia. In 2002 all these separate initiatives came together to form one international Fairtrade Labelling Organisation (FLO) which acts as an umbrella body of independent national initiatives. The FLO guarantees the standards of fair trade products and 'gives credibility to the fair trade labels by providing an independent, transparent and competent certification of social and economic development.'

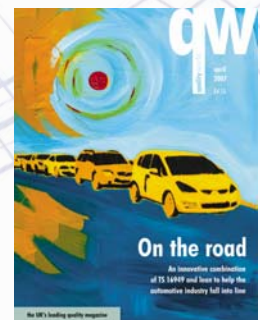
### On the banana boat

- bananas are harvested every two weeks
- bananas are cut, washed, sorted, bagged and labelled in an onsite packhouse to EurepGap standards
- fruit is collected from the farm by lorries that use roads constructed with Fairtrade social premiums
- bananas are transferred onto a boat and shipped
- fruit is ripened, washed and transferred onto another lorry
- bananas are transported to a central depot for redistribution
- central depot allocates fruit to various retailers and bananas are loaded onto another lorry for the final journey
- fruit arrives in retail outlets and is transferred onto shelves ready for the consumers' shopping baskets

Source: *Unpeeling The Banana Trade*, the Fairtrade Foundation

### Mark of respect

The FLO, however, is more than just a figurehead organization. It is responsible for the certification of products and traders, and for upholding the social and environmental standards of the producers themselves. The headquarters in Bonn, Germany also audits all aspects of the trading agreements to ensure they match up to the rigorous trading standards.



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These might include the correct payment of the minimum price and social premiums (the extra amount paid to producers on top of the guaranteed minimum price that is to be used for social or community development).

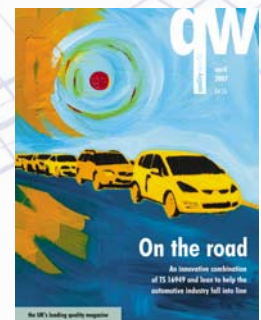
The FLO has a number of dedicated, independent inspectors who visit farms and staff throughout the world and who are members of fair trade schemes. These inspectors ensure that the fair trade code is being applied to every aspect of the consumer process, from growing to the shelf, and help to manage the relationships between producers and cooperatives. The rigorous fair trade standards which ensure that every product is produced to the same high quality are strictly enforced at all levels of the process and overseen by the inspectors. Every application to use the Fairtrade mark, the label that appears on products that guarantees that the producers have received a fair price, is checked thoroughly to ensure that it travels through an approved route before a license is finally granted. All farmers are expected to conform to the Euro-Retailer Produce Working Group (EUREP) standards and procedures in line with the Good Agricultural Policy (GAP) requirements.

Fair trade has seen its operations expand considerably over the last ten years and many economists attribute this to the growing awareness of consumers about where their food comes from. The economic power of supermarkets and international food conglomerates has become the lynchpin of consumer debate and shareholders are now keenly observing their investments from an ethical standpoint. Corporate Social Responsibility (CSR), enterprises managing the relationship between their social, environmental and economical aims, is now seen as being inextricably linked to an organization's financial performance.

Public criticism over socially unacceptable practices such as the exploitation of workers or unacceptably low wages can seriously damage a company's reputation and brand. So many organizations have embraced the fair trade concept as a means of reconnecting with an increasingly disgruntled and aware consumer group. The Co-operative Group has made the biggest contribution by a UK supermarket chain yet, switching all its own brand chocolate and coffee to fair trade products and becoming the largest retailer of fair trade products in the country, accounting for sales of £24m in 2004 (out of a UK fair trade total of £135m).

### **The black stuff**

Coffee has been at the root of ethical debates since concerns were first raised in the early 1980s about the unfair arrangements between coffee growers and retailers. Coffee growers in Africa, for example, now earn less in real terms than they did 100 years ago. Coffee is a commodity on the international markets, and its price gets driven down by speculation and fluctuating demand. Small, individual farmers, often operating on farms that are only a couple of acres in size and at the very end of complex supply chains, often receive a miniscule return. Work is being done to improve the quality of trading relationships and ensure that the commodity price paid to growers is fair and enough to support their livelihoods, despite pressures from the international commodity markets.



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Barbara Crowther, head of communications at the Fairtrade Foundation, explains that the social premium paid by the foundation is intended as more than just a commodity price: 'The foundation aims to help disadvantaged producer groups to access markets and invest in improving their businesses. That might be improving the environmental management of their farm or installing quality control techniques and basic quality guarantees.'

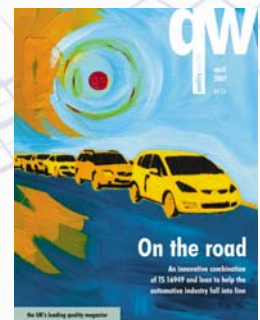
A typical example is a small cooperative of coffee farmers that pool their premiums to purchase a roastery and cupping laboratory for their beans. Cooperatives like these often consist of groups of farmers, usually neighbours, who work collectively to ensure their crops and premiums are put to the most valuable use. The farmers harvest their crops and begin to roast their own beans, tasting different samples and establishing who is producing the highest quality crop. This allows them to price their crops accordingly, removing them from the mercy of traders who will invariably offer the lowest price, regardless of quality. The knowledge and best practice developed can then be fed back to the cooperative and to other growers, empowering groups to make more informed decisions at market level and giving them a stronger basis for productive negotiation with traders.

#### Coffee break

- sales of fair trade roast and ground coffee grew by 25 per cent in 2005 with an estimated retail value of £65.8m
- the minimum fair trade price for arabica beans is US\$1.26 per pound, for robusta, US\$1.06; in February 2002 this was 162 and 488 per cent above the respective international market prices
- El Salvador, East Timor, Bolivia, Nicaragua, Peru, Rwanda, Sumatra and Uganda are just some of the 22 countries that supply coffee to the UK's fair trade market
- under the fairer trading terms producers are offered up to 60 per cent of the contract value as credit, so that cooperatives can pay farmers on delivery of their crop and can also finance processing and shipment
- over 25 UK companies market fair trade coffee

Source: [www.fairtrade.org.uk](http://www.fairtrade.org.uk)

The social premium paid by the Fairtrade Foundation can literally mean the difference between liquidation and survival in some cases. For example, the Kilimanjaro Native Cooperative Union in Tanzania was in danger of collapse in 2000 when the international price of coffee sank to just 45 cents a pound. However the five per cent of its coffee which was sold on fair trade terms allowed the cooperative to just stay afloat and eventually recover. Countless others were not so lucky and after relying on the turbulent international market for too long, many collapsed, their members giving up and migrating to urban slums or falling into poverty.



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Fair trade also encourages farmers to think about diversifying from their staple crops to help ensure that their business can continue to develop even when faced with economic uncertainty. Integrated crop management is a technique that forms part of the core of FLO fair trade standards. It encourages farmers to look at more natural and biological fertilizers, rather than chemicals, from manure to compost. It also promotes the planting of various complementary crops such as citrus trees which can provide fruit and borders, or banana trees which can provide fruit and shade for coffee plants. Environmentally sustainable techniques like these mean that farmers can not only increase their crop harvest but also reduce their reliance on any one food price, spreading the risk across a much larger selection of markets.

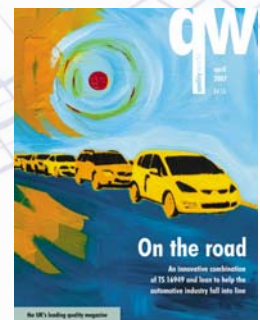
These measures go hand in hand with the charter for quality that all fair trade cooperatives need to appreciate and adhere to when producing goods for the scheme. Each cooperative needs to demonstrate to inspectors that they have a functional and valid quality management system (QMS) in place that serves a tough export market. This quality system also serves to satisfy the demands of buyers who are invariably looking for the highest quality products at the right price. Due to the guaranteed price and social premiums offered by the scheme, growers are more inclined to provide high quality goods as more often than not the foundation is their most rewarding customer – socially and financially.

### **Brits and pieces**

Despite the fair trade concept operating in over 40 countries now, the UK remains the most active consumer market for ethical goods, certainly in terms of overall volume of products. In 2005 Britain became the largest fair trade market in the world, with sales in excess of £195m and over 1,500 products on sale.

Crowther attributes the rise of fair trade and ethical businesses to a more globally aware society: 'Overall there's quite a political climate surrounding ethical issues at the moment. Last year we saw the big 'make poverty history' campaign and overall people in the UK are some of the most aware in the world. One in two people here now recognize the fair trade mark and associate it with the concept of a better deal for third world producers.'

There is an argument in some quarters that the fair trade mark should be extended to cover UK farmers, especially in light of the recent crises affecting the livestock industry with BSE, foot and mouth disease and a possible avian flu pandemic. However, Crowther maintains that the fair trade concept is now specifically seen as a mechanism to help the very poor producers of the world who do not have the same safety net that farmers in the UK enjoy: 'I wouldn't want the fair trade mark to be applied to UK farmers because, relatively speaking, farmers in Africa and South America are a lot worse off. What we are seeing is a much greater association of the concept of fairer trading with this idea of using trade as a tool for social development for particularly poor communities.'

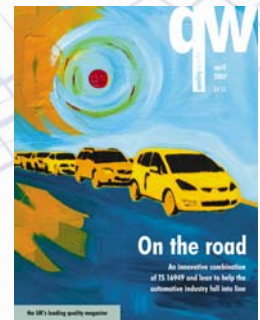


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What the UK does have is the 'fair trade towns' campaign which is an attempt to empower communities and encourage local campaigning. Towns have the opportunity to win an award by forging partnerships between local authorities, councils, local businesses and campaign groups. They have to meet five goals for promoting fairer trading awareness throughout communities and increasing the amount of ethical products on the shelves in local shops. According to this scoring system, the first major town to become 'completely' fair trade was Bristol and, as Crowther points out, the concept was invaluable in the development of ethical consumerism in the UK: 'One of the secrets of success has been to use community-based campaigning as a way of educating both the Fairtrade Foundation and consumers. By making people aware of their choices, they are being given the tools to face businesses head on and demand to see the products they want on the shelves or menu.'

With green issues such as climate change continuing to dominate headlines around the world, fair trade has now become a major retailing brand, producing everything from chocolate to footballs, coffee to roses, and with sales increasing dramatically each year, it represents a wake up call for retailers that have yet to tackle CSR seriously. Fair trade and social phenomena such as the organic produce explosion send a very clear signal that there is a growing body of consumers who really do care about the way trade is undermining sustainable development and are willing to pay a higher price for products they can take pride in.

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