Fair Trade Production

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Agenda

What is Fair Trade?
- Towards an expanded conceptualization

“Beyond Economics”
- Illustrated by Max Havellar FLO
- Assignment
What is a product?

Potential product

Augmented product

Expected product

Basic product

Core benefit

Kotler (2006:408)
What is coffee?

Part of creating a better world

Fair trade, ecologic production, decent worker conditions etc.

Taste, style etc.

Coffee

Caffeine

Kotler (2006:408)
An expanded conceptualization of consumption

- Consumption as responsible behaviour
  - This means bringing externalities (positive and negative) into the decision-making process.

- Not just consumer *rights*, but consumer citizenship.
  - This involves responsibilities, duties, values and a sense of community.
An expanded conceptualization of consumption

• To put workers (producers) and consumers directly in touch.
  – *Create awareness about the origin of products, i.e. they are created by someone in a particular process (differs with regard to the safety of workers, the payments to workers, the effects on ecological environment etc.)*
Four perspectives on any problem

Technical-economic

Existential

Social-relational

Systemic

(Mitroff 1998)
What is coffee? An expanded view

HISTORY

How and where is it produced?
To which costs?
How (and how far) is it transported?
How does the value chain look?

FUTURE

What happens to the waste?
How can the product be transformed into new resources?
How does it influence the ecology?

What are the relevant externalities?
An expanded conceptualization of fairtrade

- Fairtrade as going beyond economics
  
  - Enable vulnerable producers to obtain a sustainable living, and recover their self-respect – starting a positive-self-enforcing spiral with implications for their communities
  
  - Enable consumers to respond to the injustice in the world, and through voting with their money – in accordance with their fundamental values - they will “make a difference” and increase their self-respect
An expanded conceptualization of fairtrade

- The paradox of help
  "I do not know why we are enemies since I never have tried to help him" (Oscar Wilde)
  - Increasing an initial asymmetric power relationship between helper (increased self-esteem) and the helped (losing autonomy).
  - Helping is an external intervention in the form of aid that may drive ("crowd out") the inner motivation, which has spill-over effects to other areas – the "hidden cost of reward".
  - Recognizing the importance of the individual persons’s inner world (the "SELF"/MYSELF)
Just Price – History

- Trade is a social and meaningful activity when it “generates means to support the poor, as well as oneself and one’s family” (Thomas Aquina)

- The essential ethical problem “is not how profit is used, but how it is earned”
  - (Langholm 1998, 452, citing the Medieval Schoolmen (1200-1400))

- The cost of the raw materials and the labor should be covered and neither the buyer nor the seller should exploit his situation. A subsistence wage should be paid

- “In need everything is common.”
Fairtrade

- Ten Thousand Village” (Mennonite Central Commitee in the USA (1946): First known as SELFHELP Crafts of the World.

- Oxfam, Christian Aid, Traidcraft, Gepa, TransFair USA, and Max Havellar.

- Partnership where the partners are intertwined in a web of relationship

- Consumers – not the King of the Market, but a Partner – with tight and strong ties between the producers and consumers. We need a shift from the mainstream thinking of an one-directedness in the value chain to a Network Paradigm)
MAX HAVERALAR

- Introduced in the Netherlands in 1989 – initiative from Mexican farmers: “We want trade – not aid”

‘Fairtrade is about better prices, decent working conditions, local sustainability, and fair terms of trade for farmers and workers in the developing world.’

- From coffee to more than 1500 Fair Trade products such as:
  - Fruit, tea, juice, honey, snacks, cocoa, roses, sports balls, wine and beer.
Fairtrade Labelling Organizations International
FLO Board of Directors

- Barbara Fiorito, Chair of the FLO Board
- Ian Bretman, Deputy Director and Head of Commercial Relations Fairtrade Foundation UK
- Jens Erik Dalgaard Jensen, Deputy Director Max Havelaar Denmark
- Miguel de Clerck, Director Max Havelaar Belgium
- Victor Ferreira, Director Max Havelaar France
- Jean Louis Homé, Independent Board Member
- Raymond Kimaro, Kilimanjaro Native Cooperative Union
- Gilmar Laforga, Director / Vice-President Coagrosol
- Victor Perezgrovas, General Manager Union Majomut
- Rick Peyser, Director of Public Relations, Green Mountain Coffee Roasters
- Geethal Peiris, General Manager Kotagala Plantations Ltd.
- Paul Rice, CEO / President TransFair USA
- Leo Ghysels, Oxfam Wereldwinkels Belgium
FLO established in 1997

20 National initiatives, 15 in Europe + Canada, USA, Japan, Australia, New Zealand

FLO – the only international label for Fairtrade.

Systematic inspections and certifications of producer organizations in more than 50 countries in Africa, Asia and Latin-America.

Ca 1 million producers and workers plus their families and local communities benefit from the Fairtrade-system.
2 organizations:

1. **Standard committee (FLO International e.V)**
   - Develops and revises Fairtrade standards, helps the producer org to fulfill the standards, improve the production and benefit from the (direct access to the) market
   - Non-commercial member-organisation
   - Includes FLO’s 20 member organizations (NIer), producer organizations, traders, and experts
Fair Trade standards

• Traders must:
  – Pay a price to producers that covers the costs of sustainable production and living
  – Pay a ‘premium’ that producers can invest in development
  – Make partial advance payments when requested by producers
  – Sign contracts that allow for long-term planning and sustainable production practices
What’s in your cup?

Direct access to the market for the farmers.

A larger percentage of the price paid for the product goes to marginalized producers.

The farmers obtain a guaranteed minimum price.
2. Certification committee

- Coordinates the tasks and all the information connected to inspection and certification of producers, traders and licensees.
- Operates independent from other stakeholders.
- Follows the international ISO-standards for certifications (ISO65).
Why Fair Trade?

• Social injustice
• Building communities
• Protecting the environment
• Empowering workers, in particular women
• Creating a sustainable economy in the long term
Fair Trade towns

1. Local council passes a resolution supporting Fairtrade, and agrees to serve Fairtrade coffee and tea at its meetings and in its offices and canteens.

2. A range of Fairtrade products are readily available in the area's shops, and served in at least two (or four if a city) local cafes/catering establishments.

3. Fairtrade products are used by at least 10 (or 20 if a city) local businesses and organisations.

4. Attract media coverage and popular support for the campaign.

5. A local Fairtrade steering group is convened to ensure continued commitment to its Fairtrade Town status.
Who is the king of the market?

- Free market
  - Consumer sovereignty principle
- Command economy
  - The bureaucrats decide
- Solidarity between consumers and producers
- Handshake
The problems of the different models

- Solidarity between consumers and producers – *a partnership model*.
  - Opportunistic consumers.
    - Not assuming responsibility for actions.
  - Low awareness and knowledge.
  - It is costly for companies.
    - Accreditation and review, increased costs.
    - The Body Shop has in-house accreditation system
  - A restricted range of products.
    - Where the supply chain is direct to the final consumer.
How can the sale of Fair Trade products be promoted?

• Shop-tests: Test and compare the presence of Fair Trade products in various stores and chains.
• Create awareness about the importance and existence of Fair Trade products and brands.
  – For consumers, producers and retailers.
  – Make products visible in stores (‘facing’).
• Promote Fair Trade Places
  • Garstein (UK), Sauda (N)
  • Fair trade universities, (Cambridge, Oxford, etc...)
  • Fair trade cities (Bergen)