



Fair Trade for Effective Support to Peasant Farming



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This issue of *Notes of SUD* has several purposes. It will shed light on the tools of fair trade to meet the challenges of integrating small-scale producers into value chains, explain the current debate regarding the fair trade sector, and propose recommendations for public authorities.

Conventional international trade in its current form generates imbalances whose economic, social, and environmental costs are extremely high. It also has a dramatic impact on development for people living in the countries of the South. Along with the liberalization of local and international markets, small-scale producers of the South are encountering great difficulties in integrating international value chains under the right conditions. They must deal with dominant actors (input suppliers, distributors, intermediaries, etc.) that control the trade circuits and prices. They are also hit hard by the consequences of agricultural commodity speculation. These imbalances of power within agricultural value chains reinforce

vertical relations and generate significant negative impacts on peasant farming in many regions of the South: price volatility, greater precariousness, increased use of child labor, deterioration of labor conditions and the environment, etc. Certified fair trade was created at the end of the 1980s to deal with the issues of poverty that ensued from the organization of conventional value chains, and to help peasant organizations overcome these difficulties. Fair trade is based on a promise to pay a remunerative price to small-scale producers. It is also an approach whose vision of change is based on strengthening peasant organizations and rebalancing trade relations, so as to stimulate local development dynamics and strengthen sustainable agricultural practices. In recent years, the fair trade sector has undergone strong commercial growth and seen the emergence of new "sustainable development" labels such as Rainforest Alliance, which are sometimes confused with fair trade labels. This has generated much debate concerning how scales are changing in the sector.

1. Fair trade tools to build sustainable value chains

Fair trade is a social contract between collectively organized producers, economic actors, and consumers.

A response to flaws in conventional value chains

To rebalance the value chains so that they are fairer for producers, fair trade makes use of strict production specifications and strong partner relationships to establish a certain number of tools. These enable minimum remuneration for producers (usually above market prices) as well as a development premium, paid by the buyer to help fund collective projects to benefit the organization or community. A long-term contractual commitment between the buyer and the producer organizations is required in order to strengthen their governance and further their autonomy.

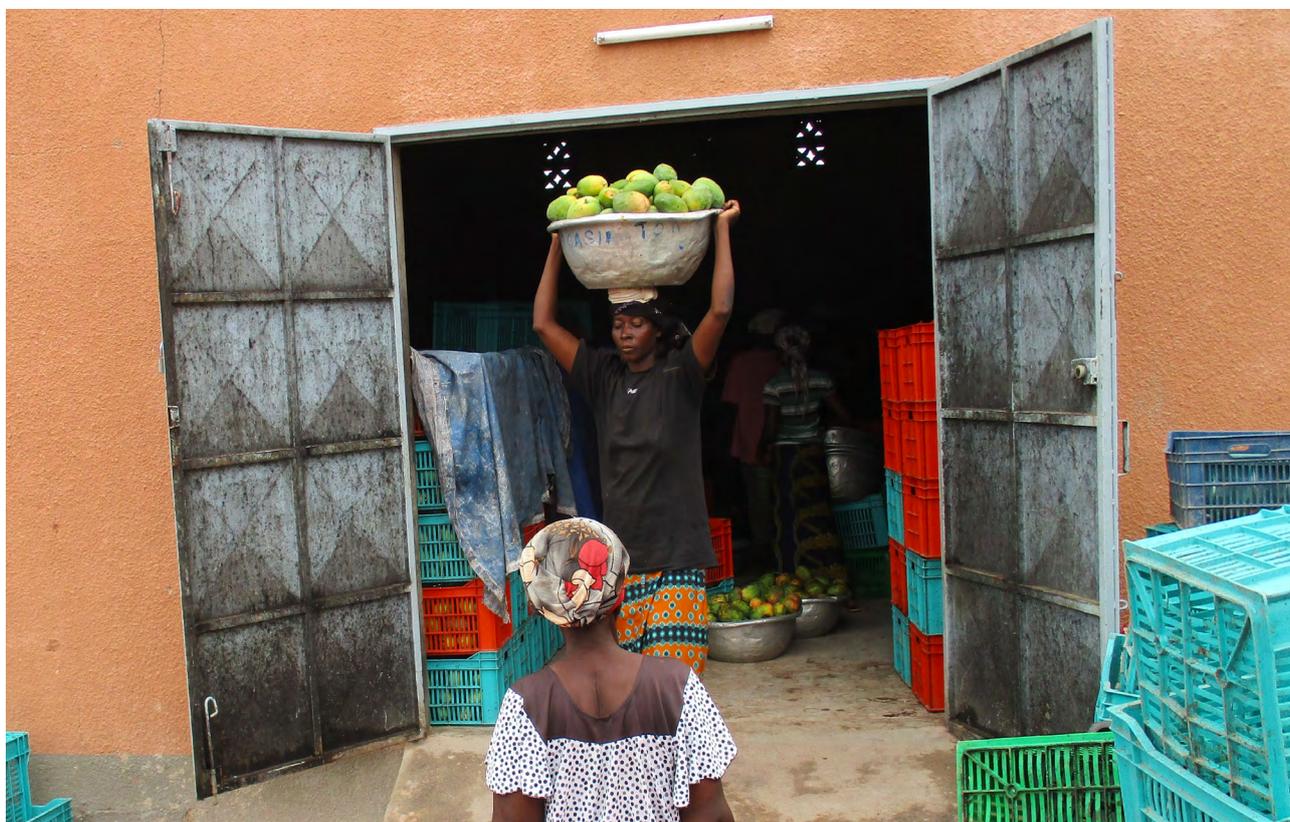
While some fair trade value chains work with large plantation-type agricultural entities, the producer organization is the most common type of entity in them.¹ This represents the main means for strengthening peasant involvement in agricultural value chains, for obtaining greater value added from production, and for enabling fair redistribution of the wealth created. For marketing, it helps in obtaining power and transparency in price negotiation, in short-circuiting the value chain by creating a more direct relationship with buyers, and in providing access to markets that highlight the specific features of peasant farming. Through the different pooled services it provides, the peasant organization also heightens the economic value of products and reduces the costs of peasant farming, all the while helping to make the

most agro-ecological farming systems sustainable. This form of organization is therefore an important lever for strengthening producer autonomy.

Indeed, through the guaranteed minimum price, the premium, and the long-term commitment, fair trade is a tool of transition towards agro-ecological modes of production. The French market bears witness to this, as 70% of its fair trade products are also certified as organic. The fair-trade labels encourage reduction of environmental impacts, especially through the forbidding of dangerous chemical substances and GMOs, or by granting an additional premium in the event of conversion to organic farming.

Fair trade is based on a social pact with the citizen-consumer. Through their act of purchase, citizen-consumers make the choice to favor trade practices based on a fair and balanced economic relationship, and they contribute to changes in modes of production and consumption. To ensure this, the sector is built around private fair trade labels² that not only monitor the practices of the actors but also provide guarantees to consumers and actions for educating, mobilizing, and raising the awareness of citizens.

The fair trade movement also seeks to show that trade can be a powerful tool of sustainable development for small-scale producers in the South, as long as rules of trade and economic relations between actors are reformed. The tangible impacts of fair trade are a powerful lever for achieving the Sustainable Development Goals, and they must be shared with political leaders to encourage them to modify public policies and to see that these latter include principles of fairness and social justice in economic relations.



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1. 80% of fair-trade producers are members of an organization of small-scale farmers.

2. Such as Fairtrade, WFTO, Biopartenaire, Fair for Life, and Small Producers' Symbol

The impacts of fair trade

Many academic findings have shown the positive effects of fair trade on producers and their families, on the organizations of which they are members, and – more broadly – on the environment and on local development. In particular, Cirad carried out a meta-analysis in 2009 on 77 impact studies,³ which pointed out the following positive impacts:

- Among the studies, 87% show that, for producers who are often excluded from other subsistence strategies that are theoretically more advantageous, the existence of a minimum price not only provides higher and especially more stable income, but also acts as a security net when world prices are in crisis.
- In 95% of cases, increase in self-esteem among producers and greater social recognition of marginalized populations are observed.
- In 81% of the studies, there can be seen to be positive effects through the adoption of sustainable production techniques or better management of natural resources.
- Finally, in 96% of cases studied, fair trade leads to improvement in product quality, often in response to international demand for high-end products, and to more value added going to the producer organizations.

Other later studies indicate similar effects.⁴⁻⁵⁻⁶ On a broader scale, the studies show that the development premium can generate a social impact with a knock-on effect that goes beyond producers and their organizations, for example when it finances community investments (education, sanitation, microfinance, etc.).⁷

2. Issues currently faced by fair-trade actors

Concentration of agri-food actors

In the last few years, some fair-trade labels have opened up their certification to big agri-food companies: plantations with wage laborers, mass marketers, multinationals, buyers of under-contract agricultural products. While these new practices do have some advantages, they also have many disadvantages, such as increased dependency of producers, within situations of asymmetrical power and information; inadequate sharing of the value-added, at the expense of small-scale producers; situations in which producers engage in wage employment on their own land; and specializing in cash crops at the expense of food crops, etc. These effects do not contribute to the initial objective pursued by fair trade, and they bring up the question of fair trade's capacity to bring about change in the practices of companies and to rebalance power in contractual relations.

Nonetheless, at the same time other labels such as the Small Producers' Symbol (SPP) work exclusively with small-scale producer organizations. While its trade volumes remain relatively small to date, this fair-trade label created in 2006

by CLAC⁸ lays down criteria, in its production specifications, dealing with the size of the farms and with environmental practices. For example, to be eligible to join SPP, 85% of a producer organization's members must be producers with a farm surface area 15 ha or less, and the producer organizations are encouraged to convert all of their production into organic farming.

Change in sector scale and measure of impacts

Within the fair trade sector, there are varying views with regard to its change in scale. The debate focuses on the quantitative and qualitative impacts generated by the growth in volumes of products traded under fair-trade conditions. All the sector's actors agree on the issue of increasing the share of sales of fair trade products to consumers, because this is both an economic issue and a lever for social change.

However, for some actors, increase in volumes is the main strategy implemented in order to develop the impacts of fair trade. For others, on the other hand, these impacts can be seen above all when the producer organizations have been strengthened in terms of their negotiating power within the value chains and of their capacity of influence in their local area.

For the former, the production specifications must be made accessible to and compatible with a diversity of economic actors (especially agri-food multinationals), which very often implies lowering requirement levels and making specifications less strict. Several trends to implement this change can be observed:

- the establishment of "ingredient" labels authorizing companies to produce composite products containing only one ingredient that is certified fair trade (sugar or cocoa, for example);
- the allowing of dispensations on the physical traceability requirements of ingredients for products requiring a complex industrial process;
- the elimination of minimum guaranteed prices on certain foodstuffs such as sugar.

For the latter, it is the complementarity between the implementation of all the requirements of fair trade and the evolution of the overall political framework that makes it possible to obtain significant knock-on effects locally and the establishment of fair and sustainable value chains. Academic research has in fact mentioned that, under certain circumstances, there can be knock-on effects that raise the prices offered to producers on the conventional market at the local level (notably for the cashew nut market in India and the coffee market in Bolivia⁹).

Within the fair trade movement, many actors are also working so that the change in scale involves modification of trade policies (by including the principles of fair trade in them), thereby helping to strengthen all producers, in both the South and the North.

3. Cirad, *Cartographie et analyse des études d'impact du commerce équitable*, 2010 : www.commerceequitable.org/ressources/impact-au-sud.html

4. Alastair M. Smith, *Evaluating the Criticisms of Fair Trade*, 2009

5. Ann Le Mare, *Show the world to women and they can do it': Southern Fair Trade Enterprises as agents of empowerment*, Gender and Development, 2012

6. AVSF/Horus, *Le Commerce équitable comme instrument de l'APD : enjeux, impacts, enseignements, stratégie, modes opératoires et indicateurs*, 2009

7. Alastair M. Smith, "Fair Trade Places", *The Handbook of Research on Fair Trade*, 2015

8. Federation of Latin American fair trade producers.

9. AVSF and Horus, *Le Commerce équitable comme instrument de l'APD : enjeux, impacts, enseignements, stratégie, modes opératoires et indicateurs*, 2009 and AVSF, *Étude d'impact du commerce équitable sur les organisations et familles paysannes et leurs territoires dans la filière café des Yungas de Bolivie*, 2005

3. Recommendations

1. Provide capacity building for producer organizations in the South, rather than support contract farming.

States and the European Union must develop support programs and investment funds to support producer organizations (in terms of management, health care and security at work, environmental protection, and training, etc.) and strengthen their investment capacity, such as through the Equité Program.¹⁰ They must also develop support programs for the ecosystems in which producer organizations evolve, and especially those of fair trade: national platforms, national and regional networks, microfinance organizations, etc.

2. Improve transparency regarding production costs in agricultural value chains.

International organizations¹¹ must establish a system for calculating the costs of sustainable production that takes into account societal costs¹² and "vital income" per producer country. These production costs must be transparent, public, and subject to discussion with the actors and stakeholders (especially labor unions) of the value chain, and regularly revised.

The European Union must change its competition law in order to enable producer organizations and joint-trade organizations to discuss prices, so as to strengthen their negotiating power and guarantee prices that are fair, remunerative, and stable.

3. Support the sustainable and fair trade import and export value chains.

States and the European Union must stimulate consumption in Europe of products that are the result of fair trade, especially by establishing a reduced VAT rate on products bearing a fair-trade and ecological label recognized by the public authorities.

4. Raise the awareness of Europeans concerning the importance of Sustainable Development Goal No. 12.

States and the European Union must support large-scale programs to raise the awareness of and educate citizens regarding modes of sustainable production and responsible consumption (SDG No. 12), such as national education programs in consuming organic, local, and fair-trade products.

5. Protect regional agricultural markets from competition with imported products that destabilize local peasant societies.

The European Union must support the creation of the European mechanism that coordinates action to regulate Member States with regard to unfair trade practices in supply chains.¹³

6. Encourage the development of fair trade public procurement.

States and the European Union must massively orient their public procurement towards quality organic and local products purchased under fair-trade conditions, especially for mass catering.

10. Project to support the development of fair trade in West Africa: www.programme-equite.org

11. Such as the United Nations Food and Agriculture Organization and the International Cocoa Organization.

12. Le Basic, *Banana value chains in Europe and the consequences of Unfair Trading Practices*, 2015

13. This mechanism should ensure respect of the minimum standards enacted by the European Commission, especially fair treatment for enterprises located in third countries, as well as respect of the anonymity and confidentiality of exchanges for all complainants.



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