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## The Struggle for Food Justice in Fair Trade

By Christopher M. Bacon, Kaelin Holland and Eric S. George

For decades smallholder farmers and food justice advocates have used fair trade to build collective power by combining responsible consumerism and political awareness with a fairer and more environmentally sustainable market. Changes in fair trade certification enabled large corporations to enter this market, leading to a dramatic increase in sales—now topping \$5 billion globally. Unfortunately, this growth has been accompanied by lower economic returns to farmers and disturbing social and political trends that threaten the future of the movement and suggest that fair trade is not as fair as it used to be.

### What is Fair Trade?

*“Fair trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers—especially in the South. Fair trade organizations (backed by consumers) are engaged actively in supporting producers, raising awareness, and campaigning for changes in the rules and practice of conventional international trade.”<sup>1</sup>*

Fair trade emerged 70 years ago from collective organizing efforts and social movements working *outside* of mainstream commodity markets, long before product certification. Fair trade sought to provide marginal smallholders and artisans with access to a new market that could support their collective empowerment in four ways: 1) cooperatives, 2) pre-financing, 3) a floor price, 4) and a democratic connection between producer organizations and non-profit grassroots partners to promote literacy, food security, women’s rights, and sustainable agriculture.<sup>2</sup>

Pioneer grassroots volunteer organizers, including religious associations and political groups, created alternative trade organizations (ATOs) in the 1940-50s. Several leading ATOs, such as 10,000 Villages, SERVE International, the Worldshops and Oxfam, UK’s ‘Helping-by-Selling’ project began by importing and selling handicrafts made by war refugees as a way to transform trade and aid. Small-

scale farmers and artisans linked to fair trade through their cooperatives generally received higher prices, improved credit, increased land tenure security, and decreased exposure to price crashes. Many farmers adopted environmentally sustainable farming practices.

### **Fair Trade today**

Fair trade started a second phase in 1988, when *Max Havelaar* launched the first fair trade seal. This seal enabled corporations to sell certified products along with conventionally-traded products. Max Havelaar slowly integrated with other European Fair Trade organizations, such as TransFair Germany, to share basic standards. In 1997 north American NGOs joined to create Fairtrade Labeling Organizations International (now called Fairtrade International or FTI). FTI is an international non-profit, multi-stakeholder association that seeks to establish common fair trade standards and supports, inspects, and certifies disadvantaged producers. Over the years, fair trade has split into three “factions,” each advancing a different market model and vision for governance:

*Movement-oriented:* Alternative trade organizations, smallholder cooperatives, and innovative social justice and sustainability-oriented enterprises that maintain the original goals of social literacy and solidarity economies. This value chain regularly connects Southern production cooperatives with their Northern-based counterparts, integrating activities from producer to retailer. Examples include non-profit craft organizations selling to church congregations, as well as organizations like Cooperative Coffees and Equal Exchange that bring coffee from FTI-certified cooperatives through their cooperatively-owned importers to cooperative roasting companies and into cooperatively owned cafes and retailers.

*Corporate-oriented:* A powerful and growing faction seeking to increase sales by “mainstreaming” fair trade into the vast markets of the multinational agri-food corporations

that dominate the food value chain. This market-centric model, led by some certification agencies and large corporations (e.g. Dole Fruit Company’s Fair Trade bananas, Nestlé’s coffee, WalMart, etc.), focuses on rapidly expanding, high-margin niche markets for certified products.<sup>3</sup>

*Hybrid:* The hybrid fair trade faction lies somewhere between movement and corporate approaches and consists of producer cooperatives and alternative trade networks selling their products into mainstream retail spaces, while keeping the retailers at ‘arms length’. Specialty coffee roasters often use fair trade as a strategy to manage their supply chain. This logic places them towards the mainstream, corporate end of the continuum. Another group of small, medium, and a few larger specialty-roasting companies (like Thanksgiving Coffee Company) seek to differentiate their coffee based on justice, quality *and* sustainability. Smallholder producer organizations often use direct business partnerships and grants to improve coffee quality, management systems, and environmental sustainability. This is where the bulk of the market growth in fair trade has occurred, in part driven by the Specialty Coffee Association of America and by the entry of larger companies such as Green Mountain Coffee Roasters.

### **Fair Trade and Food Justice**

The evolution of different (and diverging) trends within fair trade raises a critical question: Is fair trade creating a new, more sustainable and socially just economy by changing the rules of trade? Or are the changing rules within fair trade undermining its social, economic and environmental objectives?

Fair trade minimum prices have lost 41 percent of their real value from 1988 to 2009.<sup>4</sup> This decline poses a severe threat to the livelihoods of the smallholders that fair trade prices are intended to support. Pegging fair trade minimum prices with the international commodities price—rather than to farmers’ costs of sustainable production—is partially

responsible for the declining returns to farmers. However, those following the corporate-oriented model may insist on keeping prices low as they seek to expand fair trade into mainstream markets and maximize profits by increasing volume. In an effort to increase volume, the Fair Trade USA certification agency recently broke from FTI and unilaterally announced draft standards for the certification of large-scale coffee plantations.<sup>5</sup> Done in the name of “worker empowerment,” this move will further expand the volumes of fair trade certified products sold through large retailers. However, this will likely undermine one of the few advantages that smallholder cooperatives’ hold in the uneven playing field.

Basic food justice and fair trade principles include empowerment and democratic governance. Though these principles inform producer cooperatives selling fair trade goods, it is less true for certifying agencies and FTI itself. While producers have four seats on the FTI board of directors, small-scale producers lack proportional representation to their numbers and their contribution. Furthermore, smallholder organizations have no representation on Fair Trade USA’s board. There are no board seats for alternative trader organizations, the broad-based civil society, or consumer interest organizations that have mobilized volunteers who promote fair trade, such as Students United for Fair Trade. But having a presence on the board is only one step toward democratic representation. For smallholders to effectively participate in crucial fair trade decisions regarding standards, prices, and the entry of new participants into the system, fair trade needs to invest in empowerment training for cooperative farmers as there are currently only a handful of sophisticated cooperative leaders who can effectively negotiate in international policy forums, simultaneously manage their cooperative enterprises, coordinate sales to powerful buyers, and administer a host of very useful, but complicated, international development projects.



Organic farmers sorting coffee beans, photo by Chris Bacon

Many observers ask how fair trade will ensure accountability to farmers and consumers given the increasingly concentrated economic and political power of certification agencies and corporations. Who will set the standards now? Will it be a transparent and democratic process? Will standards permanently change to include large coffee plantations? Will they change the internationally accepted definition of fair trade?

### **Wanted: principles-based innovations not a fair trade bait and switch**

A split is growing within fair trade as movement-based organizations and smallholder organizations become increasingly disillusioned with the mainstreaming strategy and unaccountable and undemocratic governance structure among many Northern certification agencies. As minimum prices fail to keep up with the spiraling costs of sustainable production and new large-scale entrants usurp export platforms that smallholder producer organizations worked hard to develop, the corporate model of fair trade offers fewer benefits and less power to smallholders. Caught in the middle—and pulled in both directions—hybrid approaches have provided smallholder organizations with increased access to credit and supported beneficial grassroots development projects. Changing standards and governance structures risk jeopardizing these gains.

Cooperative and hybrid systems offer a more equitable system for

producers than corporate mainstreaming. They start with original fair trade principles to create new organizations, more sustainable products, and innovative partnerships. Many of these organizations are rooted in the food justice movement; others come from historic agrarian struggles. For example, the Latin American and Caribbean Network of Small-Scale Fair Trade Producers represent the collective voices of an estimated 1 million organized producers. In the US, Equal Exchange, Divine Chocolates, Cooperative America, the Fair Trade Federation, the Agriculture Justice Project and the Fair World Project all appear to be working toward creating a vision of Fair Trade that continues to deliver benefits to producers and sustains its core principles.

The fair trade movement in coffee was built over more than six decades through partnerships between smallholders and pioneer coffee roasters, advocates, certifiers, and innovators. They built a social, political and economic system that sold coffee while educating consumers as part of an effort to support smallholders and transform unfair markets.

The changes that lower standards and minimum prices are not only a reflection of volatile global markets, but suggest shortcomings in governance and the lack of political will to transform unfair conventional trade systems.

Fair trade could be a movement that opens up the politics of food production, distribution, and consumption.<sup>6</sup> It has the potential to put food justice and ecology on the social agenda, along with an “alternative” global agri-food network that can contribute to the emergence of a more democratic economy in both the Global North and the Global South. It can recognize, value, and give deeper meaning to principles of justice, diversity, solidarity, and

democracy in the fabric of our society and economy.

But farmers, advocates, consumers, and enterprises must each decide which type of fair trade they want. Do they want to be part of a movement-oriented, more democratically-governed value chain, consisting of innovative enterprises that seek social and environmental protection from “free” markets, or do they prefer a mainstream corporate model that follows the dominant—and economically disastrous—neoliberal logic?

Unless fair trade can renovate its governance structure and return to its original, more transformative components, it risks becoming alienated from the growing movements for food sovereignty and food justice.

### **NOTES**

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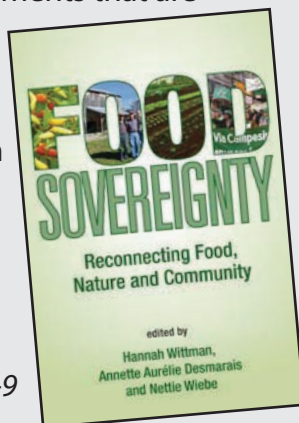
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