

Fair trade and environmental standards

# Organic fair trade products triumph in European markets

*Fair trade in agricultural products from developing countries is subject to strict quality and social standards, which are also geared strongly towards organic production. The great success of fairly traded organic products on European markets in the last few years is encouraging farmers in producer countries to dispense with mineral fertilizers and pesticides.*

Over thirty years ago, when the fair trade movement began to market the produce of developing-country smallholders in One World shops and consumer cooperatives, «sustainability» was not yet on the agenda. The slogan «shopping for a better world» summed up what motivated consumers, fair trade initiatives and parish churches. This was a matter of just and equitable trading – a direct relationship between producers and consumers, which would give the former a decent livelihood and the latter a clear conscience.

In the late 1980s, the fair trade movement experienced a distinct surge in interest. Following the failure of the International Coffee Agreement, the price of coffee – the most important trade commodity after petroleum – plunged on world markets. One group of Latin American smallholders after another saw their livelihoods wrecked. Some were driven to set fire to their plantations as a measure of their rage and despair at the social injustice.

In 1989, Max Havelaar founded the first fair trade labelling initiative in the Netherlands. Small producers from Latin

America, Dutch coffee firms and non-governmental organizations agreed a fair price for the raw coffee and set criteria for production and trade which all parties undertook to comply with.

To date, 19 labelling initiatives have been established around the world. In 1997 they joined forces to form the Fairtrade Labelling Organizations International (FLO). In Germany the main Fairtrade labelling initiative has maintained a market presence since 1993 ([www.transfair.org](http://www.transfair.org)).

## Fair trade standards

For a product to qualify for the Fairtrade label, fair trade standards must be adhered to at all levels, from producers to importers and from wholesalers to retailers. There are two basic standards: one for small producers organized in cooperatives or other democratic structures, and one for plantation workers which include, among other elements, the ILO core labour standards.

Since social and rural development are the underlying concept of fair trade, the basic standards distinguish between

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Photo: Transfair



Fair trade standards have to be kept on all levels – from the cocoa plantation to the retailers.

## Fair trade bananas – always organic

Today it is more or less unthinkable to find fair trade bananas that are not also grown to organic standards. Programmes to convert production are financed and implemented frequently with the fair trade premium. TransFair Germany concentrates wholly on organic bananas when cooperating with large retail chains. In organic agriculture, farmers refrain from using pesticides and mineral fertilizers. They must rely on methods of pest control, weed eradication and fertilizer application which are more labour-intensive but lower in cost. For example, the intercropping often practiced by small producers gives effective and natural protection against many diseases and pests. At the same time, an intercropping system produces large amounts of biomass containing plant nutrients which can be returned to the soil as organic fertilizer. Weeds are removed mechanically with a machete.

To control the fungal diseases which tend to spread in moist and warm regions, the plants must be fortified by spreading mulches and reducing planting density in the fields. Organic bananas meet the following environmental standards:

- Prohibition of the use of pesticides and mineral fertilizers;
- Protection of water resources and aquatic fauna;
- Conservation of forests and areas of natural vegetation;
- Diversification of agriculture and erosion protection;
- Prohibition on genetic engineering;
- Waste management, water recycling and energy efficiency.

Source: TransFair



Photo: TransFair

All members of the producer associations are expected to comply with local, national and international environmental legislation. This means no pesticides from the WHO Class I (A&B, PAN «Dirty Dozen» or FAO/UNDP Prior Informed Consent Procedure lists) are permitted. Exceptions must be justified in writing, enclosing evidence that there are no alternatives ([www.fair-trade.net](http://www.fair-trade.net)).

## Organically produced, fairly traded

Until now «organic» and «fair trade» have been independent initiatives, each emphasizing a different aspect of sustainable rural development in the developing world. Nowadays both organic farming associations and fair trade organizations are showing a growing interest in mutual approaches to sustainable development. This is certainly evident in the products themselves. Organic products now account for 45 percent of TransFair Germany's range, making it one of the leading suppliers alongside TransFair USA and Max Havelaar France, both of which are also registering brisk sales of organic fair trade products. In 2003, 35 percent of products sold by FLO International were organic, and the figure has continued to rise by around 5 percent annually. At Europe's largest fair trade wholesaler – gepa – 60 percent of the food range is now certified organic ([www.gepa.de](http://www.gepa.de)).

One factor in the rapid growth of organic fair trade products has been consumer demand. However, in order to meet demand, a ready supply of products is needed. There is not yet a sufficient volume of organically produced fair trade goods, for a variety of reasons: for one thing, it is not possible to practice pesticide-free farming if intensive aerial spraying carries on in neighbouring fields. Also, in some cases the fair trade premium is not adequate compensation for the drop in income during conversion to organic farming. Here supporting finance e.g. from oikocredit or GTZ could be helpful.

Of course, the obvious question to ask is why «organic» and «fair trade» are still independent development campaigns. Part of the explanation is that each emphasizes a different aspect of sustainable rural development in the developing world. Meanwhile, pilot projects are

«minimum requirements» which must be fulfilled for a producer to obtain Fairtrade certification, and more advanced standards known as «progress requirements». These give producers an incentive to improve working conditions and product quality continuously, and to aim for more sustainable production and development of their organizations.

Under fair trade standards, traders undertake to:

- Pay producers a fair price which covers the costs of sustainable production;
- Pay a premium that can be invested in development;
- Make down-payments in advance if requested by producers;
- Maintain stable trading relationships which enable planning security and sustainable production.

Additionally, product-specific fair trade criteria apply to every individual product. These relate to quality, price, processing and development objectives. An additional premium is paid for organic products. The organization responsible for certification of these standards is FLO Cert., the world's largest social standards certification body. It inspects and advises 430 producer organizations in 50 producer countries, involving a total of around 800 000 people. When one includes their families, one can see that almost 5 million people benefit from fair trade.

464 traders are now registered with FLO, among them such well-known names such as Starbucks who sell part of their product range under the fair trade label. In 2003, market growth was around 41.9 percent. Currently the largest markets in terms of sales are Great Britain and Switzerland.

FLO Cert. has now set up local certification structures for producers. It has local liaison staff who support the development of producers, whether they need help with compliance to the Fairtrade criteria, conversion to organic farming practices or reconstruction after natural disasters.

## Environmental standards

Producer organizations engaging in fair trade oblige their members to include environmental protection as an element of their farm management practice. The introduction of development plans, and their implementation and review brings economic development into step with sustainable environmental development. Crop rotation and alternative production methods such as interplanting with shade trees are specific methods used to this end. The use of mineral fertilizers and pesticides is reduced or, ideally, replaced with organic fertilizers and biological pest control methods. Producers are called upon to lower their energy consumption, especially from non-renewable energy sources.

attempting to establish synergies between social and environmental inspection regimes. With the aim of further developing the inspection processes and learning from one another, the Social Accountability in Sustainable Agriculture (SASA) research project was carried out by Fair Trade Labelling Organizations International (FLO), Social Accountability International's (SAI) Sustainable Agriculture Network (SAN) and the International Federation of Organic Agriculture Movements (IFOAM) – four member organizations of the International Social and Environmental Accreditation and Labelling (ISEAL) alliance ([www.isealalliance.org/sasa](http://www.isealalliance.org/sasa)).

### Codes of conduct, conventions, corporate social responsibility

While issues such as the responsible use of natural resources, sanction mechanisms for breaches of conventions and standards, and the need for preventative measures are taken for granted within the environmental debate, rarely does anyone ask about the level of social security and human dignity for workers in different parts of the world. Globalization is intensifying international competition between corporations. This is frequently accompanied by a deterioration in working conditions. Some corporations have now developed guidelines to regulate their own conduct. In order to be credible, there are minimum standards which these voluntary commitments, known as

«codes of conduct», should meet. They include the core labour standards of the International Labour Organization which are based on the United Nations human rights conventions. Codes of conduct should be inspected by externally accredited certifiers and implemented in cooperation with trade unions and non-governmental organizations. Where there is national legislation covering the same area, the stricter standard should always prevail.

Fair trade achieves more than mere compliance with social and environmental production standards. It also promotes a development policy agenda for poverty reduction and the fairer organization of world trade. Thus it is a successful example of corporate social responsibility geared to the values of development policy.

### Consumer behaviour

Consumers do not follow the same logic when choosing «fair trade» or «organic» products: in the event of a food scandal such as BSE, they show a stronger preference for organic products. On hearing reports of exploitative child labour in Indian carpet factories, however, they tend to donate to children's relief charities rather than buying Rugmark carpets or fair trade products. While consumers of organic products base their purchasing decision primarily on health concerns, fair trade buyers focus on injustice in global trade. Nevertheless, there is a growing group of consumers who care about both issues.

Initiatives like the analysis of corporate responsibility by the German consumer watchdog «Stiftung Warentest» make an important contribution to informing consumers about the ethical side of a product. In December 2004, Stiftung Warentest tested outdoor jackets, looking not just at product quality and price but also, for the first time, at whether the suppliers' practices were socially and environmentally responsible. The result reflects the full spectrum of approaches to corporate responsibility, from «highly committed» to «declined to comment». The Karstadt chain performed best in the test, in terms of both commitment and having social and environmental guidelines in place. With Stiftung Warentest championing corporate responsibility, many millions of consumers may now be exposed to the idea that their consumer behaviour also has political and social implications. Shopping in One World shops and making careful choices at the supermarket can «change the world little by little»: after 30 years this is still the main message of fair trade. Over the years it has grown in scale and professionalism. In response to the many negative side-effects of globalization, it has given producers a realistic prospect of a more sustainable livelihood from agriculture. Fair trade is a «stakeholder model» shaped by the active participation of producers. Consumers hold the key to advancing the project's progress by buying the products. Rising sales of fairly traded products will put more producers in a position to offer their products at fair prices and to convert to organic production.

### Organic coffee production in the High Andes of Peru

Francisca Minaya grows her coffee bushes under the tree canopy on the steep bank of the Rio Ahubamba, 1900 metres above sea level. The upland coffee from her «chacra» or coffee farm ranks among the best in Peru. Despite this, it never made Francisca wealthy in the past – far from it. A hundredweight of «Arábico» sells for only US\$ 47 on the New York commodity exchange. Moreover, a penalty duty imposed on coffee from Peru in the international skirmish for coffee sales knocks a further five dollars or so off the price. After deduction of the cooperative's costs for transport, shelling, grading, packaging and direct distribution, in these times of declining prices Francisca would end up earning only US\$ 30 per hundredweight. She and the 407 other families of the Huadquiña coffee farmers' cooperative would face ruin.

Deliverance came in the form of the «Mercado solidario», the market of solidarity as the coffee growers of Huadquiña call their cooperation with TransFair Germany and the Dutch importer Neuteboom. For five years, their coffee has also been certified as «Café Orgánico» by the Naturland labelling organization. All the families of Huadquiña adopted organic production methods. Today the farmers are certain that this saved their cooperative, which had been close to giving up hope ten years ago. Rather than the mid-2002 New York price of US\$ 47 per hundredweight, fair trade guarantees to pay the farmers' cooperatives US\$ 126, rising to US\$ 141 for certified organic coffee.

Source: TransFair



Photo: TransFair