



(Photo: Kent Gilbert, Costa Rica)

**Costa Rica.** Workers cleaning freshly harvested bananas.

## BETTER LIVING CONDITIONS THANKS TO FAIR TRADE

### Fair trade advocacy by Helvetas

The question of what constitutes a reasonable price in the relationship between consumers and producers is much debated in business ethics. Is the price determined by supply and demand a fair price? Are production costs covered, and can any additional profit be generated? Trade between developing and developed countries in particular is characterised by imbalances in power. Helvetas is convinced that fair trade can help make the world more equitable and this drives its involvement in development projects: offering advice, facilitating contact between farmers and buyers, through its own FAIRSHOP, and in raising consumer awareness. Helvetas is a founding member of Max Havelaar Switzerland which is a member of Fairtrade International, the world's largest fair trade organisation.

From time to time there is vocal criticism of fair trade. Helvetas regards such criticism as an impetus and opportunity to improve the mechanisms involved in fair trade (which is still in its infancy) so that producers in developing countries can benefit as comprehensively and sustainably as possible.

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## GLOSSARY

- **Minimum price** is the guaranteed price which covers average production costs and which producers receive even if the global market price for their product is lower.
- **Premium** is the payment made by the buyer into a collectively administered account to supplement the minimum price and enable collaborative projects which benefit the entire production community.
- **Fairtrade International** (FI) is the successor organisation to the fair trade umbrella organisation “Fairtrade Labelling Organizations International”, which was founded in 1997 and is based in Bonn.
- **Fairtrade** is the trademark for fair trade registered by Fairtrade International in accordance with FI guidelines.
- **FLO Cert** is an ISO 65 accredited company which inspects and certifies producers and retailers in accordance with Fairtrade International's standards.
- **Max Havelaar** is the Swiss foundation which awards products its seal of approval if they meet the standards set by Fairtrade International.
- **World Fair Trade Organization (WFTO)** is a global network of fair trade organisations from more than 70 countries.
- **Swiss Fair Trade** is the umbrella association for fair trade organisations in Switzerland, and was founded in October 2007 as a successor to the Swiss Forum for Fair Trade.
- **Fairtrade Sourcing Programmes** for cocoa, cane sugar and cotton were launched in 2014 and enable manufacturers to use entirely fair trade raw materials.
- **Mass Balance** permits the mixing of a fair trade raw material with other non-fair trade raw materials. The fair trade raw material can then only be traced indirectly by analysing the product's constituent parts.

## 1. WHAT IS FAIR TRADE?

Fair trade seeks to facilitate fair access to international trade for producers in the developing world. It is based on transparency, on prices and salaries which provide a living wage, on compliance with labour standards (International Labour Organization ILO conventions), on pre-financing options, on environmentally friendly production methods and on long-term and collaborative relationships between retailers and producers.

Fair trade is based on dialogue, transparency and respect and strives for greater equity. It contributes both economically and socially to sustainable development. Fair trade organisations are advocates for farmers' rights and for raising consumer awareness. They support campaigns to change the regulations and practices of conventional international trade.

As defined by Fairtrade International, producers receive a set minimum price for their product which corresponds to at least the current market price. Thanks to this minimum price, the average costs of sustainable production are covered. In addition, fair trade premiums are transferred by buyers into a communal account for the organisation. These premiums fund facilities which benefit a community or a village: schools, water supply, health units, alternative energy sources and so on.

In addition to the direct material benefits, fair trade enables farmers and other producers to operate more effectively and with greater confidence in the market. In order to share the burden of certification they join together to form associations or cooperatives. They become acquainted with the principles of efficient administration, they learn how to formulate mutual interests and how to resolve differences of opinion democratically. In other words: fair trade brings structural improvements, it facilitates significant self-empowerment and it promotes development of a democratic civil society.

Fair trade encompasses agricultural goods as well as traditional crafts and industrial products. It has recently expanded to new areas such as fair trade precious metals like gold<sup>1</sup> and silver, fair trade smartphones<sup>2</sup> and fair trade tourism.<sup>3</sup>

## 2. HISTORICAL DEVELOPMENT OF

### FAIR TRADE

Initial efforts to instigate fairer trading can be traced to charity projects established by the North American Christian Mennonite churches in the middle of the last century. Their ethical approach was based on the principle of Christian 'brotherly love'.

A European fair trade movement began to form in the 1960s. During this time, questions were increasingly being asked about the model of free market economics. The ideals of fair trade were developed, in which price was directly linked with actual production costs and where producers were entitled to fair and equitable access to the markets.

In October 1973, 40 women and a few men loaded 600 kilogrammes of bananas onto handcarts and went out into the town of Frauenfeld asking shoppers to pay a surcharge of 15 centimes per kilo above the price at the Swiss supermarket Migros, in order to support community projects for the plantation workers. The action – which was derided as communist by some and mocked as naïve by others – marked the start of efforts towards fair trade in Switzerland.

During the 1960s and '70s important sections of the fair trade movement worked on persuading retailers to include products in their range or create markets themselves for products originating in countries which were cut off from international trade for political reasons. Thousands of volunteers sold coffee from Angola or bananas from Nicaragua. They sold in fair trade shops, in churches, from their homes and at retail outlets in public spaces. Ever since then, fair trade in Switzerland has grown on average by ten percent every year.



**Switzerland.** Logo for fair trade bananas (1986)

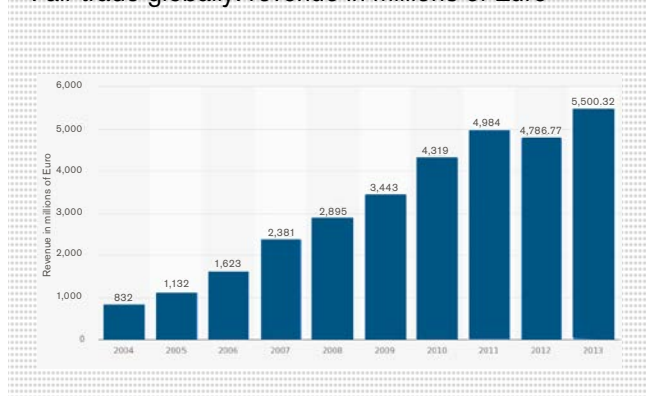
[Text: Bananas? The ones that are just a bit different].

(Photo: Gebana)

- In 1977, with the support of Swiss aid organisations including Helvetas, the import organisation OS3<sup>4</sup> was founded which supplies fair trade shops and church organisations with fair trade-cultivated products
- In 1992 six major Swiss aid organisations, including Helvetas, founded the Max Havelaar foundation Switzerland.
- In 1997 OS3 was transformed into the company claro fair trade, which today supplies 500 retail outlets throughout Switzerland.
- In 1997 the national fair trade organisations, which had previously been linked in a network structure, joined forces to form Fairtrade Labelling Organizations International (FLO). Fairtrade International (FI), as it is currently known, incorporates 25 marketing and three producer organisations which have equal responsibility for FI.
- In 2007, Swiss Fair Trade was founded as the umbrella association for fair trade organisations in Switzerland, following on from its predecessor, the Forum for Fair Trade. Helvetas is one of its members.

**Fig. 1**

Fair trade globally: revenue in millions of Euro

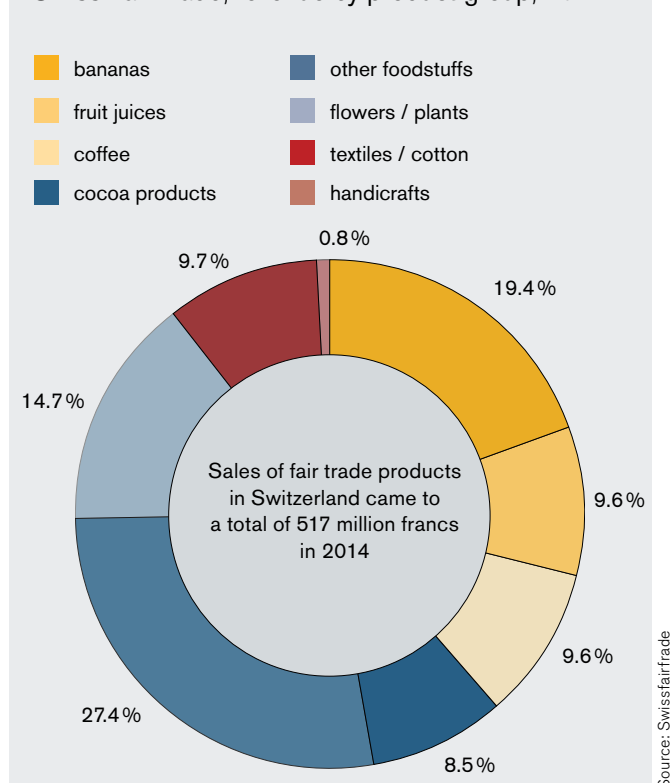


Under pressure from aid organisations and thanks to strong consumer demand, major distributors such as Coop and Migros have constantly expanded their range of fair trade products since the 1990s. 750 Swiss catering establishments work with fair trade products. In public administration too there has been a change in thinking. Increasingly, procurement decisions are based not only on price but also with regard to social and environmental considerations.<sup>5</sup>

Every year in Switzerland, fair trade products worth a total of CHF 517 million are purchased. Of these, 89 percent carry the Fairtrade International label. This is supplemented by sales of other fair trade labelled-products.<sup>6</sup> With a per capita consumption of CHF 57 per year, Switzerland is the world leader for consumption of fair trade products.<sup>7</sup>

**Fig. 2**

Swiss Fair Trade, revenue by product group, 2014



### 3. LABELS AND THEIR USES

The term “fair trade” is not legally protected. Except for in France, up until now there have been no national or international regulations on what criteria “fair trade” has to fulfil. A variety of quality hallmarks or labels have been created in an attempt to guide consumers.

The largest organisation for certifying products and producers is the umbrella organisation Fairtrade International, which groups together numerous national fair trade organisations that use the standard Fairtrade International seal of approval. These include Transfair Germany, Fairtrade Austria, Max Havelaar France, and Max Havelaar Switzerland. Compliance with Fairtrade International's standards is monitored by FLO Cert, an ISO 17065 accredited certification company.

Alongside Fairtrade International there are many other labels and standards organisations which all differ in their labelling, transparency, independence, criteria definition and monitoring, and which enjoy varying degrees of consumer credibility.<sup>8</sup>

Some of the labels find their origins in the organic movement, such as the Bio Foundation Switzerland's 'Fair for Life' or the 'Naturland Fair' label by Naturland.

<sup>4</sup> OS3: Organisation Schweiz-3. Welt; <sup>5</sup> Current procurement law (BöB and IVöB) does not allow criteria which favour fair trade products so Helvetas is also involved in lobbying for a revision to current legislation; <sup>6</sup> Durochat et al., 2015; <sup>7</sup> Max Havelaar, 2015; <sup>8</sup> www.labelinfo.ch



(Photo: Simon B. Opladen)

**Kyrgyzstan.** Damira Osmonalieva harvesting cotton.

Other labels are limited to particular countries, regions, products or specific import companies, commercial chains, associations or organisations. These include Gepa, WFTO, dwp Eg, El Puente, Claro, Gebana, Remei, Hess Natur, Magasins du Monde, TerrEspoir, Hand in Hand from Rapunzel etc.

### Niche or mass market?

Organisations such as the UTZ certified foundation and the Rainforest Alliance also help producers generate a better income, however, they do not define themselves as fair trade organisations since their primary focus is not empowerment of the producers. In fact, both organisations are geared to the mass market and do not rely on minimum pricing or premiums but instead leave price-setting entirely to market forces.<sup>9</sup> Their aim is to expand sustainable production by means of education.

The multitude of organisations and labels cannot hide the fact that globally fair trade accounts for less than one percent of all trade – far too little to influence the prevailing rules. However, in certain product groups, such as coffee, cocoa and bananas, fair trade has contributed to a significant increase in standards, as evidenced by the emergence of UTZ and the Rainforest Alliance.

To improve sales on the international market, additional sales channels must be found. Therefore, in 2014 Fairtrade International introduced “Fairtrade Sourcing” programmes for cocoa, sugar and cotton.<sup>10</sup>

These programmes enable companies with their own brands to purchase appropriate raw materials under fair trade conditions and to declare this with a specially designated sourcing label. At the same time, the companies are required to define growth targets for their purchase of fair trade raw materials. These programmes create additional sales opportunities for fair trade producers.

## 4. HOW HELVETAS IS INVOLVED

For Helvetas, the priorities are fighting poverty and improving living conditions for smallholder families and small producers of non-agricultural products. A stable and long-term reliable income from the sale of produce is an important step towards this goal. In order to achieve this, Helvetas works in collaboration with various partners and trains producers so that they can generate a higher income from their goods or services.

Helvetas is convinced that a variety of approaches to fair trade can meet different needs in the market, open up additional sources of income for poor people and can contribute to a rethinking of the economy. Helvetas promotes sustainability in its projects: addressing environmental sustainability, economic efficiency and social concerns. In export-oriented agricultural projects Helvetas generally combines fair trade with organic production.

Helvetas advocates development of market systems along value chains and campaigns for an economic environment which allows poorer population groups to participate in these value chains.

<sup>9</sup> Klawitter, 2014; <sup>10</sup> Fairtrade International Sourcing Programmes: <http://www.fairtrade.net/about-fairtrade/fairtrade-sourcing-programs.html>

Helvetas works together with national and international businesses in the private sector<sup>11</sup> and supports their efforts and advocacy for fair trade.

Helvetas promotes fair trade relations and strong partnerships between producers and buyers. This includes negotiating stable and transparent prices, living wages, pre-financing and purchase guarantees. Education and training enable quantitative and qualitative production improvements as well as making the producer organisations more professional. The aim is to ensure that peasant families and their organisations can manage the



**Burkina Faso.** Cotton producers in conversation with Tobias Meier from Fairshop.

businesses independently even when the project is over. This involves producers negotiating directly with buyers, collaborating with government structures or building relationships with distributors.

Where possible, Helvetas relies on local service providers for support. Helvetas seeks an intermediary role in the processes for promoting trade and does not play an active role in the value chain except through its own FAIR-SHOP.

### Value chains in local and regional trade

High-value products such as cotton, cocoa or coffee must be processed to satisfy the demands of international customers. These types of products are exported as raw materials to the consumer countries for processing, which means developing countries miss out on a large portion of the added value. Setting up local processing facilities (for example, producing semi-finished products) is a worthwhile goal but is often difficult to implement. Collaboration with the private sector is hugely important here.

Helvetas supports market systems and initiatives for local value creation which will benefit peasant families and lo-

cal processing facilities. This isn't just a matter of obtaining higher prices for producers, it also creates jobs and brings local consumers and producers closer together promoting mutual understanding and confidence in domestic production. Infrastructure and processes often need to be developed first and market barriers removed.

Local markets do not usually require any certification but Helvetas takes into account the principles of fair trade even for local value chains: fair prices, democratic decision-making processes, strengthening producer organisations, technical training, participatory guarantee systems<sup>12</sup> and empowering producers to operate confidently and in a well-informed manner in the marketplace.

## HELVETAS PROJECTS

### Value chains in regional trade

- **In Kyrgyzstan and Tajikistan** previously run-down canning factories from the Soviet era are producing tinned vegetables and dried fruits for the regional and Russian markets.
- **In Mali** a cooperative produces handwoven household textiles dyed with natural colours (bogolan) and sells them as far afield as Europe.
- **In Laos** vegetable farmers bring their organic produce directly to the local market and a traditional rice variety is gaining greater acceptance on the local market thanks to more robust and attractive packaging.
- **In Bolivia** smallholder families produce quality cocoa for the national chocolate industry. They get better prices because they are not dependent on intermediary distributors.



**Kyrgyzstan.** Adding value in the local canning factory.

<sup>11</sup> Dauner & Dietz, 2014; <sup>12</sup> Participatory guarantee systems (PGS) are quality assurance schemes for locally defined food markets. They represent an alternative to traditional third party certification systems for organic farming.

## Certification for trade between the developing and developed world

International retail chains often require certification to verify compliance with internationally recognised standards. Producers who do not have this kind of certification would usually have no access to the global market.

Certification places significant demands on the structures and processes of producer organisations. Helvetas supports producers, along with their buyers, in evaluating the potential of certification, comparing the effort required for certification with the potential increase in income, and identifying the standards that they want to use for certifying their production.

Helvetas offers reciprocal advice to companies on the development of collaborative trade relations with producer organisations in the developing world. Helvetas facilitates communication between buyers and producers. The latter profit from knowledge sharing, sales guarantees, pre-financing and price guarantees. The buyers in turn benefit from planning security, product quality and traceability. This fosters an understanding of the situation and needs of each of the respective parties.

### HELVETAS PROJECTS

#### Agricultural products for international trade

- **In Northern India and East Thailand** Helvetas collaborates with the Swiss cooperative Coop and the rice processing company Reismühle Brunnen supporting farmers' organisations and local processing facilities in cultivating traditional rice varieties and marketing them at a fair price. Improved sales channels on the local market are also being created for crop rotation products.
- **In West Africa and Kyrgyzstan** farmers are successfully producing organic cotton and have often been doing so for years. Helvetas has helped them with their organic and fair trade certification and has mediated contact with processing facilities such as Hess Natur, ISA Bodywear, Victoria's Secret, and Cotonea.
- **In Honduras** smallholding families produce high-quality cocoa that is processed at a factory for Coop to produce chocolate that is organic, fair trade and high-quality. Helvetas helped organise the farmers to work together on improving their product quality.

## The Helvetas FAIRSHOP

With an attractive retail outlet and an online shop, the Helvetas FAIRSHOP allows consumers in Switzerland to buy fair trade products from developing countries. These include raw ingredients such as coffee, tea, honey and cocoa. For producers there is particular interest in processed products since these enable value to be added in the countries of origin: glassware from Guatemala, trainers from Pakistan or leather goods from Paraguay.

Textile products are especially significant: in the early 1990s Helvetas was one of the first intermediaries for fair trade and organic cotton, and campaigned for a certification standard. Over the years relationships have been forged with more than 20 dedicated processing and retail trade companies, such as Switcher or Hess Natur Textiles. Thanks to its own clothing line, FAIRSHOP was able to grow the sales of fair trade textiles from organic cotton to CHF 900,000 by 2014. Nowadays textiles generate almost one-third of FAIRSHOP revenues. FAIRSHOP has an additional important role as a channel of information and marketing for fair trade and for the work which Helvetas carries out.



#### Dialogue with decision makers

Helvetas was one of the founding organisations for the Max Havelaar foundation in 1992 and continues today to take shared responsibility in the foundation council for Max Havelaar and on the board for Fairtrade International. As a member of Swiss Fair Trade and Alliance Sud (Swiss Alliance of Development Organisations), Helvetas helps support statements on fair trade and commercial policy. Helvetas is involved in the NGO coalition for public procurement and in active campaigning (e.g. Fair Trade Towns, corporate responsibility initiatives<sup>13</sup>) and in the continued development of the fair trade standard. Internationally Helvetas has a large network of contacts in the private sector and in a variety of organisations which (want to) engage in responsible trade. Helvetas seeks to support them on their path towards sustainable procurement and fair trade by offering opinion and advice.

<sup>13</sup> The corporate responsibility initiative demands statutory provisions to ensure that companies based in Switzerland respect international human rights and commit to protection of the environment: [www.konzern-initiative.ch](http://www.konzern-initiative.ch)

## Collaboration on guidelines

Helvetas campaigns for the development of fair trade standards and the adaptation of these standards to the changing needs of producers and their buyers, e.g. within the expert group at Fairtrade International developing a fair textile standard, drafting the principles and standards for Swiss Fair Trade or revising the FAO/OECD guidance for responsible agricultural supply chains.<sup>14</sup>



(Photo: Michele Limina)

**Switzerland.** Extensive range of fair trade goods.

Together with small suppliers for whom the certification process is too costly, the Helvetas FAIRSHOP has also compiled a code of conduct oriented towards the international provisions for workers' rights and fair trade. These include equal rights and wages for men and women, a ban on child labour, rules for safe and healthy workplaces, living wages, and a premium for social projects as well as duties and rights for buyers. The code of conduct is a pragmatic alternative to costly certification and it functions reliably thanks to the close relationship between Helvetas and the producer organisations.

## 5. CRITICISM OF FAIR TRADE –

## AND RESPONSES FROM HELVETAS

Critical reports appear on a regular basis in the media questioning the efficacy of fair trade. In the non-fiction publication "The Fair Trade Scandal", which appeared in 2014 in the USA, it is claimed that fair trade does not manage to liberate the poorest people from poverty.

### • Accusation 1

#### Farmers barely profit from fair trade

The accusation is that a significant portion of the price premium for fair trade never reaches the farmers but stays

instead with the distribution organisations and retailers in the developed world.<sup>15</sup> There is talk of a marketing paradox with the success of fair trade in the developed world standing in contrast to a lack of impact in the developing world<sup>16</sup>.

### The response from Helvetas

Retail trade profits do not conflict with the fundamental principles of fair trade. In the long term, fair trade will only prevail if it enables attractive margins for all members of the value chain, including retailers in the developed world.

Even if fair trade can't guarantee improved living conditions for the participating smallholders in every case, the system as a whole brings clear benefits.

Evidence for this is provided by a study commissioned by the State Secretariat for Economic Affairs (SECO) looking at the economic benefits for producer organisations, which shows that fair trade promotes rural development.<sup>17</sup>

Alongside price stability and premiums, fair trade brings additional benefits: producer organisations are strengthened, democratic organisational structures and technical improvements are introduced. Furthermore, fair trade facilitates access to markets and fosters long-term trade relationships. In Fairtrade International's system, producers have 50 percent of the voting rights in decision-making bodies and on international committees. This equitable grassroots participation in decision-making bodies in the labelling organisations is one of the strengths of the system, even if it results in rather cumbersome processes for markets in the developing world.

Consequently, the impact of fair trade cannot be assessed purely in terms of price per kilo. The crucial factors are higher and more stable income in the long-term thanks to improved access to markets<sup>18</sup>.

### • Accusation 2

#### Wage workers are excluded from fair trade

A study by the School of Oriental and African Studies (SOAS) at the University of London concludes that wage workers on small-scale plantations producing flowers, coffee and tea in Ethiopia and Uganda sometimes earn less than employees at large conventional farms. In addition, they claim that wage workers, subcontractors and particularly casual workers for small enterprises are given insufficient attention in the fair trade standards.

<sup>14</sup> FFAO-OECD Guidance for responsible agricultural supply chains: [www.oecd.org/corporate/mne/fao-oecd-guidance-consultation.htm](http://www.oecd.org/corporate/mne/fao-oecd-guidance-consultation.htm); <sup>15</sup> Klawitter, 2014; <sup>16</sup> Modelo, 2014; <sup>17</sup> Klier & Possinger, 2012; <sup>18</sup> Klier & Possinger, 2012

## The response from Helvetas

It is true that day labourers on smallholdings often do not profit, or profit too little, from the benefits of free trade. In the aforementioned study, however, workers on certified fair trade cooperatives were not explicitly surveyed; instead they questioned employees in general in areas with and without such cooperatives. Reliable conclusions about the impact of fair trade in general cannot, therefore, be drawn from this study.

Nevertheless, Fairtrade International has taken the criticism as an impetus to supplement its standard with the Workers' Rights Strategy. This makes provisions to promote normal employment relationships for wage workers, and to gradually enforce living wages on certified plantations. For Helvetas, the ongoing refinement of the standards is fundamental if the impact of fair trade is to continue to grow.

### • Accusation 3

#### **Standards are diluted through concessions to major market players**

It is claimed that Fairtrade sourcing programmes for cocoa, sugar and cotton<sup>19</sup> and the so-called composite product labelling for cocoa, fruit juice, tea and sugar are harmful attempts to broaden the spectrum of fair trade products. Unjust working conditions can thereby be concealed and certified companies are put in a disproportionately good light. The traceability of these products is no longer assured and the consumer is deceived.

## The response from Helvetas

In conventional fair trade the majority of products originate 1:1 from producer organisations which have cultivated and harvested the fair trade product. This applies to certified fruits, roses, nuts, coffee, rice, honey or cotton which bear the fair trade label. In all these raw materials so-called physical traceability is guaranteed.

Where physical separation throughout processing cannot be guaranteed (as is the case for cocoa, fruit juice, tea and sugar), a so-called composite product is permitted. The result is that physical traceability is no longer clearly discernible. Composite products are applicable where there are technical challenges that make the separation of fair trade and conventional raw ingredients either impossible or overly complex. This must be declared on the product packaging.

Helvetas does not share the general criticism directed at composite products and the new Fairtrade sourcing programmes. It is important to open up new pathways to bring fair trade products to market. If companies or major distributors engage seriously in fair trade and comply



(Photo: Simon B. Opladen)

**Bangladesh.** Local trade in taro tubers.

with the framework conditions, Helvetas supports their commitment. At the same time, clear criteria are imposed regarding the involvement of these companies in fair trade to prevent a label being used as a fig leaf to mask unfair trade relations. Proper engagement should be backed by clear growth targets and will strive towards a minimum proportion of the company's total purchases.

The strict regulations on cultivation and sale of raw ingredients have not been relaxed in the slightest with the introduction of this new label. The regulations are also fully applicable in new programmes for all fair trade raw materials that a food manufacturer processes and declares. What the new label allows for, however, is the inclusion of product areas that were previously excluded from fair trade. Thanks to the Fairtrade Cocoa Programme, global sales of fair trade cocoa were able to grow by 20 percent in 2014.<sup>20</sup>

### • Accusation 4

#### **Certification and licensing result in exorbitant retail prices**

The media and critical companies complain that fair trade retail prices are too high. They claim that the mark-ups are the result of high system costs for marketing, communication and certification. Fairtrade International's revenue from licensing fees is said to be higher than the entire premium payments to developing world producers. Furthermore, it is claimed that certification costs often exceed the financial means of interested parties.

## The response from Helvetas

With regard to certification and the associated costs, there is a conflict of interests which cannot be resolved. Consumers who are prepared to accommodate a price surcharge want to be sure that they are genuinely supporting fair trade and that stringent guidelines have

<sup>19</sup> The Fairtrade sourcing programmes complement the existing product certification model. They enable companies to make extensive commitments for one or more raw ingredients which they use within their range or even across the whole company; <sup>20</sup> Max Havelaar foundation, Switzerland, 2014

been adhered to. They are entitled to demand that these guidelines are regularly examined in detail. However, separation of goods during processing, storage and transportation; documentation of the flow of goods and cash; monitoring and certification costs along with any applicable licence fees all have their price. At the same time, consumers want as large a proportion as possible of the purchase price to benefit producers in the developing world.

Helvetas believes that monitoring systems must be as efficient as possible and certification must be credible. The lowering of licensing fees by the Max Havelaar foundation is welcome from this perspective. It is also important for premiums to cover any certification costs in addition to covering the costs of complying with the requirements. Trading partners often take on a share of the certification costs.

Helvetas also supports other trading models which define the direct contact between consumers and producers. One such example is the code of conduct from Helvetas' FAIRSHOP. Contributions to fair trade can be made even by trading partners who only apply the premium at the end of the trade chain and by non-certification control mechanisms such as the participatory guarantee system (PGS). A certification system should only be contemplated if a market for the certified product exists.

#### • Accusation 5

##### There is a surplus of fair trade products

Market observers are critical that fair trade certification is far from a guarantee of sales. Time and again, it is claimed, certified businesses have to sit on a proportion of their goods and are forced to market their crops conventionally.<sup>21</sup> In these cases experts talk of over-certification. Globally, for instance, only 39 percent of certified cocoa can be sold under fair trade conditions. For cotton the figure is 13 percent.<sup>22</sup>

##### The response from Helvetas

It is a fundamental principle that any organisation can apply for certification regardless of demand in terms of the fair trade markets. Supply and demand cannot be controlled by Fairtrade International. Consequently, not all certified goods can be sold under beneficial free trade conditions.

Fairtrade International states that the aim is not for fair trade producers to sell exclusively on the fair trade market. Instead, thanks to fair trade sales, producers can develop and grow stronger so that they can also be competitive on the traditional market. Nonetheless, only where the proportion of fair trade sales amounts to at least 30 percent is the necessary development dynamic instigated for promoting strong organisational growth<sup>23</sup>.



**Bolivia.** Juan Gonzalez, Fortunata Marupa and Betric Gregorio Beyuma collecting cocoa pods which are growing wild.

Consequently, it is important for farmers' organisations that are contemplating certification to first conduct a thorough cost-benefit analysis.

Helvetas often adopts a combined (organic and fair trade) certification approach in its projects. Experience shows that a far greater proportion of products – often as much as 100 percent – can be sold under fair trade conditions if the products were produced organically.

#### • **Accusation 6**

#### **The fair trade system excludes small-scale, independent farmers**

Anyone wanting to participate in the fair trade system must join a cooperative. This can mean that the poorest people in remote areas remain excluded from fair trade.

#### **The response from Helvetas**

Fair trade does not demand cooperatives per se but it does encourage farmers to organise themselves collectively. In this way they can produce more effectively, trade more favourably and improve the marketing of their products. Associations also facilitate efficient certification.

Having said that, fair trade should devote increased attention to opening up new sales opportunities for disadvantaged peasant farmers who do not have access to market. It is also important for fair trade standards to apply to seasonal workers who work for other farm operators and organisations.

## **6. OUTLOOK: FAIR TRADE MUST**

## **BECOME A MATTER OF COURSE**

Although fair trade is a relatively recent system, it has already transformed millions of peasant families into equitable partners, enabling them to generate an improved income. Nonetheless, fair trade still has a long journey ahead. Its proportion of global trade amounts to just one percent. This makes it very much still a niche operator. In order for that to change, efforts are needed on various levels:

The economy must recognise its social responsibility and engage with fair trade. For this to happen there needs to be consumer pressure. Consumers have the power to demand greater ethics and transparency to help fair trade make a breakthrough. Thanks to FAIRSHOP, a public exhibition, and educational work in schools Helvetas is making its own contribution towards raising consumer awareness that purchasing decisions have an

impact on the living conditions of peasant families in the developing world.

The state sector is particularly significant. Federal government, the Swiss cantons and municipalities are significant buyers of goods such as work clothing, textiles, foodstuffs, computers, paving materials and sporting goods. Previously, however, public procurement law has not allowed environmental and social criteria to be factored in alongside price for larger purchases. Helvetas has advocated a change to the current law so that the government, cantons and municipalities will have to procure products from the developing world in accordance with fair trade principles.

Where the private sector fails to act itself, the state must regulate conventional trade more strictly, defining minimum criteria to be met and subsequently also monitoring compliance.

In addition, the state must take responsibility to ensure that products from the developing world have fair access to market. Helvetas is lobbying for this and advising both political and economic decision-makers.

Even if further improvements are needed in the fair trade system, the main problem lies with the 99 percent of global trade undertaken without any claim to sustainability, and which often relies on exploitative production and processing methods. The focus here should be on identifying critical shortcomings and on taking collaborative action to work towards greater equity.

Ethical trading practices must – with or without labelling – expand their share of the market. Fair trade cannot remain the exception, it should instead become a matter of course.



**Nepal.** Mithu Shrestha with one of her pashmina shawls.

(Photo: HELVETAS Swiss Intercooperation)



(Photo: HELVETAS Swiss Intercooperation)

**Mali.** Boubacar Doumbia in his textile studio.

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