

How Fair Trade can stay strong as companies scale up their social and environmental programmes

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Abstract

The last five years have seen an increased scale of investment by companies in social and environmental initiatives. They are responding to new international agreements designed to eliminate poverty and conserve the natural environment to combat climate change and to a stronger citizen voice pointing out how commodity production and trade impact people and the planet and calling out companies that have damaging impacts. In this context of being more rigorously held to account, companies are changing the way they interact with their supply chains and making public commitments to deliver positive social and environmental results from their operations, or at least to remove negative ones. The civil society and certification organisations that advocate for poor people and nature now operate in a more supportive but also more competitive environment, in which large companies that control most commodity trade have developed their own programmes to deliver their commitments. The article considers whether such programmes are meeting Fair Trade's mission and how the Fair Trade movement is adapting to the change. It concludes that, despite the challenge to Fairtrade certification from company programmes, Fair Trade remains as relevant as ever and can demonstrate that by focusing on the impact of its achievements.

Keywords: Fair Trade; climate change; sustainable development goals; sustainability; company programmes; certification

A Watershed Year

In 2015, two international inter-governmental agreements had an immediate and lasting impact on corporate behaviour. In September, the Sustainable Development Goals (SDGs) called for action to end poverty, protect the planet and enable all people to enjoy peace and prosperity by 2030. Three months later, the Paris Climate Agreement committed countries to limit the increase of global temperatures to below 2°C above pre-industrial levels and strive to achieve an increase of not more than 1.5°C.

There had been a gradual build-up of international action to promote social and environmental responsibility among companies, such as the 2011 UN Guiding Principles on Business and Human Rights¹ and the 2014 New York Declaration on Forests.² For much longer, the Fair Trade movement and campaigning organisations had brought to public attention the negative impacts on people and the planet

¹ Retrieved from <https://www.business-humanrights.org/en/big-issues/un-guiding-principles-on-business-human-rights/>

² Retrieved from <https://forestdeclaration.org/>

of many company operations. Yet, those two agreements in 2015 galvanised a stronger response than anything before from companies that use agricultural commodities. For example, it can be seen in the increasing number of companies that now state in their annual reports how their operations contribute to the SDGs and that are setting targets to achieve net zero carbon emissions. There is increased investment in traceability. Some companies that have financial capacity are investing in technologies and partnerships to trace their raw materials back to the producers to find out if the situation in their supply chains is compatible with their commitments, and undertaking programmes to respond to the problems that they discover.

As companies invest and make their ambitions public, so they are taking more management control over their responses to poverty and climate change. The certification marks that they placed on their products have come under more scrutiny from senior management and been downplayed in their promotions, as companies shift their focus to aligning their own names and brands with their response to key global issues. Incidences are increasing of large companies discontinuing certification on some of or all their product lines, while medium-sized and small companies that could not afford to establish and manage their own programmes have tended to remain with third-party certification.

The generic term that most companies have adopted to describe their growing social and environmental programmes is 'sustainability'. In carrying them out, many companies have moved sustainability over the last decade from the margins of their activities to core business operations and set targets on which they report publicly. They have invested large amounts of money in programmes to improve the incomes and access to services of poor people, Yet evidence suggests that what commodity trading systems sustain is poverty and injustice. For example, companies in the cocoa sector have made sizeable investments to increase farm yields and remove child labour, but data from 2019 show that average incomes of cocoa farmers remain very low, estimated at an average of 78 cents per day,³ and child labour increased by 13 per cent over the previous ten years.⁴ Oxfam found that, of the 79 pence paid by shoppers for a pack of 100g black Assam tea in the United Kingdom, supermarkets and tea brands receive 49 pence while workers collectively receive three pence.⁵

What is going wrong? The answer lies in the objectives of their programmes. Most companies do not set out to achieve the mission of Fair Trade: 'to connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives'.⁶ Outside of the social enterprise sector, very few companies have the objective of economic change, as measured, for example, by farmers' participation in value addition through processing, distribution and branding – which is the model of Divine Chocolate – or of social change, such as women achieving equal rights to land ownership and a larger decision-making role in the household economy. The main aims of companies are to ensure that farmers earn enough to keep producing and that their own operations comply with regulations and enable them to meet the commitments of good corporate citizenship that they make to their customers and to the public. They aim to achieve that at a cost that does not threaten their competitiveness in the market.

Two questions arise. First, is this lesser ambition towards economic and social change when companies define their own programmes a necessary tradeoff for achieving scale in applying social and environmental criteria into buying commodities and investment in the communities that produce them? What is gained and what is lost from companies developing their own programmes? Second, why are companies mostly not choosing certification as they scale up to fulfil their commitments? The next two sections address these questions.

³ Retrieved from <https://www.voicenetwork.eu/cocoa-barometer/>

⁴ NORC, *Assessing progress in reducing child labor in cocoa production in cocoa growing areas of Côte d'Ivoire and Ghana*. Chicago: NORC, 2020.

⁵ Oxfam report, *Workers' rights in human supply chains*. Oxford: Oxfam, October 2019.

⁶ Retrieved from <https://www.fairtrade.net/about/mission#:~:text=Our%20mission%20is%20to%20connect%20disadvantaged%20producers%20and,position%20and%20take%20more%20control%20over%20their%20lives.>

The Scope of Company Programmes

When Nestlé decided in mid-2020 to discontinue Fairtrade certification on its Kit-Kat brand in the UK market, it did not discontinue third-party certification altogether, but moved that brand to another certification system. To mitigate the impact on the producers that had been supplying it with cocoa, Nestlé committed to invest £500,000 in community projects and £1 million to develop a pilot initiative on living income in the cocoa sector; it also made a commitment to pay for Fair Trade farmers to adopt the practices of the Rainforest Alliance standard and certification system that it signed up to. While Nestlé's cocoa and chocolate policy includes using a third-party certification mark on some products in some of its markets, its major focus is on its own system, the Nestlé Cocoa Plan, launched in 2009, through which it has made a global commitment to 'sustainably source' all its cocoa by 2025. In the objectives of the Cocoa Plan, Nestlé sets out what this means: 'help farmers to improve the quality of their products as well as their income and livelihoods through better farming (with three indicators: good agricultural practices, improved cocoa plants, planting shade trees) and better lives (children in school, adult literacy, child labour remediation)'.⁷

Nestlé's switch led to some predictable criticisms, mostly directed at the other certification system it selected. However, Fair World Project, a consumer education and advocacy organisation that promotes Fair Trade for small-scale producers and labour justice for workers around the world, focused its attention on the Cocoa Plan:

The fact that (Nestlé is) even eligible for fair trade certification speaks to the difference between fair trade labelling and the more transformative vision of a movement for fair trade as part a larger, just economy. Over the years, more and more companies have chosen to go with their own labels for sustainability claims. These programmes have no minimum prices, and they do not have producer ownership of the standards or the system built into the model. Instead, they allow companies to continue to maintain all control and power – just now with an ethical veneer.⁸

Five years before Nestlé committed to Fairtrade certification for Kit-Kat in 2010, its coffee business launched a Fairtrade certified coffee in UK. The 2005 launch generated a similar debate about Fair Trade's labelling policy versus its mission. The policy director at War on Want, a campaigning organisation fighting global poverty, commented that 'The fair trade movement was set up to challenge the practices of companies like Nestlé. How can such a company deserve the Fairtrade mark?'⁹ The follow-up by Nestlé for its largest coffee brand was also similar, in that it introduced in 2010 its own Nescafé Plan programme, which includes distributing coffee plantlets, providing advice on farming and post-harvest practices, and more recently, reducing water use and greenhouse gas emissions.¹⁰

Should we conclude that Nestlé's commitment to continue delivering benefits to the farmers and communities where it sources cocoa for Kit-Kat and its substantial investments over the past decade in its own cocoa and coffee programmes provides better long-term value for the producing communities than a much smaller commitment to a certification system?

One of Nestlé's major competitors in cocoa, Mars, Incorporated, which launched Fairtrade certification in the UK for its Maltesers brand in 2012 and iconic Mars Bar in 2015, announced its new strategy, Cocoa for Generations, in 2018, with an apparently radical vision: 'The cocoa supply chain as it works today is broken. It's time to recognize this and to build a new model and a new approach that focuses on putting the smallholder at the centre.'¹¹ Mars will invest one billion dollars over ten years in its new strategy, with three key targets: protect children, preserve forests and increase farmer income. The actions that it identifies to achieve these include: supporting producers to diversify their crops to reduce their dependence on cocoa income, collaborating with governments to drive investment in infrastructure and working with suppliers to ensure that farmers receive a larger percentage of premiums paid for certified and verified cocoa.

7 Retrieved from <https://www.nestle.com/csv/raw-materials/nestle-cocoa-plan#:~:text=The%20Nestl%C3%A9%20Cocoa%20Plan%20%E2%80%99%20vision%20is%20to,with%20depleted%20soils%20and%20older%2C%20less%20productive%20trees.>

8 A. Canning, 25 June 2020. <https://fairworldproject.org>

9 Retrieved from <https://www.theguardian.com/business/2005/oct/07/ethicalbusiness.fairtrade>

10 Retrieved from www.nestle.com/sites/default/files/2021-01/sustainable-journey-ten-years-nescafe-plan-2021-en.pdf

11 John Ament, Global Vice President of cocoa, Mars, Incorporated. Retrieved from <https://www.mars.com/sustainability-plan/cocoa-for-generations>

Like Nestlé, Mars asserts that increasing productivity is essential for raising farmer incomes and that this is most achievable through access to the best planting material, good agricultural practices and appropriate farm inputs. However, its strategy is closer to Fair Trade in its call for social change and new trading arrangements. It agrees that farm gate and market prices are key factors affecting income, and that women's empowerment is fundamental to improving long-term household income and resilience.¹² Further:

The transformation of supply chains is necessary across most of the materials we used to call commodities . . . we're seeing the end of the commodities era, where materials used to be sourced from largely unknown origins and bought purely for a price on a transactional basis. The future will require sourcing from known origins and in many cases known farms, with price and sustainability impacts evaluated side by side and generally from longer-term partnership arrangements with fewer suppliers. We have started to make this shift.¹³

Most manufacturing companies have little or no presence where their raw materials are grown. It is the traders that interact with the farmers, and the major trading companies in cocoa and coffee have also developed their own sustainability programmes. Hence, the degree of rigour in their suppliers' programmes is also a factor in determining whether the impact of a brand company's programme goes some way to generating the type of economic and social change sought by Fair Trade. A less publicised part of Mars' new strategy is the shift from its 2009 commitment to sourcing 100 per cent certified cocoa (from all the main third-party systems operating in cocoa) to a broader concept of responsible sourcing of all the cocoa it buys by 2025. At the same time, Mars has committed to maintaining existing certified volumes. It is also holding its suppliers to account to meet defined requirements for economic, social and environmental improvements in the producers' communities and linking its buying to their verified performance.

Barriers to Scale for Certification

Mars stated when launching its new strategy that certification has not delivered the impact for which the company had hoped. It is interesting to consider if its commitment to maintaining existing certified volumes could provide the basis for comparing in future the economic, social and environmental value of its investments in certification with those from its new strategy. For Nescafé, the key concern with certification is scale: 'In view of our high volume and presence, certification alone is not capable to meet the scale and origin-availability that our business requires, particularly given that our ambition to use fully responsibly sourced coffee, all around the world.'¹⁴

Another large international company, Unilever, which, like Mars, has made and retains a major commitment to different certification across several of its brands, stresses the large number of issues affecting producers that require specialist responses:

We rely on smallholders for a sustainable supply of some of our most important ingredients, including tea, palm oil, vegetables, cocoa and vanilla. While we have made good progress in improving the agricultural practices of many of our smallholder farmers through certification programmes, the challenge is to provide proof of impact that extends beyond these practices, in areas such as health and nutrition, which can act as barriers to improved livelihoods. These issues must be addressed holistically and systematically. That's why we are working with a wide range of partners to improve the systems and infrastructure in which smallholders operate. Helping to transform smallholder farming will be key to achieving the ambitions of our Unilever Sustainable Living Plan. At the same time, it plays a vital part in contributing to the UN Sustainable Development Goals, especially No Poverty (SDG 1), and Decent Work and Economic Growth (SDG 8).¹⁵

Neither Fairtrade nor any other certification system would claim to address, let alone resolve, every issue that negatively affects people's lives in the communities where commodities are produced or that poses a risk to companies in their supply chains. Nor would it be a realistic ambition to certify every agricultural raw material growing in the tropics. Some producers are too small or too remote to justify the costs of independent

¹² <https://www.mars.com/about/policies-and-practices/farmer-income>

¹³ Barry Parkin, Chief Procurement and Sustainability Officer, Mars. Retrieved from <https://www.foodbev.com/news/mars-commits-to-sustainable-in-a-generation-strategy/>

¹⁴ www.nescafe.com/gb/about-us/faqs/coffee-sourcing

¹⁵ <https://www.unilever.com/sustainable-living/enhancing-livelihoods/inclusive-business/>

inspection. Producer groups may also not recover the cost of becoming certified if they do not achieve a large enough market. It is estimated that 67 per cent of cocoa from Fairtrade certified cocoa farming organisations is not sold on Fair Trade terms, representing a substantial loss of potential income.¹⁶ A positive cost-benefit from certification is particularly difficult for producers to achieve in some sectors. For example, the grading system in tea means that producers have a variety of customers for different qualities. If only one or two customers want their tea certified, then the impacts from the Fairtrade minimum price and the Fairtrade premium may be too small to interest the producer in certifying.

Moreover, it is not surprising that, as companies wrestle with the complexities and investment requirements of moving from conventional to responsible sourcing policies, they choose to focus attention on their brand. In the boom years of certification in the early part of the century, companies saw it as an off-the-peg response to their awakening awareness of social inequities and environmental degradation, without necessarily examining very closely what the system they selected could and could not achieve and to what scale it could reasonably be taken. They have now moved to a position in which they do not want to differentiate products in their brand, but rather present the whole brand or group of brands using the same commodity as subject to responsible sourcing criteria. The criticisms that companies make about lack of impact of certification is in part due to their failing to analyse sufficiently early on what they wanted and could expect to get from it.

One further reason that certification may not have delivered for companies in line with their early aspirations lies in barriers within their own companies. Even when public commitments have been made from the senior executive, implementation may be held back by not bringing operating procedures fully into line. In a webinar presentation during International Climate Week in September 2020, Mars acknowledged that more work is needed with the operational teams for their practices to catch up with the company's sustainability ambitions.¹⁷ The commercial teams who do the actual buying often lack the knowledge or the incentive in their performance targets to change their traditional sourcing practices. They are understandably reluctant to change suppliers that meet their requirements for quality and reliability and may not have enough influence over all their suppliers to insist on certified supply. This is the challenge that Mars states it will take on.

Whether maintaining presence in a company's supply chain alongside other non-certification strategies and investments that the company is pursuing is a reasonable ambition for Fair Trade depends on what those other strategies and investments achieve. The Fair Trade movement has been an enabler of changing corporate behaviour by bringing to wide attention among policy-makers and consumers the difficulties and inequities faced by producers. The scale of response to those issues by companies in changing their buying practices and investing in communities now penetrates deeply into several major commodities. Hence, it is increasingly important to understand to what extent the company programmes deliver benefits that are in line with Fair Trade's mission.

We may gain insights in this respect through Fairtrade's partnership with Mondelēz, which acquired Cadbury in 2010, and with it the Dairy Milk brand that carried the Fairtrade mark. In 2016, Mondelēz decided to take the mark off the brands in favour of its own Cocoa Life scheme and to invest more in pulling responsible sourcing through its supply chain. To facilitate the changes that it requires from its suppliers, it placed its own staff in the main sourcing countries. It takes the position that this is equivalent to the work that Fairtrade was doing: 'Now we are literally on the ground, mapping farms and the like, so we have visibility of supply and the original role of Fairtrade as a third-party certifier becomes less relevant.'¹⁸

Nevertheless, Mondelēz made an agreement with Fairtrade to monitor its performance on commitments to producers and to undertake developmental activities in communities. The move aimed to draw on Fairtrade's experience and expertise (and may have had the added purpose of muffling the outcry of protest at the dropping of the mark). The partnership with Cocoa Life works with the seven cocoa farming unions in Ghana that originally

16 A. Canning, 25 June 2020. <https://fairworldproject.org>

17 Kevin Robinovitch, Global Vice President for Sustainability, Mars. 'Business action in and beyond supply chains: How public-private collaboration is driving landscape and jurisdictional impacts.' Webinar organised by Good Growth Partnership, 23 September 2020.

18 Jonathan Horrell, Global Director of Sustainability, Mondelēz, quoted in 'Has Fairtrade passed its sell by date?' M. Scott, Reuters, 19 September 2017.

supplied certified cocoa to Cadbury. Through the partnership, Cocoa Life offers cocoa farmers in Ghana high-volume purchases, clear terms of trade and loyalty payments which, together with programme investments, aim to deliver value per farmer at least equivalent to that previously delivered by the Fair Trade premiums. At the outset of the partnership, Mondelēz committed to rolling out Cocoa Life across all Cadbury brands rather than just Dairy Milk. The Fairtrade Foundation claims that this allows for significant volumes growth, while maintaining the benefits across those cocoa volumes that are of an equivalent value to what farmers had previously received under certification.¹⁹ It seems on the surface like a satisfactory tradeoff. Time will tell.

It is also worth noting that one company with impeccable Fair Trade credentials, Divine Chocolate, has also taken the initiative of developing its own sustainability programme for environmental issues, when the criteria it developed already exist in another credible certification system. It worked in partnership with the Royal Society for the Protection of Birds (RSPB) to define a set of criteria for 'Forest-friendly' cocoa. In 2020, the Fair Trade certified Ngoleagorbu Cocoa Farmers' Union in Sierra Leone secured an export licence to sell the first container of Fair Trade, forest-friendly cocoa to Divine Chocolate.²⁰ The motivation for this move was the location of the farmers on the fringes of the Gola National Park and their adoption of farming practices that protect the fragile biodiversity of the region. Divine seems to have taken the view that the credibility of its brand and the information it provides about the initiative justifies its claim of conserving the forest, without imposing on the producers the costs and complications of an additional certification to verify the claim.

Drivers and Enablers of Changing Corporate Behaviour

Part of the imperative felt by companies over the last five years to develop their own programmes across their portfolios and position certification as a component rather than centrepiece of their responsible sourcing strategies is due to new laws and governmental guidelines coming into effect. Legal compliance is an issue over which companies need to keep control. The UK's Modern Slavery Act of 2015 requires large businesses to disclose each year what action they have taken to ensure there is no modern slavery in their business or supply chains or to declare that no steps to confirm the existence of slavery or trafficking have been taken, although there are no legally binding requirements on companies to conduct due diligence on their supply chains.²¹ In May 2020, the UK government published its updated Business and Human Rights Action Plan, calling on companies to voluntarily align their operations with the UN Global Compact's Ten Principles on human rights, labour, environment and anti-corruption.²² Having a partially certified supply chain does not provide an adequate response.

The growth of regulation and international guidelines can serve as a powerful driver of the changes in corporate behaviour that Fair Trade wants to see. In 2019, the governments of Ghana and Côte d'Ivoire, the two largest cocoa-producing countries, introduced a 'living income differential' that buyers must pay for all cocoa traded from the start of the 2020/21 season. The move was welcomed by Fair Trade.²³ Several countries in Europe individually and the European Union have passed legislation requiring compliance with defined criteria for certain commodities, and legislation that companies ensure human rights and environmental protection in all their commodity supply chains is being proposed in the European Union.²⁴

The policy environment is strengthening companies' attention to environmental issues. Climate Action is one of the SDGs and the centrepiece of the Paris agreement and increasingly driving company behaviour. In 2017, the cocoa industry committed to a deforestation-free supply chain, in partnership with the governments of Côte d'Ivoire and Ghana. In September 2020, seven international companies (the number quickly increased

19 Fairtrade-Mondelez International partnership and Cocoa Life. Retrieved from <https://www.fairtrade.org.uk/farmers-and-workers/cocoa/cocoa-life/>

20 <https://www.divinechocolate.com/news/forest-friendly-cocoa-from-sierra-leone>

21 <https://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>

22 <https://www.gov.uk/government/publications/implementing-the-un-guiding-principles-on-business-and-human-rights-may-2020-update/uk-national-action-plan-on-implementing-the-un-guiding-principles-on-business-and-human-rights-progress-update-may-2020>

23 <https://www.fairtrade.net/news/fairtrade-supports-implementation-of-a-living-income-differential>

24 Germany has taken the lead in support of EU sustainable procurement: 'We need a supply chain law . . . Preferably yesterday' (foodnavigator.com), 14 August 2020.

to 20 companies) formed the Forest Positive Coalition to strengthen collective action to reduce deforestation, forest degradation and forest conversion from their supply chains. In August 2020, the UK government announced plans to require companies to publish information to show where key tropical commodities come from and that they were produced in line with local laws protecting forests and other natural ecosystems.²⁵ The 2018 report from the Intergovernmental Panel on Climate Change, which clearly indicates the urgency and importance of action to limit the rise in the Earth's temperature, has placed climate as a central issue in company target setting. The three commodities with the highest impact on deforestation are cattle, palm oil and soy, for which Fairtrade certification is not available.²⁶

Concern for deforestation has been heightened considerably in 2020 due to COVID-19. The clearing of forests has led to increased contact between humans and wildlife and increased susceptibility of humans to the transmission of zoonotic diseases.²⁷ The spotlight will be kept on the issue in 2021 in UK, as it is hosting the UNFCCC's 26th Conference of Parties. COVID-19 has also reinforced the concept of traceability. Knowing where the products that we consume come from has become a concern for people's health and well-being.

Where regulatory rigour falls short in driving positive corporate change, the role of civil society is increasingly important. Oxfam launched Behind the Brands in 2013 to record and report on the performance of ten leading food companies against a set of key social and environmental issues. It published a report in 2018, which concluded that the major supermarkets and large food companies that dominate global food markets squeeze value from their extensive global supply chains, while the bargaining power of small-scale farmers and workers has been steadily eroded in many of the countries from which they source. 'The result is widespread human suffering among the women and men producing food for supermarkets around the world.'²⁸

Oxfam followed up with a second report in 2019, considering more closely the working and living conditions of workers in supply chains supplying to the large UK supermarkets. 'Forced labour and hidden suffering are unwanted ingredients in products ranging from tea and cocoa to fruit and vegetables, meat and seafood. In-work poverty in these supply chains is the norm, not the exception, and gender discrimination is woven into their fabric.'²⁹

As more research, discovery and dissemination of the situation in supply chains builds corporate understanding of the issues and raises the risk of their being named and shamed, technology has advanced to facilitate their responses. Over the past several years, companies have been investing heavily in strengthening traceability and mapping their supply chains, using technologies such as Blockchain, and partnering with civil society organisations that can undertake physical investigation in sourcing countries. The incentive and opportunity for companies to understand the relationship between their buying practices, the socio-economic conditions of the farmers who grow the products they buy and the state of the natural environment where the producers live are gaining in strength.

Companies also have access to growing expertise among their staff. Educated and informed young people are joining companies, as they see opportunities there to influence behaviour in support of social and environmental responsibility. Staffing with people committed to a vision of business that is respectful of people and the planet has enabled large companies to design and develop programmes, often in partnership with civil society organisations, that reflect their theory of how the changes that they want to achieve happen and that address their primary concern of risk. Companies have broadened their approach from a one-stop shop certification to an identification of issues and selection of different partners that are specialist in addressing those issues.

25 <https://www.gov.uk/government/news/world-leading-new-law-to-protect-rainforests-and-clean-up-supply-chains>

26 E. Goldman, M.J. Weisse, N. Harris & M. Schneider, *Estimating the role of seven commodities in agriculture-linked deforestation: Oil palm, soy, cattle, wood fiber, cocoa, coffee, and rubber*. Technical Note. Washington, DC: World Resources Institute, 2020. Retrieved from www.wri.org/publication/estimating-the-role-of-seven-commodities-in-agriculture-linked-deforestation

27 J. Settele, S. Díaz, E. Brondizio & P. Daszak, 'COVID-19 stimulus measures must save lives, protect livelihoods, and safeguard nature to reduce the risk of future pandemics.' Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), Expert Guest Article, 27 April 2020. Retrieved from https://ipbes.net/sites/default/files/2020-04/COVID19%20Stimulus%20IPBES%20Guest%20Article_English.pdf

28 Oxfam International, *Ripe for change: Ending human suffering in supermarket supply chains*. Oxford: Oxfam GB, 2018.

29 Oxfam International, *Workers' rights in supermarket supply chains*. Oxford: Oxfam GB, 2019.

Fair Trade's Response

In response to these substantial and fast-moving changes in the corporate world, the Fair Trade movement is seeking to adapt, while asserting its ongoing relevance. For example, Dario Soto Abril, then CEO of Fairtrade International, explained that:

The need to change a global food system that exploits both people and planet is greater now than ever. There are new challenges. Climate change is making life harder for smallholder farmers, there is child exploitation, and many workers in developing countries are paid well below even the extreme poverty level. Fairtrade is changing to take these new challenges into account.³⁰

To reflect the importance in governmental and corporate policies on climate change and deforestation, as one of the major causes of higher greenhouse gas emissions that lead to climate change, the Fairtrade Climate Standard was published in 2015, with the aim of supporting smallholders and rural communities to generate carbon credits. Fairtrade International's 2019 standard introduces a requirement for producer groups to have a procedure in place to ensure their members are not causing deforestation.

Beyond the traditional approach of standards and certification, the Fair Trade movement is also evolving. In its 2016–2020 strategy, the Fairtrade Foundation had already announced the objective that

By 2020, we will have evolved from a single approach of certifying products to a portfolio of services. We will increase the number of companies we work with that contribute to sustainable development in ways that really matter to farmers and workers, and which are accountable and transparent.³¹

It reiterated the point in 2018: 'We're not abandoning certification – far from it, what we are doing is we're developing new ways of working with companies, large and small.'³² The Fairtrade Foundation's website has a page for companies, setting out opportunities for collaboration that do not depend on use of the mark on products.

Fairtrade's messaging is also moving with the times:

At Fairtrade we play a crucial role in sustainable development. Nearly all the 169 targets which underpin the global goals are related to food and farming. The goals set the ambition of ending poverty in all its forms, everywhere, while leaving no-one behind. Therefore, they represent a powerful opportunity to improve the lives of the 1.3 billion small-scale farmers and agricultural workers upon whom the world depends to produce our food and protect our planet. Something we have been striving to achieve for decades.³³

Of course, Fair Trade has always been a movement and not just a certification system. The Fairtrade Advocacy Office was established in 2010 as a joint initiative of Fairtrade International, the World Fair Trade Organisation and the World Fair Trade Organisation – Europe to advocate for EU policies in support of trade justice and to strengthen the various Fair Trade networks and their members' capacities to advocate on European policy issues affecting the well-being of producers in developing countries.³⁴ It is reasonable to claim a link to the growing number of national and international policies influencing company behaviour in their supply chains and the persistent voice and wide-ranging presence of Fair Trade pointing out the injustices inherent in traditional commodity trade.

An example of Fair Trade's expanding its approach beyond standards and certification to impact what people producing commodities earn is its membership of the Global Living Wage Coalition³⁵ and the Living Income Community of Practice.³⁶ Together, these initiatives seek to bring rigour to the calculation of a living wage for a worker and living income for a self-employed person (such as a farmer). These multi-partner groups

30 Quoted in John Vidal, 'Move by UK supermarkets threatens to bring Fairtrade crashing down', *The Guardian*, 25 June 2017. Retrieved from <https://www.theguardian.com/global-development/2017/jun/24/fairtrade-crashing-down-sainsburys-tesco-tea-growers-nairobi>

31 *Fairtrade foundation annual report 2019*. Retrieved from <https://stories.fairtrade.org.uk/annual-report-and-financial-statements-2019/index.html>

32 Michael Gidney, Fairtrade Foundation, October 2018. Retrieved from <https://www.reuters.com/article/fairtrade-sustainability-strategy-idUSL8N1WQ5EJ>

33 Fairtrade International. Retrieved from <https://www.fairtrade.net/news/its-global-goals-week-lets-come-together-to-drive-lasting-change>

34 <https://fairtrade-advocacy.org/what-we-do>

35 <https://www.globallivingwage.org/about/>

36 <https://www.living-income.com/>

set a benchmark for specific countries that can be used as a basis for comparing the income achieved by farmers and agricultural workers and to develop a strategy to close the gap that invariably exists. One significant success has been in Malawi, where Fairtrade is a partner in the Malawi 2020 Tea Revitalisation Programme, led by the Ethical Tea Partnership, of which achieving a living wage is a key target. In 2016, the first ever collective bargaining agreement was signed between the Tea Association of Malawi and the Plantation Agricultural Workers Union; it was signed again in 2018.³⁷

FairTrade's enduring strength is that its work in policy and its advocacy for the rights of poor people are fully integrated with its standards and certification system. Its market presence and its direct connection to the producers gives it the knowledge and credibility from which to speak. Moreover, an important strategy for achieving a living wage is precisely by farmers selling more certified product that generates a Fair Trade premium. Therefore, it is very important that Fairtrade certification is still growing. Sales of Fairtrade certified products in 2019 reached their highest ever level, boosted by the fast-growing wine, gold and cut flowers sectors – further evidence of Fair Trade's capacity to extend its reach beyond the more mature certification markets of tea, coffee and cocoa. The certification system benefits 1.8 million farmers and workers and 1,707 producer organisations. Around 2,400 companies pay licence fees to their national Fairtrade chapters to use the mark on their products.³⁸

Despite the dramatic headlines in one UK media outlet after the switch by Sainsbury's from Fairtrade certification of its own label teas in 2017, Fairtrade is not going to come 'crashing down'. Even that article recognised that it has become a byword for ethical consumption; 93 per cent of British shoppers now recognise its mark.³⁹

Nevertheless, a company decision to discontinue certification undoubtedly has negative impacts for Fairtrade, mainly from reduced visibility in the market and lower licensing revenue from use of the mark. It is true that it could divert its efforts to the many producer groups that require support to achieve certification, and to the many new challenges faced by the already certified groups. However, that would not be a financially sustainable model. It needs to maintain its growth in certification alongside the broadening of its strategic approach. The certified producers that are in the supply chain of a company moving away from Fairtrade certification also suffer a loss of the Fair Trade premium. The companies that have made a commitment to pay an equivalent amount through their own programmes may not continue that arrangement indefinitely.

As markets grow, they diversify. Such diversification of approaches by companies to their responsible sourcing strategies should also be seen as a maturing of the market that Fair Trade has built. Mars sees certification as 'a good foundational standard (but) we need a much deeper, more intensive intervention . . . that allows (producers) to go on a journey to become professional farmers'.⁴⁰ Fair Trade as a movement can bring its deep experience and the trust it has built with producers to be part of the journey.

Nevertheless, in its relationships with companies, changing the offer is not an easy task. Fairtrade certification has been so successful that it defines for many people what Fair Trade means. Building credibility for other service offerings will take time. Some companies that do not want to certify products may find it difficult to believe that certification is not necessarily Fair Trade's only interest in working with them. The environment is also very competitive, with many civil society organisations and many specialist companies seeking to sell their services to companies to help them implement their public commitments.

The Path Forward

The Fair Trade mission is as timely today as ever. Across the world, the farming community is ageing, as younger people seek a less arduous and more rewarding livelihood. Climate change is making farming more

³⁷ <https://www.ethicalteapartnership.org/malawi-tea-2020/>

³⁸ Fairtrade International website. <https://www.fairtrade.net/>

³⁹ 'Is Fair Trade finished?', *The Guardian*, 23 July 2019. Retrieved from <https://www.theguardian.com/business/2019/jul/23/fairtrade-ethical-certification-supermarkets-sainsburys>

⁴⁰ Mike Scott, 'Has Fairtrade passed its sell by date?' Reuters, 19 September 2017. Retrieved from <https://www.reuters.com/sustainability/has-fairtrade-passed-its-sell-date>

insecure, with unreliable rainfall and increased susceptibility to droughts and floods. Global production and trading systems need surgery, not palliative care. Rigorous and independent evaluation of results and impacts will determine the effectiveness of any approach to delivering the changes required, whether third-party certification or companies' own programmes. A strong focus by Fair Trade on demonstrating and communicating the results that its certification system, policy work and community programmes are enabling, against key indicators of economic and social development, will implicitly challenge company programmes to show the quality of their impacts. Companies claim that their own programmes can address a wider range of issues and enable them to make larger buying commitments than would be possible with Fairtrade certification. It should become apparent over time to what extent they achieve poverty alleviation and social empowerment through buying higher volumes under their responsible sourcing policies.

Fair Trade has built a business model with a double value proposition: certification plus engagement in the communities. The two work effectively together. A report by ISEAL Alliance shows that certification is most successful in improving livelihoods and protecting nature when farmers receive technical support and investment to build physical and social capital.⁴¹

Companies can be allies, because of their capacity to invest. For the most part, they base their investments on the perceived risks in their supply chains and reach no further. Fairtrade Foundation and Mondelēz published a joint study in 2020 of the different initiatives aiming to improve the livelihoods of cocoa farmers in Côte d'Ivoire and Ghana. One of its findings is that initiatives are concentrated in areas where cocoa quality is considered higher and mostly exclude sharecroppers (who farm land that they do not own and keep a portion of the crop as payment).⁴² There is a long way to go before investments by the private sector meet the SDG commitment to leave no one behind.

Moreover, company programmes mostly lack vital elements necessary for change. The Fair Trade Charter, which was launched in September 2018 as a collaboration between Fairtrade International and the World Fair Trade Organisation, asserted that 'The models of trade promoted by global institutions and large corporations have not delivered on their promise to eliminate poverty and have caused unprecedented levels of inequality.'⁴³ Fair Trade, in its recognised definition, is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade and contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the South. Demonstrating that producers who manage their own organisations and include vulnerable groups in their membership can access value-added markets in mainstream shopping outlets enables Fair Trade to show that it is possible for global trade to integrate social justice. In this way and accompanied by programmes to support communities that are defined by the communities and not by a committee in the North, as occurs in the Sainsbury's fairly traded system, Fair Trade can maintain its role as the benchmark for change, rather than for the sustainability of a broken system.

⁴¹ G. Petrokofsky & S. Jennings, *The effectiveness of standards in driving adoption of sustainability practices: A state of knowledge review*. London: ISEAL Alliance, 2018.

⁴² *Cocoa sustainable livelihoods landscape study: Côte d'Ivoire and Ghana*. <https://www.fairtrade.org.uk/wp-content/uploads/2020/06/Cocoa-Sustainable-Livelihoods-Landscape-Study.pdf>

⁴³ https://wfto.com/sites/default/files/2018_FTCharter_English_SCREEN.pdf