

How impactful is Fair Trade? A paradigm shift in reporting would tell a better story

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Abstract

There is an extensive literature on the impact of Fair Trade. While much of the evidence is positive, there are also studies that find negligible, neutral or even negative effects. In this article, I propose that a paradigm shift towards systematic and regular outcome and impact reporting by Fair Trade organisations is both possible and urgently needed. This shift will align financial and non-financial reporting and help to ensure that Fair Trade is delivering on its core objectives, which include better prices for smallholder producers, improved working conditions and local sustainability. I provide evidence that at least some of the mainstream agribusiness sector is moving towards outcome reporting in some dimensions of their operations. Fairtrade and other certifiers for responsible sourcing only do marginally better than agribusiness in their current reporting in terms of outcome and impact reporting. A new paradigm in systematic and real-time outcome reporting is possible. To achieve this, data production must be bottom-up, rather than top-down. Smallholders and producers have to become owners of the positive outcomes they are seeking to achieve.

Keywords: agribusiness; ethical sourcing; Fair Trade; responsible sourcing; metrics; measurement; outputs; outcomes; impact; sustainability; sustainable development goals (SDGs); greenwashing; fairwashing

Introduction

Sales of certified Fair Trade products are growing as a result of partnerships with major brands and distribution through big retailers. New products – including unexpected ones like gold – are added to the Fair Trade range at a rapid pace, and the number of hectares under Fair Trade cultivation as well as the number of countries and producer organisations keeps increasing.¹ The growth of Fair Trade has been cited by a number of authors in the Fair Trade literature as evidence of its success. Fair Trade in Europe is characterised as “relatively successful”, since it has “grown into a global market worth €2 billion a year, with an increase of between 15% and 20% over the last decade”.² Another article mentions that growth in retailer interest “has been hugely beneficial to the Fair Trade movement’s sales and public awareness”.³ But growth is only one indicator of success.

¹ The annual reports of the Fairtrade Foundation (UK) and snapshots like the one provided on their website provide an overview: <http://www.fairtrade.org.uk/What-is-Fairtrade/Facts-and-Figures> [accessed on 28th May 2019]

² Pérez Ruiz and García de los Salmones (2018).

³ Doherty, Davies and Tranchell (2013).

The Fairtrade Foundation (UK) states that it is “about better prices, decent working conditions, local sustainability, and fair terms of trade for farmers and workers in the developing world”.⁴ At its origins, Fair Trade has been described as an “ideology” to encourage “community development in some of the most deprived areas of the world”.⁵ It follows, then, that the success of Fair Trade must in the first instance be assessed through the lens of human and sustainable development. Although operational and financial metrics are important, they cannot stand in isolation from indicators that track whether the stated purpose of Fair Trade is being fulfilled.

There is an extensive evaluation literature on the impact of Fair Trade along economic, health, educational, organisational, social capital, workplace and environmental dimensions.⁶ This paper is not another impact assessment in the vein of this literature. Evaluations are a useful tool, but they are based on samples and they are retrospective. Moreover, there is no consensus in this scholarly and policy literature on the merits or effects of Fair Trade. One should therefore be cautious about extrapolating from such findings into the future and across the operations of an organisation that can be working with hundreds of thousands, or even millions, of farmers.

In this paper I argue that there is a different way for Fair Trade to assess and report its impact on the basis of systematic bottom-up outcome and impact reporting. I make use of a distinction that is often made in the development and policy literature, namely between inputs, outputs, outcomes and impact.⁷ Is an organisation reporting *inputs* (the human, financial, organisational and natural resources used to achieve a goal); *outputs* (the direct products of the activities and inputs that are intended to achieve the goal); *outcomes* (the specific changes, for example in behaviour, skills, knowledge, productivity, efficiency, environmental footprint, or income that can credibly be attributed to the outputs or activities); or *impacts* (the fundamental and sometimes systemic intended or unintended change the intervention is seeking to achieve)?

Whereas an input is short-term, and outputs can usually be counted on a regular basis, outcomes may take longer. Some outcomes are difficult to measure, but others can be measured on an annual or semi-annual basis. Impacts, however, may only be achieved after several years, sometimes as many as ten years, and even after a project has come to an end.

Even a highly regarded certificate is an output, and not an outcome or an impact. The purpose of Fair Trade is not certification; certification is the means the Fair Trade movement uses to advance its goal of achieving “better prices, decent working conditions, local sustainability and fair terms of trade”. Yet, the current approach to reporting and data collection in the Fair Trade movement privileges what I refer to here as output reporting. It does not report outcomes or impacts systematically. It assumes those results based on the evaluation literature and anecdotal evidence. But it does not produce evidence of its non-financial or operational results on a systematic or regular basis.

Fairtrade International has a web page dedicated to impact and research and it publishes annual reports dedicated to monitoring and impact.⁸ The 2018 report and the organisation’s overall annual report contain extensive data on sales, products, the Fairtrade premium and the number of farmers and producer organisations. These are all outputs. But it does not contain systematic data on the social, poverty-alleviating, gender, governance or environmental effects of certification. Such effects are referred to in this article as outcomes and impacts and there is no systematic data on these topics in the Fairtrade annual reports.

4 <http://www.fairtrade.org.uk/What-is-Fairtrade> [accessed on 28th May 2019]

5 Doherty et al. (2013).

6 A meta-review of more than 2,600 papers in the peer-review literature on Fair Trade found that ‘certification is associated on average with positive outcomes for 34% of response variables, no significant difference for 58% of variables, and negative outcomes for 8% of variables’ (DeFries, Fanzo, Mondal, Remans & Wood, 2017). A report commissioned by the Fairtrade Foundation found positive and ‘very positive’ effects across a range of variables including income, economic stability, access to credit, transition to organic production, and income diversification among others (Nelson & Pound, 2009). Papers have found positive effects on sustaining co-operatives (Milford, 2004); on conservation and biodiversity (Aerts, Mudappa & Shankar Raman, 2010); health and education-related consequences (Arnould, 2009); positive economic effects for banana growers that may be due in large part to increased productivity, not the price premium (Fort & Ruerd, 2009); although direct effects in terms of net income remain fairly modest, important benefits are found to include capitalising farmers and strengthening their organisations (Ruben, Fort & Zúñiga-Arias, 2009). Other papers have found negative effects on farmers unable to sell through Fair Trade (Carimentrand & Ballet, 2010); while Fair Trade has promoted premiums for social development for participating producers and strengthened the institutional capacities of the co-operatives involved, its ability to significantly enhance the working conditions of hired coffee labourers remains limited (Valkila & Nygren, 2010); neither co-operative organisations nor Fair Trade certification is associated with perceived trust among community members (Elder, Zerriffi & Le Billon, 2012); and there is no evidence that certification is associated with more sales and no evidence that many workers, including unskilled seasonal coffee pickers, benefit from certification (Dragusanu & Nunn, 2014 in a draft paper).

7 See, for example, *Logic Model Development Guide*, WG Kellogg Foundation, Michigan, 2004.

8 <https://www.fairtrade.net/impact-research.html> [accessed on 15th June 2019].

I develop this critique and the argument that a different approach is both needed and possible in three sections: First, I review the state of sustainability reporting in agribusiness. I assess the sustainability reporting of 24 mainstream agribusinesses and the extent to which their material indicators consist of input, output, outcome, or impact indicators. My principal aim in putting forward this methodology is above all to help make faster progress towards improving sustainability outcomes. This ambition applies equally to companies as it does to the Fair Trade Sector.⁹ Outcome indicators are a key gauge of effectiveness. Outcome indicators make meaningful comparisons between companies and organisations possible, whereas an input or an output may simply be a function of size. And outcomes and impacts may be positive or negative. It is a hallmark of a company's transparency and accountability that it is willing to report negative as well as positive data.

A subsidiary aim of using this method is to help distinguish companies that are making sincere efforts towards improved sustainability performance from those that might be greenwashing their business practices. The Chairman of the International Accounting Standards Board has warned that "greenwashing is rampant" in corporate reporting.¹⁰ And fears are mounting in the financial sector of a mis-selling scandal in investments that claim to be aligned to ESG (environmental, social and governance) criteria.¹¹ Such concerns are also found in the small but growing academic literature on greenwashing and fairwashing.¹²

Any comparison between Fairtrade and big agribusiness may seem counterintuitive. After all, Fair Trade privileges organised smallholders and it was at least in part created as a counterpoint to the practices of large agricultural traders and the plantation model of agricultural production with hired labour. But this dichotomy is not as valid as it once was. Fairtrade and other certification schemes now work with major retailers and brands, so there is more overlap between these categories than there once was.¹³

In the second section of this paper, I review reporting by Fairtrade and other certification schemes using the same input, output, outcome and impact framework used for agribusiness. In this analysis I include both independent third-party certification bodies like Fairtrade International and second-party certification schemes that were established together with companies, such as Bonsucro. I will suggest that there may be substantive reasons why companies are setting up their own in-house and industry schemes, and that this is related to their need to respond to the pressures agribusiness and the food and beverage industries are under from all their key stakeholders. Paradoxically, although Fair Trade organisations contributed to raising public expectations for ethical and responsible sourcing, I will show in the second section that they are not necessarily responding to this challenge adequately themselves.

In the third and final section, I conclude the paper by outlining how a new approach to impact measurement for Fair Trade could be deployed.

The State of Corporate Sustainability Reporting

Companies are under concerted pressure to make positive contributions to pressing environmental, social and economic issues. Over eighty stock exchanges from London to Singapore, and even frontier markets in Asia, Africa and South America, now provide guidance for thousands of public companies to report on their sustainability.¹⁴ A KPMG survey of corporate responsibility reporting found that 93% of the world's 250 largest companies now publish sustainability reports. Twenty years ago, only 35% did so.¹⁵ In an international survey of millennials, who are the youngest workplace cohort (those born between 1983–1994), Deloitte found that employers were "out of step" with that generation's priorities: 39% of millennials believe that businesses

⁹ Pedersen, Neergaard, Thusgaard Pedersen and Gwozdz (2013) conducted a study of non-financial reporting by Danish public companies that has some similarities to the method used in this paper. In their analysis of 142 company annual reports as required by the new Danish regulation regarding CSR reporting, they found that 69% reported policies and 60% reported actions, with only 37% of companies reporting results (p. 362).

¹⁰ Thompson (2019b).

¹¹ See Thompson (2019a).

¹² For example see Stecker (2016), Vollero, Palazzo, Siano and Elving (2016), and Zanasi, Rota, Trerè and Falcatori (2017).

¹³ Fair Trade USA and Utz/Rainforest Alliance are among the leaders in such alliances with major producers and brands. Fairtrade International continues to privilege smallholder co-operatives.

¹⁴ See <http://www.sseinitiative.org>.

¹⁵ The Road Ahead: The KPMG Survey of Corporate Responsibility Reporting 2017 (<https://home.kpmg/xx/en/home/insights/2017/10/the-kpmg-survey-of-corporate-responsibility-reporting-2017.html>).

should try to improve society, but only 25% think that their employers make this a priority.¹⁶ Companies face tremendous expectations to define their purpose and to be part of a positive change narrative.

In the last two to three years, a number of brands and retailers that use cocoa, tea, and coffee have set up their own ethical sourcing standards. While some brands have made commitments that they will source 100% from certified producers within the next few years, others are withdrawing from third-party labels like Fairtrade. Numerous companies have decided to take responsible sourcing in-house. In the last couple of years Cargill, Louis Dreyfus, Mondelez International, Nestlé, Olam, Starbucks and Unilever have all made investments into setting up their own certification and sourcing schemes.¹⁷ Sainsbury's even refers to its in-house approach as "Fairly Traded".¹⁸ Such in-house schemes, like Nespresso's AAA (developed with the Rainforest Alliance), or Starbucks' CAFE (Coffee and Farmer Equity) Practices programme (developed with Conservation International) can be characterised as first-party schemes.

What follows is an analysis of the depth, comparability and detail of reporting by twenty-four mainstream agribusinesses (see Table 1).¹⁹ The companies were selected by size (they are among the biggest in their

Table 1 Agribusinesses analysed

Company name	Headquarters
Archer Daniels Midland	USA
Bayer	Germany
Bunge	USA
Cargill	USA
Chiquita	USA
COFCO International	Switzerland
Del Monte	Singapore
Dole	USA
ECOM	Switzerland
EDF&MAN	UK
Fonterra	New Zealand
GAR	Singapore
Halcyon	Singapore
Louis Dreyfus	Switzerland
Mercon	USA
Netafim	Israel
Neumann Kaffee	Germany
Olam	Singapore
Sime Darby	Malaysia
Sucafina	Switzerland
Syngenta	Switzerland
UPL	India
Wilmar	Singapore
Yara	Norway

¹⁶ 2018 Deloitte Millennial Survey: Millennials disappointed in business, unprepared for industry 4.0 (<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-2018-millennial-survey-report.pdf>).

¹⁷ <https://www.reuters.com/article/us-food-fairtrade-sustainability-insight/how-fair-is-our-food-big-companies-take-reins-on-sourcing-schemes-idUSKCN1BEoGI>.

¹⁸ <https://www.about.sainsburys.co.uk/making-a-difference/sourcing/fairly-traded>.

¹⁹ The full analysis has been published on <https://www.truefootprint.com/> [accessed on 27th May 2019] as the Business Purpose Scorecard. For the purposes of this essay, the analysis is limited to agribusiness and responsible-sourcing certifiers; it does not include the food and beverage industry.

respective segments) to achieve some level of geographical distribution and to ensure that key aspects of agribusiness were covered, including growing, trading, chemicals, fertilisers, seeds and irrigation.

The first striking finding is that a third of the agribusinesses analysed still do not produce sustainability reporting or any form of substantial non-financial reporting – despite (or perhaps even because of) agribusiness’ outsized environmental footprint. Food production accounts for about 70% of freshwater usage and is responsible for 20–24% of GHG (greenhouse gas) emissions, making it one of the biggest polluters.²⁰ But if a company publishes a sustainability report, to what extent does it report on whether it is making a material difference? In other words, what is the depth and quality of its outcome and impact reporting?

For example, a company donates labour and construction materials (inputs) for the building of ten new schools that are designed for over 3,000 children in the local community (the output), as a large tea company has done for the children of tea pickers. But are 3,000 children attending the schools, are teachers teaching and are the children learning? These are all outcomes and they are measurable. The aforementioned tea company did not report whether this was the case. If it had been ambitious, the company could even have had an impact goal; for example, that the schools would rank among the top 30% nationally. This is the impact vision for 2025 of one company’s community engagement programme.²¹ A company with such an impact vision is far more likely to ensure that the children are attending school and that they are learning than a company that just reports how much it spent last year on building half a dozen schools.

I found that, on average, across the agribusinesses that reported on their sustainability, around 53% of the material indicators used consisted of input and output indicators, 44% of the indicators were outcome indicators, and only 2.4% of the total were impact indicators.²² Moreover, most of the outcome indicators were for health and safety and for environmental performance. For reporting on projects with local communities and on indicators relating to the livelihoods of producers, human rights and governance issues, companies reported almost exclusively using inputs and outputs.

Why does all this matter? And does this analysis tell us anything useful we need to know about the actual sustainability impact of the industry?

Fatalities and injury frequency rates – which are used by major industrial producers – illustrate the importance of outcome and impact reporting. Many reputable and listed industrial companies list these figures openly in their reports. Now imagine a hypothetical company that reported that it spent \$7.5 million in the past year to improve the health and safety of farm labourers (an input). They might also report that 98% of farm labourers received health and safety training (an output). But they decided not to report the outcome, namely the result of those investments. Are their employees safer? Have the fatality and injury rates improved as a result of these investments? Does the company include seasonal contract workers in its calculation?

In another example, a company can report how much it spent on improving its energy efficiency and water usage (an input) and that it rolled out its new policy across 70% of its milling operations (an output). But downstream customers and major institutional investors really want to know how efficient they are. For example, how much water or energy do they use to produce one tonne of sugar or cotton? How does this

Table 2 Twenty-four major agribusinesses’ non-financial reporting

Cross-industry indicators	Inputs	Outputs	Outcomes	Impact
Number of material indicators used	51	126	146	8
Percentage of all material indicators used in reporting	15.4%	38.1%	44.1%	2.4%

²⁰ <https://globalagribusinessalliance.com/who-we-are/>

²¹ See <https://www.angloamerican.com> [accessed on 17th June 2019].

²² Ibid.

compare to the previous two years? These are outcome indicators. Their total GHG emissions would count as an impact and the kilograms of CO₂ per tonne of agricultural output is an outcome metric.

The twenty-four agribusinesses analysed here directly employ more than a million people and source from hundreds of thousands of farmers and smallholders. Seventy-eight per cent of agribusiness' material indicators are for their employees (mainly around questions of health and safety) and for the environment. But they publish virtually no data that indicate how well their employees and suppliers do in terms of meeting their own material wellbeing. Prosperity indicators are only 1% of the total indicators used. What percentage of their employees earns the national minimum wage? And if they earn more, how much more? What percentage of their suppliers earns a living wage?²³ These should be prominent concerns, since cocoa farmer households in Côte d'Ivoire, the world's leading cocoa producer, are estimated to only earn 37% of the living income for rural areas.²⁴ Conditions for tea growers and many coffee growers are no better. Agribusinesses also publish minimal reporting on partnerships with the communities in which they operate (14% of the total) and indicators on conflicts with local communities, land rights, and ethical and human rights failures only account for 6% of all indicators.

With the exception of half a dozen large agribusinesses that produce comprehensive reports, I found that, on average, agribusinesses fell short on their ability to convey whether the way they do business has a positive impact on most facets of sustainable development. Only a handful of agribusinesses report whether their sourcing or production has a net negative, neutral or positive effect on soil quality and erosion, on water or on effluents. The large agribusinesses tend to report their total GHG emissions, but only some report their emissions as a ratio of their outputs, for example, as kilograms of CO₂ per metric tonne of produce, or as kilograms of CO₂ per \$1 million of sales.²⁵

The State of Reporting in Fair Trade and Voluntary Certification

There are said to be hundreds of certification schemes for agricultural and wood products around the world, and perhaps a dozen that are widely used by major brands. Do the organisations that certify or support fairly and sustainably produced commodities do a better job of communicating and measuring their impact on sustainable development?

There is a tendency to treat Fair Trade as a holistic movement. Although it has a common point of origin, Fair Trade organisations in different countries, notably in the USA, operate on varying standards.²⁶ In this section, I am not limiting my analysis to Fair Trade and the organisations that fall under Fairtrade International. In addition to third-party certification schemes (Fairtrade International, but also others), I also include second-party certification schemes (set up with other industry stakeholders, such as Better Cotton and Bonsucro) (see Table 3). Third- and second-party schemes directly engage tens of millions of producers and they work to improve sourcing of the most important agricultural products from the Global South: cocoa, coffee, cotton, palm oil, soy, sugar cane, tea, and wood and forest products.

I review the outcome and impact reporting of ten responsible-sourcing certification and support organisations according to the type of reporting they publish, again using the input, output, outcome and impact framework (see Table 4).

I find that responsible-sourcing organisations only do marginally better than mainstream agribusinesses in terms of the depth and quality of their outcome and impact reporting. The large certifiers all report how many members they have, the number of products they certify, how much product they produce, and the growing area they certify. These are all important output indicators. For example, a major industry initiative to improve

²³ Fairtrade has a helpful definition: A living wage is a salary paid by an employer to a worker that covers a basic standard of living. A living income is the same idea, but applies to people – like smallholder cocoa farmers – who don't earn a salary from an employer' (*Living Income: Campaigner Briefing*, Fairtrade Foundation, London, 2019).

²⁴ Cocoa Barometer 2018, http://www.cocoabarometer.org/cocoa_barometer/Download_files/2018%20Cocoa%20Barometer%20180420.pdf and <https://www.globallivingwage.org/>.

²⁵ The question of who audits self-reporting on emissions is important. For public companies this is usually done under the norms established by organisations like the CDP and final results are often audited by third parties. As with financial reporting, however, this does not preclude the possibility of inaccurate or fraudulent reporting.

²⁶ Doherty et al. (2013).

Table 3 Responsible sourcing certifiers and support organisations

Organisation name	Headquarters	Type
Better Cotton Initiative	Switzerland	2nd party
Bonsucro	UK	2nd party
CocoaAction	USA	2nd party
Ethical Tea Partnership	UK	2nd party
Fairtrade International	Germany	3rd party
Forest Stewardship Council	Germany	3rd party
Global Coffee Platform	Germany	2nd party
Round Table on Responsible Soy	Argentina	2nd party
Roundtable on Sustainable Palm Oil	Malaysia	2nd party
UTZ – Rainforest Alliance	The Netherlands	3rd party

Table 4 Certifiers’ non-financial reporting

Cross-sector indicators	Inputs	Outputs	Outcomes	Impact
Number of material indicators used	0	103	87	0
Percentage of all material indicators used in reporting	0%	54%	46%	0%

the sustainability of cocoa farming in Ghana and Côte d’Ivoire aims to reach 300,000 farmers by 2020.²⁷ Output indicators give an indication of scale, but they tell us little about the mission-relevant added value of an intervention or of a certification scheme. To what extent are producers getting better prices? To what extent are working conditions decent? Is local sustainability improving? Are the terms of trade fairer? Stakeholders might be interested to know about the absolute results and about change over time, as well as how results compare with those of non-certified smallholders.

Several schemes have a core mission of improving the environmental footprint of one or more commodities. And yet – with the notable exception of Bonsucro – none of the schemes report total GHG emissions or changes in efficiencies in water use, effluents, fertiliser use, pesticide use, soil quality changes or energy. Two schemes have a core mission of protecting forests and biodiversity, yet neither organisation has performance indicators in their annual reporting related to these topics. Another organisation sources a high proportion of products from organic farming, but it does not report on whether this is improving soil, water quality or biodiversity.

On the human and social dimensions, certifiers do better than agribusiness – but only slightly better. The benefits of certification are meant to include training, improvements in working conditions, no forced labour and minimal child labour. And yet none of the reporting from the responsible-sourcing organisations publishes any systematic data on changes in income or worker/community wellbeing. This finding echoes the Cocoa Barometer (2018): “none of the major standards (Rainforest Alliance, UTZ or Fairtrade) have been able to significantly contribute to ensuring farmers are achieving a living income”.²⁸ Only Bonsucro reports on the health and safety and the ratio of workers’ wages to the national minimum wage. An absence of reporting by the other organisations does not necessarily mean that they do not collect relevant data. But if they collect it, why do they fail to publish their findings?

²⁷ CocoaAction Report 2016, <https://www.worldcocoaoundation.org/about-wcf/cocoaaction/>. If the goal is reached, this would represent 15% of the cocoa growing population of the two countries.

²⁸ World Cocoa Barometer 2018.

The most data-rich responsible-sourcing standard, Bonsucro, is a second-party certifier. It reports against more than 50 material indicators. These include detailed worker wellbeing indicators, all key relevant indicators of the environmental footprint of production, of productivity, earnings of participating producers and land use rights.

The average number of material indicators is twenty-four per organisational report, with one producing as few as six. It is possible to produce an excellent report with a couple of dozen material indicators, so quantity does not necessarily trump quality. But if an organisation exists to promote biodiversity and healthy forests, and another was established to curb deforestation and changes in land use that have catastrophic effects on GHG emissions, stakeholders should be able to expect prominent metrics that provide assurance that progress is being made in the pursuit of these goals. Moreover, the human and social dimensions of farm labour and rural communities should figure prominently in all responsible-sourcing metrics. Of the seventeen UN Sustainable Development Goals (SDGs), six are for the environment, and eleven are about people, communities and the institutions they rely on. The human and social aspect of sustainable development is where both agribusiness and responsible-sourcing organisations have the biggest scope for improvement.

Fairtrade International's current model of data capture and reporting does not account for the value they are creating.²⁹ This also means that they are unable to offer a data solution for downstream customers, like the large food and beverage brands, that satisfies their regulatory needs and evolving customer and supply chain expectations of their social license to operate. Unless responsible-sourcing organisations change the way they capture and report data, the trend of large brands developing their own in-house certification and standards is likely to continue.

Towards a Bottom-Up Approach to Impact Verification

Agribusinesses – like Olam and Louis Dreyfus Company – and major food brands like Nespresso are making efforts towards regular outcome reporting. It is incumbent on the Fair Trade sector at the very least not to fall behind in terms of the depth and quality of its reporting. Ideally, it should be able to demonstrate that it achieves better overall developmental and poverty-alleviation results than agribusiness.

Some stakeholders in the Fair Trade movement are concerned about fairwashing in reporting.³⁰ Some products that are labelled as Fair Trade may be oversold or mis-sold to consumers. To address this concern and to ensure that Fair Trade organisations are delivering on their core mission and values, Fairtrade International and its members must consider how they can produce outcome and impact data that is generated with the same regularity as key financial and operational data.

Outcome and impact results verification and data collection has, until now, relied on top-down solutions; for example, by deploying evaluators, enumerators and auditors. Where production relies on numerous smallholders, and where producers may be operating in dispersed, remote areas, it is difficult to find a cost-effective business model that allows for on-site, regular verification at the first mile of production. Quarterly and even semi-annual data collection on impacts and outcomes is very difficult to gather, and close to real-time data collection on a top-down basis is not feasible. It would be too expensive.

At its core, a new approach will need to be more bottom-up than top-down. It would require a transfer of trust to the base of the supply chain, to the producers and their communities. This bottom-up approach could eventually have the added benefit of bringing down the cost of certification, which can be significant for many producers. In the near-term, it would generate traceability for results, not just for sourcing. It would make it easy to check – and to report – that the Fair Trade premium was being used effectively for its stated objectives. This new approach will be achieved through a combination of technology and community engagement. The people at the base of supply chains will deliver the outcome and impact data because it also benefits them and they become the owners of that change. This will enable Fair Trade to tell a far better and more compelling story.

²⁹ Fair Trade USA, which is not part of Fairtrade International, reports the same input and output indicators and does not publish systematic, regular outcome or impact reporting either.

³⁰ See Smith (2010) and Doherty et al. (2013) for a discussion of some of these challenges.

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