

Pushing at the Boundaries of the Fair Trade Movement: An International Business Perspective

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October 2010

Under review for special edition of *Critical Perspectives in International Business*



Fair Trade

Fair trade seeks to align socially conscious consumers with marginal producers in less developed countries and has been transformed from “an obscure niche market to a globally recognized phenomenon” (Murray and Reynolds 2005,5).

Two areas of prominence amongst researchers:

1. Impact on poverty alleviation (e.g. Raynolds 2002, Murray et al. 2003, Ronchi 2002, Bassett 2007, Bacon 2005)
2. Marketing of producers on packaging (e.g. Goodman 2004, Dolan 2007)

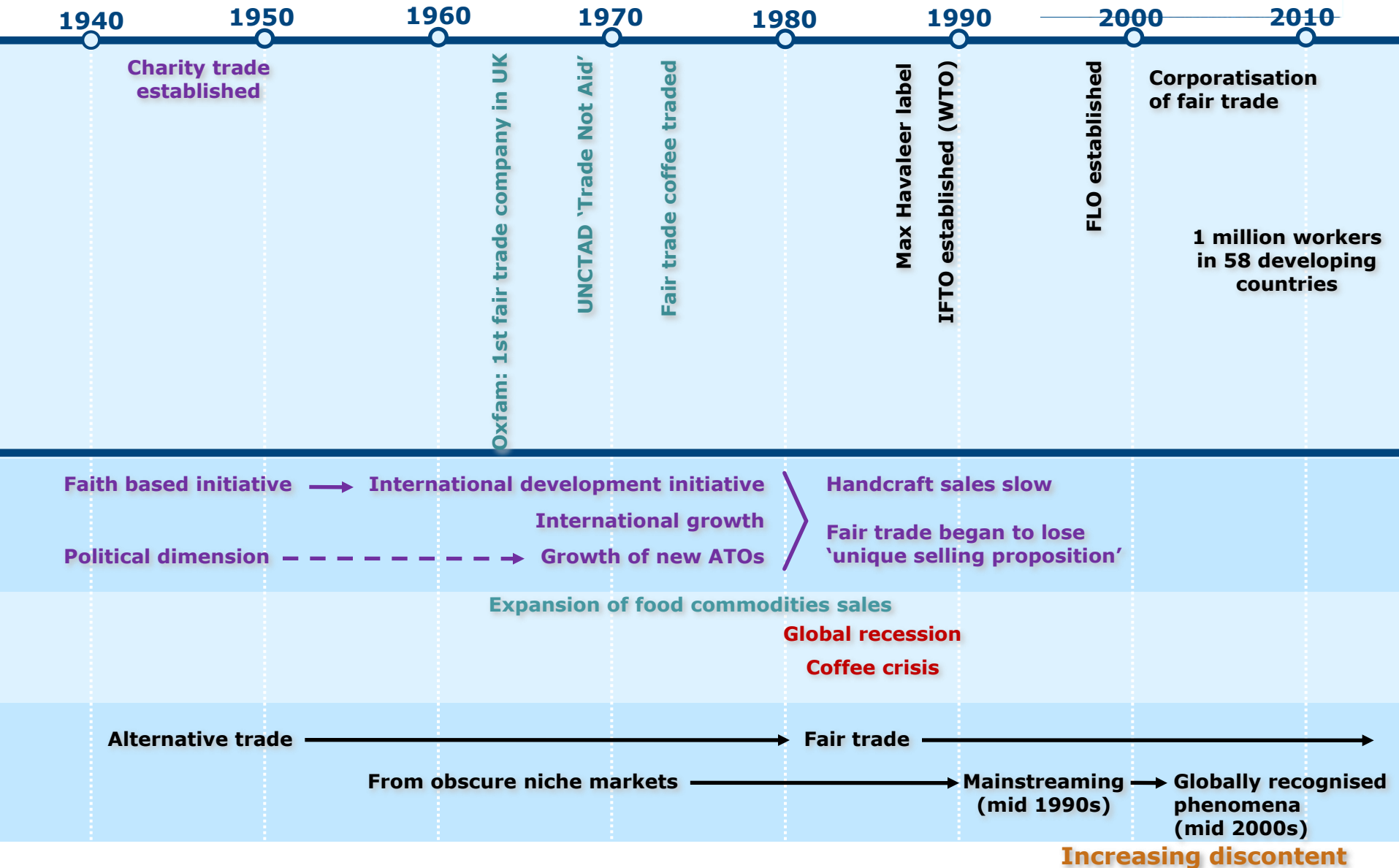


Fair Trade

“The crisis is in the fair trade movement...I see as a positive crisis because now you have to rethink and you have to redo and make it [the system] a lot better”

(Franz VanderHoff Boersma, 2009)

The Emergence of Fair Trade



Fair Trade Labelling Organisations (FLO)



The Mainstreaming of Fair Trade

Concerns about the entry of MNCs into fair trade are based around “a history of questionable practices”:

1. “fair-washing”
2. Self interest
3. Certification of plantation agriculture
4. Competing certification schemes

MNCs will not engage if it means significant changes to the way they govern their value chain

The Mainstreaming of Fair Trade

MNCs *“often seem to focus on selling products at almost any cost. In doing so they sometimes paternalistically make decisions for the good of small producers to which small producers are totally opposed”* (VanderHoff Boersma 2009, 58).

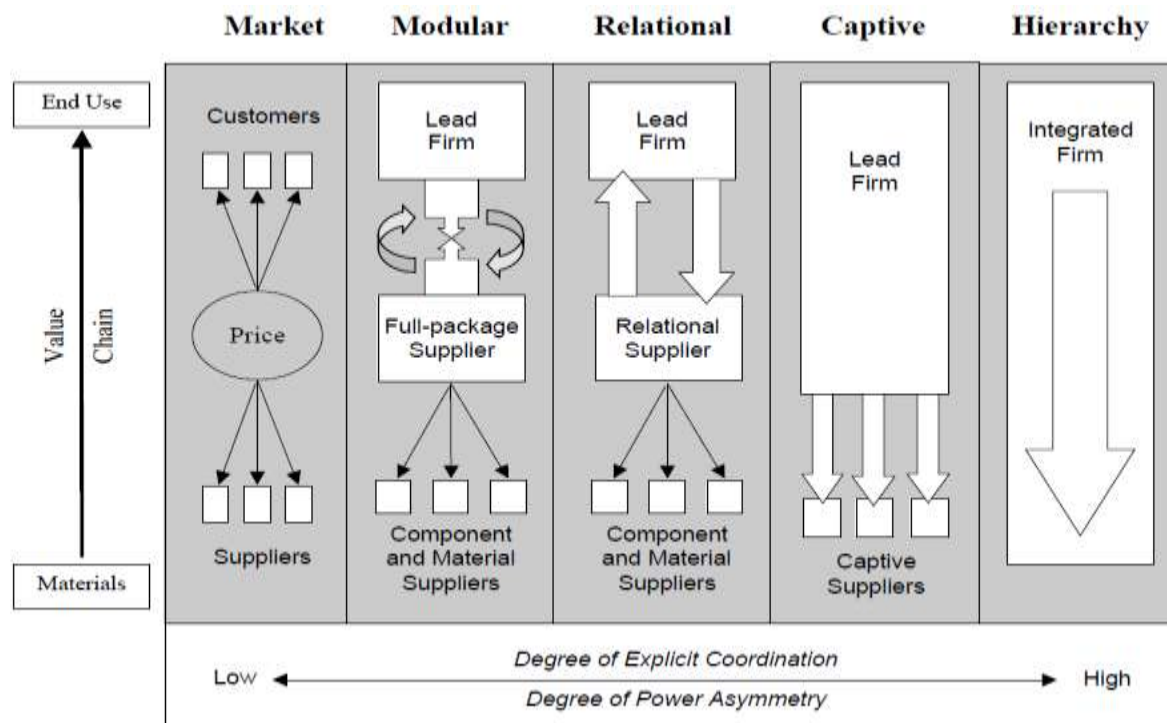
MNC are *“less likely to encourage small producers to move up the value chain for the more of the chain that corporate licensees can control, the more value added they capture”* (Reed 2009, 13).

Mainstreaming of Fair Trade



Global Value Chains and Governance

“form of coordination characterising the inter-firm exchange at a specific node in the chain”(Gibbon et al. 2008, 323).



Source: Gereffi et al., 2005, 89

Global Value Chains: Relational Governance

Governed by “formal organisational arrangements for coordination and decision-making” as well as by social responsibility and commitment

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- Without corporate actors
 - Corporate retail participation
 - Corporate licensees
 - Includes plantations

Trade Aid Inc.

- Development Agency
- Importer and distributor (TAI)
- Retail arm



Goal: building long-term sustainable partnerships with producer groups:

1. 76 producer partners
2. Disadvantaged and vulnerable groups

Trade Aid Importers (TAI): “Supporting producers as much as we can”

- Was a licensed importer of FLO certified products
- In 2009, imported 6% of all coffee and within the specialty coffee sector is a key importer of fair trade coffee (20%).
- TAI supply manages importing of coffee under a co-importing scheme

“While companies are showing themselves to be increasingly prepared to invest in fair trade supply chains, the facilitation of new groups and new products into the market is a long term, complex and resource intensive process, and in most cases represents too much of a risk for many mainstream companies. Typically, it is Trade Aid that must take on this risk”
(Trade Aid 2009, 2).


Trade Aid: “What is a fair price?”

- Pay higher than the price set by FLO
- Use own funding to provide interest free financing
- Profit share with producer groups
“Trade Aid was the only partner that transferred to us a proportion of the profit”.
- New Zealand Agency for International Development (NZAID) programme funds used for capacity building
- Product development initiatives



Next Generation Coffee Fund




"I'd like to renew my farm by planting new seedlings. Higher prices alone aren't enough for us, as our production is continually falling"

- **Juan Jimenez, coffee farmer, Guaya'b**
Asociacion Civil co-operative, Guatemala

Trade Aid, FLO, MNCs and Fair Trade

- Concerned about producers' whose *“voice and influence within the FLO system is lessening as the realities of accommodating such large companies play out”* (White 2010)
- MNCs refuse to pay a higher price thus a two tier system is being created
- Suggestion from FLO that a decreased price would lead to increased market share

“The stark reality is that producers are now left dealing more and more with the very companies whose actions were the reason fair trade was established in the first place” (White 2010).

Trade Aid's Response

- No longer use the FLO label

“a divergence in values within FLO system between profit-orientated and mission-orientated companies” (White 2010).

- Fair trade needs new direction and new models and Trade Aid needs to be at the forefront

“Currently New Zealand is the smallest country in the buying group sitting at the table and we can't be an influence on value of orders so we have to be the ones who lead these discussion son the way things can change and the way ahead. We are already being acknowledged for our role” (White 2009).

Trade Aid's Response

- Exploring ways of bringing ownership up the value chain

But how to do this with 76 partners?

When Trade Aid is an incorporated society?

“if it is a true partnership, with a shared supply chain then why don't we give them ownership of it...we need to bring the producer voice into the organisation in a stronger way” (White 2009)

Discussion

- In its truest form, fair trade is reflective of a relational chain

but

“relationship has been complicated by introduction of formal labeling initiatives”

Fair trade message *“reduced to a small sticker”* (Raynolds 2002, 410-411)

- Emergence of hierarchal, modular and captive governance modes
- TAI partnerships that of relational governance

“Since the founding of Max Havelaar in 1988, the fair trade movement has developed and diversified in many different ways, not all of which have been positive” (VanderHoff Boersma 2009, 52).

Trade Aid in Colombia

Asociacion de Pequeños Caficultores de Ocamonte (APCO)

**Asociacion de Productores Agroecologicos Indigenas y
Campesinos de la Sierra Nevada de Santa Marta (ANEI)**

CENCOIC (Central Cooperative Indigena del Cauca)





Thank you!

Questions?