



## Mankato Area Fair Trade Town Initiative

### “Fair Trade Past and Futures”

Annual Kessel Lecture  
Minnesota State University-Mankato  
Paul Renshaw, MAFTTI Chair  
March 27, 2012

#### SLIDE 1 - FAIR TRADE PAST AND FUTURES

##### INTRODUCTORY REMARKS

First of all, thanks to Dr. Vieceli and the Kessel Lecture Committee for their invitation to speak tonight. It was certainly a surprise and a challenge, and an opportunity.

#### SLIDE 2 - MAFTTI GROUP

I am, of course, speaking on my own behalf. The commitment and work of my associates in the Mankato Area Fair Trade Town Initiative (MAFTTI) is the reason for my standing here tonight. They are, however, not responsible for anything that passes my lips and (who knows?) may be surprised by some of it.

As I began to think about this talk it was not so much that I began to see spots in front of my eyes but to have what I would call an Attack of the Balloons. There in front of me a great many balloons hung in the air, each representing a discipline or field of study that impinges on FAIR TRADE – anthropology, business, communications, economics, environmental sciences, geography, gender studies, history, marketing, philosophy, politics, sociology and theology. It is such a range that I often thought that the Kessel Committee should really have looked for a fast-talking polymath!

Dr. Vieceli’s invitation said that “The lectureship brings to campus people who have distinguished themselves for their scholarship and activism” on issues epitomized in the life and work of Dr. Abbas Kessel - building peace, social justice, and sound environmental policy.

I am more the activist than the academic, so my contribution may be stronger on breadth than depth. I can say that at my career path involved long immersion in a leading, church-related overseas development agency in London where all the issues dear to the heart of Prof. Kessel impinged on my work. My agency was somewhat confusingly called Christian Aid, though there was nothing exclusive about its mission orientation, staffing or funding. Africa was my focus, particularly East and Southern Africa. Christian Aid was a significant player in the British non-profit world that gave rise to the modern Fair Trade movement in the UK in the 1990s.

In preparing this talk I read that the late and famous Professor Friedrich Hayek argued that justice is “the fair and impartial application of legal, moral and perhaps customary rules.” Well, yes, of course. But he also wrote, “Precede the word justice with ‘social’ and everything changes. Social justice may require redistributing property and treating people unequally. In this way the word ‘social’ empties the nouns it is applied to of their meaning.” I suspect that Professors Kessel and Hayek would have had an interesting argument.

As I am speaking in a university setting it seems apt to recall my father telling me years ago about a 1940s BBC radio program called “The “Brains Trust”. Three eminent “brains” sat around a microphone and, unscripted and unrehearsed, they answered listeners’ questions every week, on a Sunday

afternoon. The most popular “brain” was a colorful philosopher named Professor C.E.M. Joad. He was known for starting every answer with the phrase, “It all depends on what you mean by....”

That is, indeed, an apt question because the language of fair trade has changed in emphasis over the years and, in fact, different slants on it can appear at the same time even now.

It hardly needs to be said that the point of trade is to be a mutually beneficial transaction whether it takes place at the individual, corporate or governmental level. It is often, of course, also a highly political activity, the result reflecting a complex amalgam of needs and wants and the nature of the power relationship between the trading parties.

What of Fair Trade? You may or may not be aware that Minnesota is home to the oldest Fair Trade Coalition in the country. Born 20 years ago out of concerns for American jobs when the North American Free Trade Agreement was coming into existence, the MNFTC is a coalition of over 40 labor, family farm, interfaith, environmental and social justice organizations. It promotes the benefits of a fair trade system that, through the trading of goods and services, can achieve economic justice, support human and worker rights, promote healthy communities and protect the environment. A primary concern of MNFTC is to explain “why the current system of unregulated trade fueled by agreements such as WTO, NAFTA and CAFTA has favored the interests of a few multinational corporations instead of the interests of a majority of the world's people.”

MNFTC draws attention, for example, to both the loss of nearly 14,000 jobs in Minnesota as a consequence of NAFTA and the impact on Mexican farmers unable to compete with highly subsidized agricultural imports from the US. With few alternative opportunities they cross the border to work on the very same farms that put them out of business. Is this fair? It seems that trade negotiators forget that “free trade” and “subsidies” don’t mix.

The non-profit that I chair, MAFTTI, is not a member of MNFTC but its members would, I am sure, identify with its aims and analysis. Currently the Coalition is asking supporters to take action over the virtually complete lack of transparency surrounding the potentially far-reaching Trans-Pacific Partnership negotiations between Pacific Rim countries - Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam and the USA. An option is being held open for other countries to join in – Canada, Japan, Mexico, and perhaps even China.

My focus tonight is on the social, consumer-based movement that sees Fair Trade as a tool to support powerless, poverty-stricken small farmers and artisans in the Global South (previously known as the Third World). According to the World Bank there are still over 1 billion people living on \$1.25 a day, though that unimaginable figure is criticized as understating global poverty even as the Millennium Development Goals deadline of 2015 is starting to come into range of view.

First, however, a short story from Prof. Joe Stiglitz, Nobel Economics Laureate, whose 2006 book “Making Globalization Work”, is extraordinarily readable given its subject. It saves me from a lot of philosophizing on fairness, inequality and the use of power and says something pretty obvious.

It is about cotton - and its essence is this:

- Cotton is a symbolic issue in trade negotiations in that its effects on developing countries are mixed – if prices rise, consumers are worse off; producers better off.
- The US spends \$3-4bn subsidizing cotton. Subsidized water enables it to be grown by 25,000 very rich farmers in arid areas in the south-west USA. This is bad practice all round.

- This subsidy results in higher production and the lowering of the world price – hurting 1 million sub-Saharan cotton farmers in Africa. The damage done is greater than all the foreign aid that the US disburses.
- The European Union said the US should stop the subsidy. The US said, effectively, “no way – but we will open our markets so that African cotton can be sold in the USA.”
- There is only one problem – the US is a cotton exporter, not importer. The offer was made with great fanfare – “how generous” – but it was worth nothing at all.

I am now going to talk about “Fair Trade Past and Futures” in eight segments.

#### SLIDE 3 - THE SHAPE OF THINGS TO COME

- The Context of the Times
- Fair Trade, Alternative Trade and Product Certification
- The Scope of Fair Trade
- Fair Trade Evolving
- Fair Trade and Big Business
- Fair Trade and the Ethical or Conscious Consumer
- Fair Trade Towns
- Fair Trade Futures

As you can see, there is a lot to get through. I am going to take all manner of short cuts and will not be telling stories from the field. They are much better told through short videos on YouTube. I do also commend this new book – “The Fair Trade Revolution” – that is available for purchase on the Fair Trade products table.

#### THE CONTEXT OF THE TIMES

##### SLIDE 4 - UNCTAD

The 1960s, the first UN Development Decade, saw decolonization speed up with new young governments trying to develop industrial policy on uncertain political and economic ground. The UN Conference on Trade and Development was born and the slogan “Trade, Not Aid” began to be heard as a demand from the Third World, as the Global South was then known.

Fast forward to 1989. The collapse of the Soviet bloc led to talk of a unipolar world with “free trade” as the dominating economic “neo-liberal” global paradigm.

##### SLIDE 5 - WORLD TRADE ORGANIZATION

In 1995 the new World Trade Organization took over trade negotiations and UNCTAD was relegated to a research and consultancy role. Neo-liberal doctrine acquired the force of law. Member governments could now sue others to open their markets and remove “illegal” restrictions on the movement of commodities across borders.

Many countries in the Global South suffered on several fronts:

- The consequences of deteriorating commodity export prices and rising import oil prices led to resort to the IMF for support and the acceptance of Structural Adjustment Programs whereby government spending was diverted into debt repayments and, among other things, social services were reduced below existing levels, inadequate as they were.
- Millions of small-scale farmers in the Global South found themselves in competition with industrialized agriculture dominated by the major corporations of the North. It was hardly a fair fight.

- The abandonment of such mechanisms as the International Coffee Agreement (1989) and the Lome Convention (an important component in EU relationships with the Global South) forced producer prices even lower. Coffee growers, for example, experienced the lowest prices for a generation. There was deepening hardship among coffee growers and, in some places, real risks of starvation.

Without venturing far into a complex subject, the World Trade Organization was the product of the so-called Uruguay Round, a multilateral process of trade negotiations that started in Uruguay in 1986. It is the rule-setting body for international trade, an arena where the interests of the most powerful players, governments and corporations, are keenly exercised and felt, particularly in the “Green Room”, the realm of the political and commercial elite.

Because the Uruguay Round was recognized as having produced unfair outcomes to the Global South, a new round of negotiations on trade liberalization was started in Doha, capital of one of the Gulf Emirates, in 2001.

A “Doha Development Round” was supposed to focus on ways by which trade could support the development needs of the Global South. However, in 2008 the talks collapsed when the US and EU refused to open up their own agricultural markets while insisting on increased access to markets for services and non-agricultural goods in the South.

There are well-informed critics of the WTO in the non-profit community who summarize the problem in the pithy phrase, “rigged rules and double standards”. What was notable in 2008 was that the Global South did not, to use a term used fondly in American media, “cave”.

How the future of international trade negotiations will develop remains to be seen. The present arrangement hardly seems sustainable because of the power configuration. The UN ought to serve a purpose - perhaps there is a new role to be played by UNCTAD - but the UN is only as strong as its members agree.

In this same period the world of commerce also saw a lot of change, what with the major restructuring of commodity supply chains. There has been a big shift from producer-driven chains controlled by large production companies typified by mass-market products and vertical control to buyer-driven chains in which quality is a key attribute, products are highly differentiated and distributors or retailers (e.g. supermarkets) are able to control producers, impose conditions and capture an increasing share of value. This is the context for the lifestyle branding phenomenon of the last 20 years that gave rise to Naomi Klein’s famous 1999 book “No Logo”.

A US election season reminds us, as if we need it, of the power of corporations and the depth of their pockets.

#### SLIDE 6 - OCCUPY

Nowadays, though, we live also in “The Age of Occupy” and in the shadow of the 2008 financial crisis. New space for considering the reality and implications of rising inequality, nationally and internationally, may have been found. A key question is whether it can be used creatively.

We know as well that working people even in the Global North have not seen the just fruits of their labor for many years as a result of multi-national corporations’ so-called “Race to the Bottom”. It seems to be clearer than ever that unless labor is honored for its contributions to the economy, wealth keeps trickling up, not down. If that’s true in this country, how much more true is it of economic realities as between the Global North and South and within countries of the Global South?

## FAIR TRADE, ALTERNATIVE TRADE AND PRODUCT CERTIFICATION

So, while international trade agreements fail to demonstrate a capacity to achieve fair outcomes and corporations exercise vast and sometimes hegemonic power in pursuit of the bottom line, how should we characterize consumer-based “Fair Trade”

Fair Trade is simultaneously a way of conducting trade and business and a development process. Its two main objectives are

- to improve the position of small, marginalized producers in the Global South and,
- in the long term, to modify the functioning of international trade by mobilizing consumers in the North to press for change within companies producing the goods they want to buy and to urge governments to make international trading agreements more equitable.

### SLIDE 7 - DEFINITION

Here is one definition – Fair Trade “...is a system of exchange that honors producers, communities, consumers, and the environment. It is a model for the global economy rooted in people-to-people connections, justice, and accountability.” (*Adapted from Green America*) Note how producers come first and that the whole vision rests on the idea of long-term business relationships based on mutual respect.

Fair Trade is ethical, but not all ethical trade is “Fair Trade”.

### SLIDE 8 - FAIR TRADE IN SUMMARY

Fair Trade aims

- to combat child labor by providing a living wage to farmers and artisans, thus helping children to stay in school.
- To empower women to lead in cooperative development, which also raises living standards for whole families.
- to keep families together by paying enough to keep farmers and artisans in their homes to help develop their communities.
- to finance development by providing extra money (a ‘social premium’) to enable cooperatives and community development organizations to invest in better housing, health programs, schools and scholarships.
- to protect the environment by supporting small farmers who care for the land in sustainable and often organic ways.
- to promote democracy because Fair Trade producers and workers belong to cooperatives and community organizations that must be open and transparent in their practices and operations
- to encourage economic stability because buying Fair Trade helps support small scale agriculture. This increases a country’s food security and makes it less dependent on foreign imports.

What, then, is the practical essence of this “Fair Trade” scheme?

### SLIDE 9- MINIMUM PRICING - COFFEE

Instituting a Fair Trade minimum price to come into play when necessary. The prices of agricultural commodities are notoriously volatile, for weather-related and speculative reasons. Other production activities must not be carried on in sweatshop conditions.

### SLIDE 10 – SUPPLY CHAIN

Shortening the supply chain to cut out exploitative links (e.g. coyotes)

## SLIDE 11 – SOCIAL PREMIUM

A Social Premium to be allocated by the producer group to a project decided locally in a wide range of fields - health, education, transport, business development, women's empowerment etc, as well as these two – water in Malawi and a minaret in Indonesia.

Producers and importers committed to establishing long-term relationships.

Empowerment of farmers and workers through participation in democratic and transparent processes through cooperative development or other appropriate mechanisms. Women are prominent everywhere in Fair Trade

## SLIDE 12 – DIVINE CHOCOLATE

An exciting expression of “Fair Trade” is found in the story of Divine chocolate.

Over the last 20 years an initiative of Ghanaian cocoa farmers has seen the creation of Kuapa Kokoo, a 45,000 member co-op in 1300 village societies. Its cocoa is “pa pa paa” (Twi for “best of the best”).

KK aims

- to empower farmers in their efforts to gain a dignified livelihood.
- to increase women's participation in all of Kuapa's activities.
- to develop environmentally friendly cultivation of cocoa.

The farmers who set up Kuapa Kokoo, were supported by Twin Trading, a pioneer fair trade company in the UK and a Dutch NGO.

Firmly established by 1997, the farmers decided to invest in a chocolate bar of their own. Rather than aiming for the niche market where most Fair Trade products were placed, they would aim to produce a mainstream chocolate bar to compete with other major brands in UK.

Together with Twin Trading, Kuapa helped set up the chocolate company that was later to become Divine Chocolate with the support of The Body Shop, Christian Aid and others. The British Government's Department for International Development guaranteed the business loan, and the NatWest bank offered sympathetic banking facilities.

Divine Fairtrade milk chocolate was launched in October 1998 and by Christmas 1998, had made it onto the supermarket shelves in the UK. In February 2007 Divine Chocolate USA was launched.

The farmers' ownership stake in Divine Chocolate (45% in the UK, 33% in the USA at present) is a first in the fair trade world. It means that Kuapa Kokoo has a meaningful input into decisions about how Divine is produced and sold. As shareholders, the farmers also receive a share of the profits from the sale of Divine.

It is the result of long-term partnerships based on mutual respect involving producers, development NGOs, retail outlets, a major bank and a British government department.

Would that there be more Divines! But why not?

Where did this Fair Trade vision spring from? There are two main sources.

One expression of Fair Trade – so-called “alternative trade” – is practiced by Fair Trade businesses committed to work on Fair Trade principles throughout the supply chain. It is a practical witness to an alternative way of doing business.

Another expression is the certification of products marketed by any interested company as long as the products satisfy the criteria of national Fair Trade labeling organizations. It is the product, not the company that is certified.

## ALTERNATIVE TRADE AND PRODUCT CERTIFICATION

### SLIDE 13 - ALTERNATIVE TRADE

#### Alternative trade

The period after WW2 saw a wave of so-called ATOs (Alternative Trade Organizations) set up on both sides of the Atlantic, and in Australasia, to import and sell crafts in solidarity with refugees and other vulnerable groups in an effort, born out of religious and humanitarian conviction, to alleviate the poverty of the producers and their families. Alternative retail channels were used, mainly churches, bazaars and world shops. In the USA Ten Thousand Villages (of Mennonite origin) and SERRV (Sales Exchange for Refugee Rehabilitation Vocation, a Church of the Brethren initiative) came out of this tradition.

In the 1980s a new generation of enterprises emerged in the USA, formed mainly out of political solidarity with social movements and grassroots cooperatives in the then Third World. Some failed, some served temporary needs and others evolved into major players.

One of the latter is Equal Exchange. It started up in Massachusetts on worker co-op principles in 1986 as the first US for-profit alternative trading company. Equal Exchange has since developed a strong presence in the Fair Trade market for coffee, tea, chocolate and bananas.

In the early 1980s there was a group called Friends of the Third World. It started Coop Trading which was the first US importer of “ethical coffee”. Its annual gathering was in part instrumental in the formation of the North American Alternative Trade Organization in 1994, a body renamed as the Fair Trade Federation in 1995.

The Federation, now 242 members strong, became a member of the global fair trade business umbrella now known as the World Fair Trade Organization which itself has 450 businesses and members in 75 countries in five regions.

“WFTO members are organizations differentiated by their 100% Fair Trade commitment to eradicate poverty through sustainable economic development; pioneering social and environmental policy and practice and continual reinvestment in marginalized artisans, farmers and producer communities in some of the most fragile places on earth.”

WFTO is in the process of developing a “Sustainable Fair Trade Management System” that will verify that an organization practices Fair Trade in all its activities. Once certified, the organization will be able to use the label on all its products.

#### Fair Trade Product Certification

Back in the early 1980s the world price of coffee, the second most highly traded commodity after petroleum, was falling and continued to do so while the International Coffee Agreement collapsed as a price-regulating body at the end of the decade. The retreat of statist solutions to commodity price volatility opened up the field to initiatives from civil society such as product certification on various “ethical” grounds including that of “Fair Trade”.

The question of the value of labor was very much in the mind of a Dutch worker-priest in Mexico as he exercised his ministry among increasingly impoverished coffee farmers. Fr. Frans van der Hoff was an unusual parish priest in that he possessed doctorates in both political economy and theology. In 1981

he helped in launching a coffee producer cooperative (UCIRI – Union of the Indigenous Communities of the Isthmus Region) to bypass local traders (known aptly as coyotes) and to pool resources.

#### SLIDE 14 - FRANS VAN DER HOFF/NICO ROOZEN

Eventually Frans van der Hoff made connections with the Dutch ecumenical development agency Solidaridad. His collaboration with Nico Roozen (now its Director) led, in November 1988, to the launching of the first Fair Trade labeling initiative, Max Havelaar. The label, first only applied to coffee, was named after a best-selling 19th century book about the exploitation of Javanese coffee plantation workers by Dutch colonial merchants. Again the vision was of “honoring labor” and an attempt to create a model with more cooperative values than conventional business.

The initiative offered a price significantly above the market price to economically oppressed coffee producers who followed various social and environmental standards. The coffee, originating from the UCIRI cooperative, was imported to the Netherlands, roasted and then sold directly to world shops and retailers across the country with great success.

The “fair trade” idea caught on and was developed by other Fair Trade national labeling initiatives - Max Havelaar (in Belgium, Switzerland, Denmark, Norway and France), TransFair (in Germany, Austria, Luxembourg and Italy), the Fairtrade Mark in the UK and Ireland, Rättvisemärkt in Sweden, and Reilu Kauppa in Finland.

Success, though, had to be worked for. Supermarkets had to be pressurized by grassroots activists – churches, women’s groups, local development agency supporter groups – to recognize that there was a demand based on a desire to buy products that did not result from exploitative conditions in the Global South, that such products were available and that they would lose business if they could not provide shelf space.

#### SLIDE 15 - FLO

In 1997 Fairtrade Labelling Organizations International (FLO) was established in Bonn, Germany to unite the labeling initiatives under one umbrella and harmonize worldwide standards and certification. In the same year a labeling initiative was formed in Canada with the name of TransFair Canada..

#### SLIDE 16 - PAUL RICE + TRANSFAIR LOGO

In 1998, with funding from the Ford Foundation and under the auspices of the Institute for Agriculture and Trade Policy in Minneapolis, TransFair USA was launched as the national Fair Trade labeling organization in the USA and a member of FLO. In 1999 it moved to Oakland, CA. The “bucket boy” is obviously an Everyperson figure in a global context denoting “justice”. The founding and current CEO is Paul Rice, who worked with Nicaraguan coffee coops for 12 years from the mid-1980s, saw local coffee being marketed in Europe by European Fair Trade organizations and decided that the USA needed its own labeling initiative. He has led TransFair USA’s rapid growth as a “social entrepreneur” and has gained access to such circles as the Clinton Global Initiative and the World Economic Forum to speak about Fair Trade.

#### SLIDE 17 – FLO MARK

In 2002 FLO launched the international FAIRTRADE Certification Mark (note the compound word). The goals of the launch were to improve the visibility of the Mark on supermarket shelves, facilitate cross border trade and simplify export procedures for both producers and exporters.

The Fairtrade graphic symbol of a person with a raised arm represents the optimism of producers, linking the everyday determination of people in developing countries with the aspiration of consumers around the world. The blue sky of potential is connected to the green of growth.

The Mark is owned and protected by FLO on behalf of its members. Producer representatives joined the FLO Board of Directors. TransFair USA and TransFair Canada decided to retain their existing “bucket boy” labels and not adopt the new global one.

By the end of the first decade of the new Millennium the FAIRTRADE Mark was the most widely recognized social and development label in the world, except for North America.

#### SLIDE 18 – IMO & CLAC

As an aside, I only mention these two other Fair Trade logos – one from the South and the other from the North. They may both be more visible in the USA in future.

2009: FLO published “Making the Difference”, a new global strategy designed to focus more strongly on the empowerment of producers and scale up the impact of Fair Trade all round, including in a variety of production processes.

#### SLIDES 19-22 - CHARTER FOR FAIR TRADE

2009: FLO and WFTO drew together these two currents - the 100% Fair Trade business and product certification - at the global level through the publication of a joint “Charter of Fair Trade”. Here is its definition of Fair Trade:

“Fair Trade is a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.”

It also stated:

“Fair Trade is a system for development among producers, not a risk-management or marketing tool for buyers, although demonstrating compliance and impact are important elements in building and retaining the trust of buyers and end consumers.”

### THE SCOPE OF FAIR TRADE

#### SLIDE 23 - TABLE

What has all this “Fair Trade” activity achieved? The numbers may appear impressive, but they are, of course, only a minute part of the global economy.

More than 1.2 million producers and workers organized in 878 Fairtrade certified producer organizations in 63 developing countries now benefit from global Fairtrade sales – 6m. people when family members counted. 75% of these are cooperatives, the basis of the Fair Trade movement, though the bulk of the growth in volume certified has come from larger production units that meet specially adapted Fair Trade criteria.

Producer groups:

Latin America & Caribbean: 493 in 23 countries (Peru 78, Colombia 77)

Africa: 257 in 29 countries (Kenya 52, South Africa 44)

Asia: 128 in 12 countries (India 62)

Coffee cooperatives represent 33 percent of all producer groups, while producer organizations certified for produce account for 16 percent.

Products in the FLO system - coffee, produce, tea, cocoa, wine, nuts & oilseeds, flowers, cotton, sugar, dried fruit & fruit juices, honey, herbs & spices, beans & grains, sports balls, gold.

Fairtrade has now achieved significant market share in many product categories in the 70 countries where Fairtrade products are sold. In some national markets Fairtrade accounts for between 20-50% of market share in certain products. 42% ordinary sugar sold in UK is Fair Trade.

In addition to other benefits, approximately \$164 million was distributed to communities in 2007-2010 for use in community development. Including families and dependents,

The sales of Fairtrade certified products grew 27% 2009-2010. In 2010, Fairtrade certified sales amounted to approximately €4.3 billion worldwide

#### SLIDE 24 - THE "SUCCESS" OF FAIR TRADE USA

By this time FTUSA could show impressive figures for a non-profit that had inserted itself into US business circles and negotiated terms for the their marketing of Fair Trade goods.

It is not difficult to demonstrate Fair Trade USA's success:

- Imports of FTC products into the USA rose from 76,000lbs in 1998 (coffee only) to over 800m in 2010, of which 555m was coffee.
- Imports of FTC products into the USA in 2010 in pounds (in round figures) (1998) = first year Coffee 555m. (1998); Tea 7.3m (2000); Cocoa 16.6m (2002); Grains 3.9 (2005); Sugar 50.6m. (2005); Produce 157.2m. (2004); Vanilla/spices 0.83m. (2006); Flowers 29.5m. (2007); Honey 1.4m. (2008); Wine 2.2m. (2008)
- Premium payments rose from \$3,803.00 in 1998 to \$14,360,082 in 2010 (A total of \$56,155,218 since 1998)

#### SLIDE 25 – FAIR TRADE CERTIFIED PRODUCTS IN USA

The list of certified Fair Trade products is growing. Fair Trade ingredients are found in some 10,000 products.

#### SLIDE 26 – US & UK FAIR TRADE MARKETS COMPARED

All that is good – but the size of the Fair Trade market is still not even on a par with that of the UK. Way to go, USA!

2009	2010
UK – E950m.	E1,350m.
US - E850m.	E 940m.

### FAIR TRADE EVOLVING IN NORTH AMERICA

#### SLIDE 27 – 2012 LOGOS – CANADA AND USA

The end of the decade saw significant developments in the Fair Trade community in North America.

- In October 2010, TransFair USA changed its name to Fair Trade USA.
- In May 2011 TransFair Canada adopted the International Fair Trade Mark and became Fairtrade Canada.....it is fully part of the FLO system.
- On December 31, 2010 Fair Trade USA left FLO International to promote a new "Fair Trade For All" program with a new Fair Trade Certified logo. FTUSA's main concern is to be open to

apply Fair Trade principles to the coffee estate sector in a way that FLO admits some tea and bananas from large farms. FLO resisted this change. FTUSA will be implementing a number of pilot projects in 2010-11 to test the viability of this approach.

- As from January 1, 2012, authority for licensing FLO's International Fairtrade Mark in the USA was passed to Fairtrade Canada.
- In March 2012 FLO decided to establish a legal presence in the USA by early April so as to be able to promote the use of the international Fair Trade Mark in the US.

This, then, is the current shape of Fair Trade labeling.

#### SLIDE 28 – FAIR TRADE LABELS 2012

On the new FTC logo the use of green expresses the environmental benefits inherent in Fair Trade, and the simpler, 'farmer with an open basket design' communicates the reciprocal relationship we have with the farmers that produce our food."

#### SLIDE 29 – FAIR TRADE FOR ALL

Fair Trade's new program "Fair Trade For All" is designed

- to "innovate the Fair Trade model" to benefit far more people. Scaling up in the key aim.
- to "strengthen farming communities", including but not only cooperatives.
- to "ignite consumer involvement" to increase awareness of Fair Trade to nearer European Levels (80% in the UK) and thereby "double the impact" of Fair Trade in the USA by 2015.

FTUSA will recognize FLO's standards until they establish their own with the technical support of an internationally-respected agency, Scientific Certification Systems.

#### SLIDE 30 – International Year of Cooperatives

It is ironic that Fair Trade USA's new program is being introduced in the UN Year of Cooperatives. However, FTUSA has taken new initiatives to work more intensively with cooperatives to ensure that they are not disadvantaged by the new program.

The Fair Trade movement is nothing if not dynamic and argumentative. That must be a good thing. It would be dreadful if there was no debate and that one of its constituencies claimed a monopoly of the truth. The objective, within both FLO and FTUSA, is to increase the impact of Fair Trade.

### WORKING WITH BIG BUSINESS

#### SLIDE 31 – FAIR TRADE & BIG BUSINESS

Over the last 25 years the notion of Corporate Social Responsibility (and latterly Accountability) has developed and been taken up widely in the business world. The work of advocacy NGOs like Global Exchange is part of this, notably in its campaign directed towards Starbucks over ten years ago. Fair Trade has been a leading force in this development.

FTUSA's evolving strategy is thus only building on its previous experience. In this approach it is by no means alone. FLO wants to see its members so engaged. The Fairtrade Foundation, the UK labeling body in London, works hard at "mainstreaming" Fair Trade – "with integrity", it says. The Foundation rejoiced when Nestle, the largest coffee trader in the world, launched a Fairtrade "Partners' Blend" coffee, much to the fury of the baby-milk campaigners.

#### SLIDE 32 – FAIR TRADE & BIG CHOCOLATE

In 2010 came two developments in the cocoa and chocolate field that either disturbed or excited the Fair Trade community in the UK and wider. Cadbury is a household name in Britain. It is an old-established, Quaker-founded chocolate company with a strong social conscience in its history. Its

cachet was such that there were questions in Parliament when it became known that the board was considering selling the company to Kraft Foods. Only the previous year Cadbury had committed to market its famous “Cadbury Daily Milk” chocolate bars using Fair Trade cocoa from West Africa. The sale went through and, so far, Kraft has not reneged on Cadbury’s agreement with the Fairtrade Foundation. Fair Traders are doubtless keeping a crafty eye on things! The potential for increasing Kraft’s interest in Fair Trade, if there is much at all, remains to be seen.

In the case of Nestle the story has moved on. Kit-Kat, a very well-known chocolate-covered wafer in Britain, is now being made with Fair Trade chocolate. The incrementalists are happy. Purists are not.

Interestingly, Nestle has responded to pressure about child labor on the farms from which it derives its cocoa. The plight of trafficked children, especially in Ivory Coast, has been of concern for the last ten years, as is evidenced by the work of US Sen. Tom Harkin and Rep. Eliot Engel to strengthen the commitment of both companies and governments to address the issue.

In January the Fair Labor Association, founded in the Clinton years over concerns about wearing apparel and footwear being made under sweatshop conditions in Asia, announced that it would shortly be investigating cocoa farms in Nestle’s supply chain. When child labor is discovered FLA will try to identify the root causes. Nestle will then work with the FLA and other stakeholders, including the Ivory Coast Government, to address the issues arising. Meanwhile Nestle is pursuing its application to become the first food company in membership with the FLA. The fly in the ointment here may be the credibility of the Fair Labor Association. The transparency of its methodology and subsequent report will provide the evidence.

#### SLIDE 33 – THE US SIDE OF THINGS

For ten years Hershey has been the target of a campaign orchestrated by Global Exchange, the San Francisco non-profit, to “Raise the Bar” over child labor in West Africa. Just recently, after all this time, Hershey budged - a little – and for the first time agreed to the role of a third-party certification agency in validating its credentials in the making of its Bliss chocolate bars. The certification is RA and not FLO, but it is a breakthrough. The question is whether the pressure can be maintained and Hershey’s door widened to take in a Fair Trade perspective. (Meanwhile Hershey markets Cadbury Dairy Milk in the USA without the use of Fair Trade chocolate. Go figure).

None of these developments make Nestle, Kraft or Hershey into Fair Trade companies. There are dangers that the association with Fair Trade will be misused in advertising in order to create a “fair” image in the public eye. Disputes will arise, as they have done with Nestle. In the interests of maximizing returns to the producers, the Fair Trade movement needs to keep its eyes open, constantly, and be careful about conflicts of interest.

Paul Rice, CEO of Fair Trade USA says,

“I have no blinders on about what these companies have done.....we don’t want to be a PR device or a greenwashing device, for anyone.”

#### SLIDE 34 – DOLE & FTUSA

This sentiment will be put to the test over the next few months as a special focus on the banana industry is developed, a process in which MAFTTI will take part. FTUSA and Chiquita failed to come to an agreement a few years ago. Now that a couple of documentaries about Dole are going round the international Fair Trade network it will be interesting to see what traction the movement can obtain on the issue of working conditions on Dole’s banana plantations and securing the much more regular appearance of Fair Trade bananas in Mankato’s supermarkets.

Incidentally, there is a very interesting chapter in “The Fair Trade Revolution” by a the UK supermarket man who was responsible for switching to 100% Fair Trade bananas – and not raising the price.

It is not at all difficult to be cynical about engaging with business on CSR terms. The question of whether the market can deliver both short-term financial returns and long-term social benefits is a serious one. Nevertheless it needs to be recognized, as an experienced American chronicler of the certification movement, Michael Conroy, has noted, that

- Advocacy NGOs have learned to find the corporate soft spot and have found ways of enabling companies to recognize business reasons for taking wider views of some of their activities.
- Corporations have learned of their vulnerabilities and have tried to find ethical solutions of some sort.
- In the absence of statist solutions, non-profit certification systems have filled the need for independent third-party verification of the best contemporary corporate accountability.

In his 2007 book “Branded!” Conroy briefly recounts the uproar that accompanied McDonald’s decision to serve Fair Trade coffee in its New England branches. His concluding words were, “When my friends argued that this was the ultimate debunking of Fair Trade, I simply asked them whether there is another sustainable system in sight that would bring the extra millions of dollars in annual benefits to small-scale struggling coffee farmers around the world.”

#### FAIR TRADE AND THE ETHICAL OR CONSCIOUS CONSUMER

##### SLIDE 35 – IPHONE

As we have seen consumer-based Fair Trade is usually associated with, but will not want to be limited by, primary, mainly agricultural, commodities. You may recall how, a few weeks ago, that famous multinational known as Apple was in the news for all the wrong reasons. Reports focused on working conditions in its Chinese factories. A Chinese-American academic wrote, “Can there be Fair Trade in the electronics industry?”

It appears from research that the most people are willing to pay for an “ethical and sustainable product” is 10-20% more than a conventionally-made product. “Ethical” means that workers make enough to feed their families, send their kids to school and afford basic healthcare, plus they have the ability to report poor working conditions to management anonymously.

On the other hand it is not difficult to find academic studies that identify a substantial gap between “talk and walk” when it comes to actual spending on “ethical” products.

However, we are living in a world transformed in communications terms over the last 20 years or less. Information technology has facilitated connections between networks of otherwise weak players in both commercial and political power games, and enabled them to have influence beyond their numbers. This has brought to the Global South what has been called a “revolution of rising expectations”, particularly among the youth, and, in the Global North, a heightening of awareness of global disparities between rich and poor that has served as a major impetus for the Fair Trade movement.

Nowadays there is evidence that ordinary people in the Global North

- want to feel that they are more in touch with the producers in the South who supply their purchases.
- feel they can make a difference to the economic circumstances of Southern producers through their purposive, informed purchasing of so-called “Fair Trade products”.
- become empowered in doing this to engage in the political realm and raise challenging questions of business leaders and politicians.

This leads naturally into another fast-growing phenomenon within the Fair Trade movement.

## FAIR TRADE TOWNS

### SLIDE 36 – FAIR TRADE TOWN DECLARATION POSTER

It is now five months since the Mankato City Council unanimously passed a Resolution declaring Mankato a Fair Trade Town according to the criteria of the national Fair Trade Towns USA campaign. This occasion gives me the opportunity not just to advertise the fact but, before I conclude, suggest some ways by which the idea might gain greater strength and depth in the lives of both Town and Gown. So what is this all about?

### SLIDE 37 – BRUCE CROWTHER

In the millennium year in a small town in north-west England, Garstang, there lived a veterinarian by the name of Bruce Crowther. An Oxfam volunteer, he had a deep passion for the plight of the poor in the Global South. He was well aware that millions of farmers in Africa, Latin American and Asia remained poor because of both natural and manmade constraints. He also knew that growth in international trade, well-managed, would be more significant in combating poverty than a lot of foreign aid. He was a young man in 1968 when the New Delhi conference of UNCTAD had made the plea for "Trade, Not Aid"

Bruce had the idea that his small town, 5,000 in population, might become a "Fair Trade Town". He was a persuasive fellow! He secured support from retail shops, churches, schools, voluntary bodies and the local Town Council. On April 27, 2000 Garstang declared itself the world's first Fair Trade Town.

Little did Bruce know what he had done! The idea of a Fair Trade Town swept the UK, into Europe and, in 2006, into the USA. There are now 1,100 Fair Trade Towns in 23 countries.

### SLIDE 38 – GLOBAL LIST

In the UK there are over 500 Fair Trade Towns. 4,000 Fair Trade Churches and other Places of Worship, 500 schools and 120 universities have made commitments to do two things

- (a) use Fair Trade products when possible
- (b) work in other ways to promote a more equitable international trading system.

Major supermarkets carry a wide range of Fair Trade products. Fair Trade signs can be seen at coffee shops at railway stations, on a British transatlantic airline, in cafes, in stately homes and in the restaurant facilities within the Houses of Parliament in London.

What, you may ask, is a Fair Trade Town? It is one where a few criteria are met and recognized by the town or city council. They are minimal requirements serving as initial benchmark, a platform upon which local Fair Trade Town Committees work to extend the reach of the Fair Trade concept and practice after the Declaration is made. The criteria, which relate to population, are:

- a Steering Committee has been formed to promote Fair Trade Town status and ensure commitment to it.
- a range of Fair Trade products is available.
- Fair Trade products are used by a number of institutions and work places.
- Media coverage and popular support are obtained.
- The City Council passes a Resolution supporting Fair Trade and commits itself in principle to seek to use Fair Trade products as far as it can.

Town Councils are often proud of this designation and glad to see attention drawn to it, as by these pictures from Lichfield in England and Media, PA, the first Fair Trade Town in the USA (2006)

SLIDE 39 – LICHFIELD, ENGLAND AND MEDIA, PA, USA

SLIDE 40 – US LIST

In the USA there are now 26 Fair Trade Towns, with more to come in the next few months.

SLIDE 41 – US GROUP in MALMO & CROWD

In November my wife Arlene and I were part of a US delegation of nine to the 5<sup>th</sup> International Fair Trade Towns Conference in Malmo Sweden, where 225 Fair Traders gathered from over 20 countries, from Brazil to Japan, Ghana to Poland, to share experiences, analyze shared challenges and refresh visions. Mankato is on the international map!

## FAIR TRADE FUTURES

What can be said of the future?

- Alternative Trade enterprises will continue to build their relationships and maintain a clear focus on small-scale producers in what Equal Exchange calls “Authentic Fair Trade”. They will keep the Fair Trade movement on edge.
- The structure of Kuapa Kokoo provides an important model of power-sharing and enabling a more just reward to flow to the producers.
- The FLO family and FTUSA will continue the volume approach, seeking to change business priorities and behavior for business reasons, practically linking them to Fair Trade producers and empowering the latter to engage with business, trying to live creatively with the paradoxes involved in those processes.
- FTUSA will report on the pilot projects outside the co-op sector under “Fair Trade For All”.
- The international Fairtrade Mark may become more frequently seen in the USA, as will the Small Producers’ Symbol.
- Experiments with other models consistent with Fair Trade, where more value can be added closer to the point of production, will become better known.
- The small, young Domestic Fair Trade Association in the USA will try to extend its membership and stimulate adoption of Fair Trade principles in some parts of the agricultural sector here.
- More challenges to the future of Fair Trade will come from the South. FLO’s decision in October to strengthen Southern voices in its top consultative bodies is a recognition of the need to grow beyond an era when it was dominated by Northern NGOs, natural as that might have originally appeared given the geography of corporate power. The Malmo conference recognized the significance of the start of the Fair Trade Towns movement in Ghana, Costa Rica and Brazil. The Latin American and Caribbean Small Producers’ Association will want their voice to be heard.

What of Fair Trade Towns?

Because trade is one of the most basic of human activities, the scope is huge. “Is this a fair trade?” must be one of the first questions ever asked. Ask the Dakota people about the 1850s in Minnesota.

The active “ethical” or “conscious” consumer is a precious asset, wherever they are on the spectrum from charity to justice, whether they respond to the happy smiles or the statement of change.

## SLIDE 42 – SMILES & REVOLUTION ROAST

It will be good if the Mankato area consumers can be enabled

- (a) to distinguish and understand Fair Trade within the often confusing logos of voluntary certification systems.
- (b) to understand from the experience of the organic movement that the present voluntary Fair Trade certification system may not be the only way forward.
- (c) to understand that trade legislation and negotiations need their informed attention and response in the interests of promoting a fairer world. The TRADE Act sponsored in the US Senate by Sen. Sherrod Brown has good things in it to support the ambition of its acronymic title – the Trade Reform, Accountability, Development and Employment Act.
- (d) to recognize and exploit the potential of developing a network of Fair Trade Towns in Minnesota, the better to advocate for change on Fair Trade terms in commercial and political spheres, regionally and nationally.
- (e) to appreciate and contribute to the role of the Minnesota Fair Trade Coalition.

It will be wonderful if the impressive work on Fair Trade being done at Loyola High School can inspire similar action and learning in the public schools in the district. The future is with the youth, and they have the technology to make exciting things happen.

After the Fair Trade Town Declaration in Mankato in October I received a number of messages from local people expressing pleasure at this development. One of them especially spoke to me. It read.....

“What a wonderful opportunity for our community to stand in solidarity with people the world over. Thank you for making this a possibility for us!”

I’m still absorbing that one, but I do believe that there is great potential here. I know of at least four churches, for instance, that have connections with Guatemala. Wouldn’t it be interesting to get them together to exchange experiences and reflect on issues of economic justice?

## SLIDE 43 – FAIR TRADE TRIANGLE

I wonder if this example provides a spot of inspiration. We have to go back to Malmo. We heard there about an active relationship between three First Fair Trade Towns - Garstang, Media, PA and New Koforidua in Ghana that mirrors the slave triangle of old, sustained by video links and personal visits and cooperative work. Where might such connections be made by Mankato – with Guatemala? the Horn of Africa? Palestine?

### Lastly - what of the university?

A Fair Trade University campaign is in process across the country, also, like Fair Trade Towns, facilitated by Fair Trade USA. The question is whether the embryonic effort at MSU can be nurtured. Perhaps foreign students from countries where Fair Trade projects are found can help here. Sodexo is already providing Fair Trade coffee and tea in Jazzman’s Café and the dormitory dining areas but more could be done.

As a subject of study Fair Trade can be approached, as I said at the start, from any number of angles, many of which overlap. Here are just a few illustrations:

### SLIDE 44 - Marketing:

- Ethical consumerism and the certification era – what are the prospects, limitations and, perhaps, contradictions?
- What is the potential of purposive networking by Fair Trade organizations to counter their individual weaknesses in order to confront dominant corporate power?

- What are Southern producers saying about marketing in the North – are good feelings for consumers enough? What does solidarity with Southern Producers mean?
- What can the Organics movement teach Fair Trade in the light of history of the USDA organic label?

SLIDE 45 - Behavioral Psychology:

- Can the ethical consumer base be enlarged?
- If political votes can be cast against economic self-interest, why not the making of shopping decisions?
- Does the Green movement have anything to teach Fair Trade in this regard?

SLIDE 46 - Gender Studies:

- Women constitute a sizeable majority of people active in the Fair Trade movement in the USA, as retail store owners and activists. Why are men not more involved?
- How far does Fair Trade challenge and change gender roles among Northern consumers and Southern producers? What are the opportunities, implications and challenges?

SLIDE 47 - PPE:

- Does capitalism need to recover a sense of fairness through reconnecting with the moral, social and spiritual considerations that were the foundation of Adam Smith's insights about economics?
- Can CSR be embedded into new understandings of sustainable business where "shareholder value" is not the sole criterion of success (e.g. Corporation 2020 process). Is the concept of the "triple bottom line" a useful guide to sustaining business in the 21<sup>st</sup> century?
- Within the context of current trade negotiations can support be mobilized to incorporate the inclusion of binding obligations on Fair Trade principles.
- What must happen to avoid international trade negotiations being criticized for exhibiting double standards and rigged rules?

SLIDE 48 - Environmental Sciences:

- Climate change, agricultural sustainability and trade all go together. Fair Trade flowers are available in the USA from Colombia; from Kenya in Western Europe. Where can projects be found where these issues are consciously addressed? What can be learned?
- Where are the most fruitful points of contact between Fair Trade Towns and the Transition Towns movement that focuses on a future using less carbon-based energy.

SLIDE 49 – Communications

- What is the record of the mainstream media in providing objective reporting on issues of economic justice such as international trade relations?
- If this is less than stellar, what are the constraints? Money? Ownership? Ratings? Can anything be done?
- Where is "best practice" in the use of social media to strengthen "networking networks" of consumers (the weak) to confront the power of hegemonic corporations (the strong)?

SLIDE 50 - Anthropology & Sociology:

- What happens at the micro-level in Fair Trade contexts? How can the contribution of Fair Trade be distinguished from among other variables in the development process? Who makes the judgement?

- Where does Fair Trade, through its sustaining of livelihoods and international networking, contribute to maintaining hope as well as economic reward in a situation of conflict?
- What is the potential of purposive networking by Fair Trade organizations to counter their individual weaknesses in order to confront dominant corporate power?
- Who “owns” the Fair Trade movement? North NGOs, Southern producers, MNCs?

So much for the examination paper approach! Fair Trade is, however, a fast-moving social phenomenon. There is much need for analysis of what works and what doesn't, and reflection on how well Fair Trade is practicing what it preaches.

I can assure students in the audience that there is a great deal of fascinating material out there for you to delve into. I hope that you will, and that many of you present will reflect on how you can participate in the Fair Trade movement in the Mankato area - as consumer, student, researcher, networker, advocate – or even a fully engaged member of the MAFTTI team.

Governments focus on national interest; corporations on the bottom line. The Fair Trade movement seeks to enter into informed dialogue with both, challenging them to reach beyond the short-term and to recognize that, globally-speaking, there is no sustainable future without a fair future.

#### SLIDE 50 - MAFTTI LOGO

Thank you again for allowing me to speak this evening. The preparation of this lecture has enabled me to broaden my own knowledge and perspective no end, a process that will, I hope, be of benefit to MAFTTI and perhaps the wider Fair Trade Towns network in this country.

Thank you for your attention.

