

An Analysis of Fair Trade: Reflections from a Co-founder

Written by {ga=administrator}

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By Administrator

The following is a speech by Rink Dickinson, co-founder and co-president of Equal Exchange, given at a conference of the [InterReligious Task Force on Central America](#), on October 22nd in Cleveland, Ohio about the current state of Fair Trade.

I want to thank IRTF for the opportunity both for myself and for Equal Exchange to be sharing some of our thoughts on the current crisis in fair trade. For Equal Exchange the InterReligious Task Force on Central America is an extremely important ally. We share a common history with IRTF in terms of our roots and our inspirations. And both of us have been at this for quite some time showing up fighting for the right thing and most of the time fighting upstream. We applaud you for your work showing up month to month, year to year and now decade to decade. Your work is vital. We need citizen involvement to have any type of world that we will want to live in and pass on to future generations. We need this involvement for our politics and social development in the U.S., for politics and social development in Central America and we need this involvement to have any hope of a live real authentic fair trade movement that connects small producers in the south with consumer/citizens in the U.S. IRTF is a model of that type of involvement and one that needs to spread to other U.S. cities and communities.

I want to cover several topics today. First, I want to share some of the root DNA that I believe was put into Equal Exchange from the beginning by Jonathan, Michael and me as founders because I believe that DNA has directly led to Equal Exchange having the success we have had and because I believe we can build more successful organizations and movements if we share our learning. Because we are moving rapidly towards a time where all kinds of products will claim to be fair trade due to the weakening and betrayal of fair trade, we as activists need to build our skills to understand how trade works and what we think real fair trade looks like.

With this goal, I want to examine two supply chains: the amazingly successful small farmer coffee supply chain which activists, consumers, alternative traders, fair trade certifiers and commercial companies built over the last twenty five years and its cousin, the weak, poorly articulated, small farmer tea supply chain that Equal Exchange has also spent over a decade trying to build. By examining these supply chains and bearing in mind the ones we don't have time for today such as chocolate and bananas I believe it will become more clear what authentic fair trade looks like. Finally, I will try to share some of our thinking about what we need to do next in this time when fair trade has been first weakened and then betrayed.

The Root DNA or Founding Principles of Equal Exchange

Founders and Founding Principles - Equal Exchange was started by Jonathan Rosenthal, Michael Rozyne and me. The three of us were all working at a food coop warehouse from the early 80's before Equal's founding in 1986. Working together in that environment that functioned in the food system but was active in trying to change the food system fed our souls and gave us vital experience. We got to buy and sell produce, cheese, and grains. Because that warehouse was doing cutting edge work buying from farmers coops we learned how to trade like this. And we made all kinds of mistakes. Over ordering. Under ordering. Buying from farms that were too big for us, or from farms that were too small, or were poorly organized.

We were direct marketing local products, often produce, to all kinds of consumers who were organized in pre-order/self organized clubs and cooperative storefronts We got to learn about marketing, customer service, co-op democracy, and building a movement while moving a product.

Those Lessons Were Grafted Into the Core Operating DNA of Equal Exchange

The first strand of the DNA was to take risk and learn. And we knew to do that meant to experience ongoing failure. Everything about Equal Exchange was a risk by definition. Our starting product - Cafe Nica Nicaraguan coffee was from an embargoed country. Our entire concept was to sell fair trade coffee and food which in 1986 meant we were marketing a concept that simply didn't exist. But beyond that we didn't know how to raise money, how to incorporate, how to create financial statements or really how to launch Equal Exchange. But we did know how to support and challenge each other. We shared this work with each other and opened the door for others but tried to keep a high bar. We believed new members needed to be given authority to make decisions but only if that was earned through responsibly admitting failure, sharing failure, and hence creating genuine learning. In a very real way that learning was the product we were trying to create. That learning was also critical to try to hold together the other two key somewhat contradictory strands of core operating DNA.

The second strand of the DNA was democracy. The co-op warehouse we worked at before Equal Exchange was collectively run by consensus by employees who were not owners of the co-op and had no governance control of the co-op. Instead, ownership (which was weak) and control were, in theory, held by consumers in the buying clubs and stores to whom we sold. Jonathan, Michael and I loved the democracy experimentation, at times loved consensus, and strongly objected to the employees being absent in ownership, governance and control. Instead of running from democracy and creating a private company, we ran towards democracy and

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created a worker co-op dedicated to the goal of supporting small farmers. It was a pretty crazy dream and I feel fortunate every day to get to do this work. It is not easy trying to even understand how to build a market-based organization that is democratic. We fail on a regular basis as we walk down this path. But we stay on that path.

The third strand of the DNA was strong management. We believed that the only way we had a chance to succeed was to hustle, make decisions, screw up, and get back up and do it again. To do this, meant that management needed to be empowered and backed up. The seeming contradiction is to build democracy while building strong management. Holding these things together are people and the need for an outstanding hiring process and the need for a high degree of trust. That trust is still there at Equal Exchange today but not as a static easy guaranteed trust. It is earned and lost and re-earned everyday as we all go through the stresses and strains of supporting small farmers, increasing sales, taking care of customers, and wearing the multiple hats of owners, workers, and perhaps managers or board members as well.

If you were to walk through the halls of Equal Exchange in Massachusetts you would keep hearing the term SUPPLY CHAIN. What is a supply chain and what does it have to do with our story of the development and betrayal of fair trade? Supply chains are networks that connect producers and consumers. So every product out there has a commodity chain or supply chain associated with it. These chains are kept invisible. In our advanced consumer society, products exist for consumers as consumers; they are not associated with the dirt, noise, trucks, boats, exploitation or the mindless repetition that created them. It is our job to understand how products are produced and to educate our fellow citizen consumers. Or better yet, to ask the questions that will allow all of us to better connect our consumer lives with our worker lives and with our citizen lives.

Let's start with coffee. How did fair trade in coffee happen? How was this supply chain built? Who took the risk? Who benefited? What can we learn from this history?

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Part II: Building Fair Trade Coffee: How and Why?

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It's not like just one day Starbucks or Green Mountain or Dunkin Donuts woke up and decided it would be a really hip idea to buy from small farmers coops. No; it took years and decades of work to organize, entice and cajole these worthy giant corporations to do it our way. And let's be clear; we did not ask them for their advice on how to trade fairly, how to support small farmers and how to have fair trade "impact". Remember that word impact because it is being bandied about quite a lot by the people who are trying to steal fair trade from us. Their argument is whatever leads to higher volume by definition is higher fair trade impact. No, Starbucks and Green Mountain and Dunkin Donuts had very high volumes of coffee but no fair trade impact until we allowed them into our system on our rules. And to be clear large corporations are welcome to participate in, and profit from and support authentic fair trade. But they or their unconscious surrogates such as Transfair USA are not welcome to take over our fair trade. They can have all the corporate responsibility programs they desire. That is great. But no they do not get our beautiful model that activists, consumers, small farmers and alternative trade organizations have patiently built for decades. Fair trade is ours not theirs.

The coffee supply chain was built by alternative trade organizations such as GEPA in Germany, Fair Trade Organisatie and Stichting Ideeel in Holland, and Twin Trading in the UK.

These organizations and their NGO allies went out and made connections with small scale farmers. Usually those farmers were selling to middle level traders who were exploiting them. The farmers all were in some process of forming or strengthening democratically controlled coops that would keep the surplus made in the coffee trade with the farmers.

These organizations and their NGO allies then had to slowly build the coops' capacity. The coops had to learn how to wet and dry process their coffee. Without controlling the flow of coffee into the processors and the internal terms of trade small farmers would remain exploited.

The alternative trade organizations and the coops then had to learn how to export and import. How do you get the legal right to do that? How do you send money in a way that it actually gets to the coop? Speaking of money, how would all this coffee get financed? Fair trade lenders were built from this network to solve this part of the problem. What about quality? How would the coops learn to control quality and educate their members to grow and process quality coffee?

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There was a lot of economic risk taken and no meaningful profit to be made from fair trade. Only mission driven traders and non profits and visionary coops would take on this type of task.

For the alternative trade organizations (ATO's), there was a whole other set of work on the market side. The ATO's needed to learn to import, again to learn how to understand quality and build a quality system that worked for the coops and for the alternative trade organizations. The ATO's needed to find sympathetic roasters who would work with them on terms that were reasonable. And the ATO's needed to find stores and distributors and ultimately consumers who would support small farmers and fair trade.

This Latin America to Europe coffee supply chain was built slowly, patiently and with great vision and risk. By the late 80's, the supply chain was strong enough to try to expand to the next level.

The U.S. version of this story is broadly similar. Equal Exchange was able to jump onto the European supply chain because alternative trade groups in Europe and small farmers wanted to see this type of trade flourish in the U.S. Despite their desires, the U.S. was at least a decade behind Europe in fair trade development. We were often able to work with producer groups that already sold to European fair traders. These groups by the early 90's often had some experience with in country processing, quality, financing and export. Therefore our risk was reduced dramatically.

What was more daunting was building alternative trade on U.S. soil. There was no broad network of alternative trade food friendly stores like there was in Holland, and Germany. There were no dominant national level coops that were open to coop to coop trade like there was in Switzerland. There was in the first few years a strong Central American solidarity movement. Nicaraguan coffee, legal through a loop hole in the embargo, was sold in substantial volumes in churches, solidarity groups, natural food stores, and consumer coops.

When the Central American solidarity movement lost its energy, it felt like we were in the woods alone talking about fair trade day after day, week after week. We were living proof of what Woody Allen said that "80% of success is showing up". But Europe kept growing, fair trade seals kept spreading, more producers entered the network, more fair trade banks developed and we kept telling people about this model of trade. And because speciality coffee kept growing and it had really high profit margins, we kept growing despite paying farmers dramatically more than the world price.

So a coffee supply chain was slowly built for the purpose of maximizing control, opportunity, democracy and development for small producers. When that chain was so strong that the small farmers capacity was greater than the alternative trade organizations, those farmers and their allies built a system to bring bigger commercial companies into the fair trade system on terms that worked for small farmers. We need to be clear: the idea for controlled mainstreaming of fair trade came from the south, most specifically from one coop (UCIRI) in southern Oaxaca, Mexico. The idea was not to give control of the fair trade system to European non- profits, or bureaucrats, or multi-national companies or to plantations; but that is exactly what is happening.

The Coffee Supply Chain That We All Built Has Been an A or a B on Almost Every Key Level

Leverage - (my grade is A) By this, we mean both in country and up in the north, the coffee industry was organized in a manner so that the farmer coops and fair traders in the north could build their model over time and then leverage tremendous change. In the 90's, we often talked about reforming the coffee trade and in a very real way we did just that. Leverage is very close to impact. If we have leverage, we can build a system that benefits small farmers and then use market forces to politely but firmly on our terms entice others to trade fairly. If we have leverage, which is impact, we can build volume. But volume follows impact. So when Transfair says lets go get more volume in x,y,z commodity by talking to the businesses that already have volume so we can have impact, they have it 100% wrong. It would be like going to Starbucks or Dunkin Donuts before there was fair trade and asking them to invent fair trade. Suppose you got a hearing with the Director of Corporate Responsibility at one of those companies. And you say to them, "we want you to support small farmers". They reply: "we would love to. Unfortunately that just isn't possible. There really aren't any small farmers. And to the extent there are they don't know how to export. And just between you and me, their quality (that is if they do exist) is just not up to snuff".

From their point of view, they are right what; we are asking is not possible. Which is why they are only able to help us after we have built a supply chain and why we cannot give control of our movement to them or a misguided, dangerous organization such as Transfair.

Education - (my grade is a B) Coffee has always been a political product. Just read the history of coffee both in the north and in the producing countries in the south. Because this history is real to all of us we know that injustice is part of coffee. And that meant and means there is a great potential to educate consumers. Americans want to give small coffee farmers a better deal.

Economics - (my grade A) (the Equal Exchange perspective) We were damn lucky. We were at the right place at the right time. At almost the exact time that we were imagining Equal Exchange, the specialty coffee industry was being born in the U.S. led by companies such as Peets, White Coffee, and Gillies. These companies were reacting to the lowering of quality and price by the mainstream roasters such as Maxwell House and Folgers. They slowly built a differentiated market for higher quality and higher priced coffee. We were able to take advantage of that market, pay farmers well above market price, and find stores and consumers who cared about farmers and fairness as well as product quality. Coffee is a fairly magical product that has a high price point, a high margin, and high turns or movement as well. So almost by luck it was the product that allowed fair trade to work well and deliver real benefits to farmers while slowly building the supply chain.

As fundamental as coffee is to the development of fair trade, the goal is to create healthy effective supply chains for small farmers in all kinds of products. Our experience beyond coffee has been most extensive in tea, chocolate and bananas. Each of these commodities is much more challenging than coffee and in each of them the small farmer model is much weaker than coffee. In part, because of these challenges, the northern seals such as Transfair gave up the fight and sold out their base of small farmers. Only in writing this has it become clear to me how easy it was for the seals to ignore all the history of the ATO's/farmers/and non profits from the building of supply chains. For the most part, the folks running the certification seals had not done that work. And they probably looked down on it. They did not understand how coffee really had worked and then not knowing what they didn't know, decided they knew enough to go create fairness in other commodities. So when they negotiated with plantations and multi-nationals it was readily apparent they knew next to nothing and in the negotiation they gave away the store. It felt too hard to build an effective small farmer supply chain in tea, or bananas, so Transfair/FLO over the repeated strong objections of the small scale farmers who in fact created the fair trade seals in the first place, decided to introduce and then promote the idea of the fair trade plantation.

The Trojan horse for plantations was tea.

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Part III: The Trojan Horse for Plantations Was Tea

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After the initial success of the Max Havelaar fair trade certification scheme in Holland the fair trade certification idea spread. Soon there was a Max Havelaar Belgium and Switzerland. An allied but competitive seal started in Germany called Transfair Germany. Soon there was a Transfair Austria and Luxembourg. These two organizations did not like each other and fought for marketing turf and licensing revenues/sales dollars. Transfair Germany and therefore all the Transfairs brought in plantations in tea with the idea that if you couldn't find small farmers, just substitute in a plantation, make a few changes and voila fair trade tea would exist. The reality is the Germans did not understand how fair trade functioned. Remember the key economic and social engine of fair trade is access. The Dutch vociferously objected to plantation tea even being considered fair trade. After several years of fighting over this and a host of other issues the two organizations were forced to merge creating Fair Trade Labeling Organization. In that merger tea plantations and hence plantations were accepted as part of fair trade.

So how has fair trade tea developed? Not at all like coffee. Tea is very dear to my heart and I have, and Equal Exchange has, continued to put significant time into trying to build an authentic small farmer model in fair trade. It has been a very hard road to travel down for a host of reasons but primarily because of the plantation question.

The area we work most closely with in tea is Darjeeling in India. A tremendous number of estates there are fair trade. Those estates do not need access to markets. They already sell to tea companies and brokers throughout Europe and the U.S. For them fair trade is simply another aspect of their product that they offer to consumers that want it. To an extremely large extent nothing really changed for those plantations in becoming fair trade. They simply allowed their workers (who were already in unions) to create a committee shared with management to disburse some modest premium dollars to a development fund. In return, they had this extra "product attribute" to offer to Twinings or Bigelow, or Celestial or Stash. Perhaps more importantly the northern certifiers such as Transfair got to offer more products, take more market share in their competition with other social responsibility programs, and make more income. Making this situation more ironic the plantation tea workers who are weak players in this system are legally bonded to the land. They are tied to the plantations in a feudal type of manner. How can the people who pick the tea be bonded and the product be considered fair trade?

Missing from this are small tea farmers. Not because there are none in Darjeeling. Because they lost the minute the beautiful fair trade idea built for them was mistakenly attached to a plantation that had no market access problem at all and completely dwarfed small farmers in resources.

We at Equal Exchange are working with small tea farmers in coops in the same manner we do in coffee. We are still trying to build that supply chain. But if in coffee it took us and the Europeans fifteen years to build it with no competition from plantations, how long will it take in tea? Remember all the risk to build the coffee supply chain? The risk in processing, exporting, financing and quality. Remember how no reasonable commercial coffee trader would want to get involved in that? Building our supply chain is just as difficult. We have been at this with small farmer groups like Mineral Springs and Potong in association with other alternative trade organizations and a with the support of an extremely supportive partner Tea Promoters of India. But the supply chain in this case is small and weak.

Where Do We Stand In Terms of the Criteria of Leverage, Education and Economics?

Leverage (my grade D) - Equal Exchange has built our small farmer tea supply chain at great effort and risk. But we have almost no leverage either in country or in the U.S. market. In Darjeeling, people know of the projects that we are supporting and there are now some small farmers in tea groups. But they are still few and far between and if you compare them to their coffee counterparts after the same period of incubation, they are perhaps 10% as far. In the U.S. (and European) markets no commercial companies are backing small tea farmers. So those tea farmers particularly at Potong have huge supply and very weak markets. The equivalent of Dunkin Donuts or Starbucks in tea feels no need to buy from Potong. Why? Because they already have fair trade tea. Their existing supply chain was just fine thank you, no need to be pressured to work with some new group that might be risky. Allowing plantations in took away market opportunities for small tea farmers and then the positive cycle of development that would occur from those opportunities. Fair trade plantation tea has completely stunted the path forward for small farmers in tea.

Education (D) - Coffee, chocolate, and bananas are politically hot. They have energy and we as Americans understand there is real exploitation in those commodities and want to be on the right side. Tea is much softer and less understood. Regardless, we at Equal Exchange need to do a much better job telling this story.

Economics (D)- Equal Exchange is having a much harder time making tea work. Remember how coffee had high prices, high profit margins and high turns? Tea has high prices and high profit margins but much lower turns. Between that and the uphill fight of trying to differentiate plantation fake fair trade from the authentic small farmer fair trade it is hard to get the resources to reinvest to better support our farmer partners.

What Is Fair Trade?

We can all go and read different definitions of fair trade. Fair trade is for small farmers and small producers who are democratically organized. If you take the democracy out you have traditional aid or world bank development or what the Transfair and the European certifiers are now trying to call fair trade. And fair trade is about access for those small producers. By slowly developing over time at significant risk small farmers and producers can build solidarity networks and enter commercial supply chains. When they succeed at this there are benefits or positive development for their communities. That's what fair trade is all about. If you want the fastest supply chain that produces the most tea or coffee or bananas at commercial terms you have entered into some socially responsible product world of which there are many examples. It just ain't fair trade, and it won't have the same positive benefits.

What Next?

We don't know what this next stage of fair trade development will look like in Salvador, in Darjeeling, in Scotland or in Cleveland. We are here today to celebrate, to build our community and in part to have this discussion. I would like to highlight a few threats and opportunities in the current situation.

Threats

1. The gravest threat is the ongoing lowering of fair trade standards to the point where real fair trade groups cannot compete in the market because fair trade in name is cheap and well connected with the market and access is actually worse than it was before this movement started in earnest in the eighties. This is more or less the current case in tea. It is the coffee producer's greatest fear and that fear is absolutely justified. This threat plays out with few farmers coops beyond coffee and fair trade coffee coops getting weaker and being replaced by plantations, unaffiliated small farmers, and fake coops.
2. Another threat is consumer and marketplace fatigue around all of this. Already no consumer can understand the differences between Rainforest Alliance, Whole Trade, Fair Trade International, Transfair's version of fair trade, Utz Kapeh, IMO, and Direct Trade.
3. A third threat would be a bifurcated system in which small farmers in what the market defines as fair trade coffee remain relatively strong and important. But small farmers are weak beyond that and fair trade in bananas, tea, and most other commodities becomes a plantation product. This contradiction makes fair trade weaker to U.S. consumers because consumers want to support small farmers not plantations. This is roughly the path that FLO international is on.

Opportunities

1. There is an opportunity to connect all of us who are engaged in authentic small farmer fair

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trade. This is the trade model that actually has impact on lives and creates positive development. It is the model that Americans think they are supporting and want to support. These products can be identified by the companies that support authentic small farmer trade and by a small farmer seal that is about to be launched by our friends from CLAC.

2. There is an opportunity to keep developing based on the real accomplishments that have been achieved from Peru to South Africa to here in Ohio. Hundreds of organizations have taken risk, created supply chains, gone through powerful development processes, failed, and succeeded and failed and succeeded another time. These organizations and their members and supporters are the real fair trade movement. Their history, their development, our history, our development cannot be erased.

Conclusion

For us to be in the right path between those threats and opportunities we need each other. Groups like Las Colinas need Equal Exchange and IRTF. We are linked and we build each other probably more than we often understand. Now is not the time to be silent or polite. It is the time to shine the light brightly. Let us ask the stores we shop in what type of fair trade if any they participate in. Let's ask Dunkin Donuts, and Starbucks, and Green Mountain to develop their position on small farmers and plantations. Let's describe what happens in slowly over time when a real small farmer to consumer supply chain is built and how different that is on every level from simply deeming an existing supply chain to be fair.

Thank you for your time, your energy, your commitment. You have accomplished great things at IRTF and we look forward to working together in this vital time for fair trade. Keep the faith.

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Article by Administrator

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