

Approaches to implementing fair trade practices for smallholder farmers

Cristina Maria STERIE

*Bucharest University of Economic Studies, Bucharest, Romania
Research Institute for Agricultural Economics and Rural Development, Bucharest, Romania
steriemaria94@gmail.com*

Raluca Andreea ION

*Bucharest University of Economic Studies, Bucharest, Romania
raluca.ion@eam.ase.ro*

Abstract. *Fair Trade is a global network, a certification system whereby producers meet certain social, economic and environmental standards, with additional funding to improve these conditions and a minimum price set for their products. The literature shows the rapid spread of movements implemented by countries who want fair trade, fair prices and high quality products. The present research demonstrates the need for the implementation of the Fair Trade movement at the level of each country in the European Union and the benefits for the actors involved. At the global movement level, the total number of producer organisations in the FairTrade scheme in 2020 was 1880, of which 950 were registered in Latin America and the Caribbean. The paper is based on the quantitative and qualitative analysis of areas and productions for the 7 main agricultural products: tea, coffee, cocoa, sugar, bananas, cottonseed and plants and flowers, as well as the calculation of the main statistical indicators standard deviation, coefficient of variation and growth rate. At E.U. level there are 16 countries representing national Fair Trade organisations, of which Germany ranked second in terms of retail trade of FairTrade products in 2017. The recognition of certification in Europe is an important asset, as the high living standards in Western European countries mean that they are interested in buying products with this label.*

Keywords: fair trade, agro-food products, European Union, organisations, retail sales.

Introduction

Fair trade emerged in the mid-20th century as a result of social, political and economic concerns, representing a movement that promotes an alternative method of marketing and distribution by promoting fair prices and better working conditions (Ribeiro-Duthie, 2021).

As a result of this 'movement' there are several such organisations worldwide that are trying to eliminate these problems that have arisen particularly among small farms, including Fairtrade.

Fairtrade is a global network, a certification system through which producers meet certain social, economic and environmental standards and minimum prices for their products. The movement was born out of a desire to avoid trade injustices and power imbalances in order to raise awareness.

FairTrade is based on 10 key principles (FairTrade.net):

- Poverty alleviation by creating opportunities for marginalized, economically disadvantaged producers in the form of cooperatives, producer associations or family associations;
- transparency, which ensures confidentiality of information for stakeholders;
- the organization is concerned with the welfare of small producers who are marginalized, the relationship between producers and trader is a commitment and also avoids unfair competition by cooperating with other organizations that promote unfair competition;

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- fair pricing is achieved through acceptable remuneration;
- the involvement of children is monitored and declared, and there is no forced labor within the organizations;
- the organization promotes freedom of association, gender equality and employment, training or dismissal does not involve discrimination;
- work within the organizations must be carried out in safe and healthy conditions in accordance with national regulations and local and national legislation.
- organizations shall consider different activities for the development of producers' skills and their own capabilities;
- promotion of fair trade among organizations, which provide information on products traded, using honest marketing techniques;
- organizations make maximum use of raw materials that come from sustainably managed sources, reduce the impact of waste, and transport goods by sea where possible.

Organisations set a minimum price to cover production costs as a safety strategy when market prices for products fall.

The FairTrade Premium is money that farmers can use for new business or projects, but also for improving quality of life, social, economic or environmental development. It is allocated as a percentage of the volume sold according to product and region.

Producers who join this organisation have several benefits such as: production costs are covered by setting the minimum price, they have free access to the market, they receive "social aid" which they can use to improve the social conditions of themselves and their families, where equality, fairness and respect are well-established principles implemented by FairTrade.

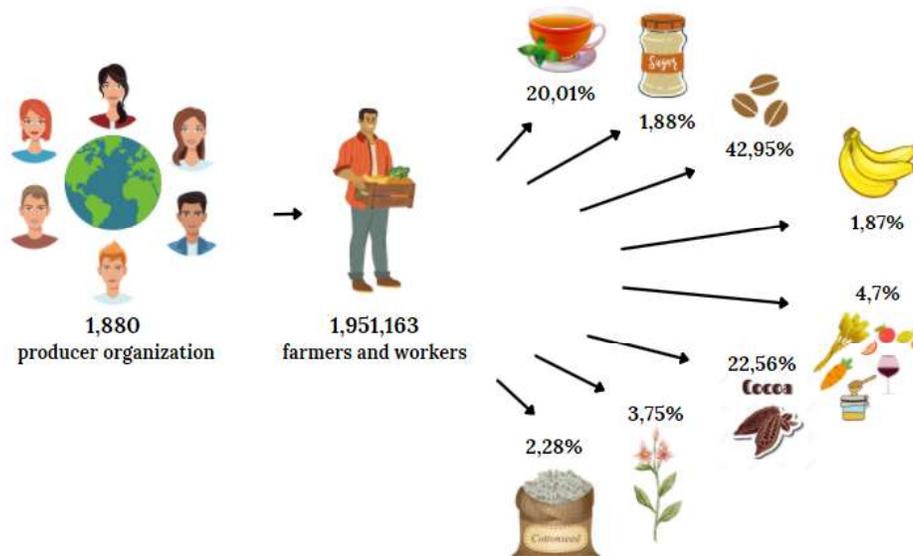


Figure 1. FairTrade producer organisations, farmers and workers

Source: own processing in Canva based on FairTrade data.

At the level of the global movement to promote fair trade, there are 1880 producer organisations, 1.9 million farmers and workers who are specialised by product: 42.95% are specialised in coffee, 22.56% in cocoa, 20.01% in tea, 3.75% in plants and flowers, 2.28% in cottonseed, and 1.88% in sugar cane. Thus, the seven products account for more than 90% of the

farmers working in the system, the rest being other products such as cereals, fruits, vegetables, honey, rice, nuts, wine (Figure 1).

The global organisation includes national Fair Trade organisations, marketing organisations and applicant members.

There are 21 countries with national Fair Trade organisations, including countries in the European Union: Austria, Belgium, Denmark, Finland with Estonia, Latvia and Lithuania, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden. Fair marketing organisations are also located in the Czech Republic, Hong Kong, India, Poland, Slovakia, South Korea, Taiwan.

The concept of fairtrade is important for all actors involved in the food chain, by setting a fair price for both farmers and consumers, but also setting an average price for products, so that market instability does not affect producers; workers who carry out their work correctly and are all treated in the same way are also targeted.

Literature review

Fair Trade is a movement, a new concept governing the food market. Through it, it aims to achieve fair prices and stabilize market linkages in the global south, while in the north, it aims to provide organic products and promote responsible consumption (Raynolds, 2012).

The FairTrade certification scheme is different from other schemes in the way that it changes the trading relationships for coffee, which is based on the development of new governmental arrangements such as coordination and control of products along the food chain. At the same time, these alternatives raise problems caused by the distinct vision implemented in a market that is highly competitive (Taylor, 2005).

The drivers of the global FairTrade movement are the minimum price set by the organisation and the premium offered. Declining market prices make the FairTrade set minimum price relevant, and the FairTrade premium is an incentive for farmers to continue their work in the organisation (Meemken, 2017).

According to Pelsmacker (2005), consumer concern about the ethical behaviour of companies from which products are purchased is expressed by purchasing behaviour. Ethical consumption is the purchase of a product at the free choice of a single consumer; it has several dimensions.

Organic farming is a movement, which together with fair trade is against conventional agriculture and contributes to the development of a sustainable agri-food system worldwide. Organic farming practices have long-term positive benefits for soil, water and air climate change, biodiversity, banning GMOs and encouraging increased ecological services, even if it is impossible to produce the same amount of food due to lack of sufficient organic nutrients, as in the traditional sector (Raynolds, 2000).

One of the main elements for ensuring sustainable agriculture is adequate agricultural land, which is under enormous pressure due to global environmental changes including climate change, land degradation and rapid urbanisation and population growth. Land use analysis is a key factor in land use planning. It is the prerequisite for optimal development of land resources (Dumitru, 2021).

Sustainable agriculture integrates three main objectives: environmental health, economic profitability and social and economic equity. Sustainable agriculture must be economically viable, socially responsible and ecology is the key to sustainability. In Romania, the funds allocated to organic farming show the potential of Romania and the interest of consumers in these products, with health being at the top of the list. (Lădaru, 2020).

Organic farming has largely become an important alternative to conventional agriculture due to environmental sustainability concerns and with positive long-term benefits for soil, water, air and climate change, biodiversity, banning GMOs, encouraging the development of green services. In Romania, the organic food market is showing positive trends, although consumption rates remain low compared to Europe; it is therefore necessary to identify the main barriers to consumption as well as the influencing factors influencing the growing demand for such foods (Chiciudean, 2019).

The certification of organic products is an important step in the foundation of agriculture, environmental protection, respect for human beings, health and nature. Consumers as well as producers are growing, due to the importance of these products for society (Moise, 2014).

Ethical consumption is seen as a network of practices and behaviours and values that are not limited to the realm of ethics and politics, but also include aesthetics, or action orientation and appropriate behaviour. Ethical consumer practices are often embedded in broader lifestyles that take place in different areas of social life. Importantly, some authors suggest that sustainable and ethical consumption can become part of the unique lifestyles of people of higher social status (Schenk, 2021).

The work written in the field shows the need for ethical trade and ethical behavior of consumers and shows the importance of the subject which should be addressed and implemented at the level of each country.

The contribution of this paper to the literature is to demonstrate the importance of the fairtrade movement and the contribution it has made to the countries that have implemented it, which is expanding globally and which is becoming a goal for the countries of the European Union. Research on this subject also demonstrates the speed with which this term is spreading and the significance of fair trade.

Methodology

The research is based on statistical data provided by the fairtrade.net website and the following indicators are calculated: standard deviation, coefficient of variation and growth rate.

- standard deviation $\sigma = \sqrt{\frac{\sum(x-\bar{x})^2}{(n-1)}}$, where:

x = sample mean;

n = sample size;

- coefficient of variation $v = \frac{\sigma}{x}100$, where:

σ = mean deviation;

x = mean level of a variable;

- growth rate $\bar{R} = (\bar{I} \times 100) - 100$, where:

\bar{I} = the overall average growth rate.

The paper is also based on data collected from the Fair-Trade annual reports 2017-2018, 2018-2019, 2019-2020 and uses quantitative and qualitative data analysis as a research method to highlight the dynamics of the indicators analysed. The data refer to total production of the main agricultural products sold using fairtrade system, the cultivated area of the seven main FairTrade products, and the retail sales of FairTrade certified products, by country of origin.

Results and discussions

Figure 2 shows the total production of FairTrade certified products recorded in 2020. It highlights agricultural and agri-food products such as flowers and flowering plants with a production of over 5.13 million plants, followed by coffee with 890 million tonnes or fresh fruit with a production of 677 million tonnes. In the last place are honey with 10 million tonnes, cereals with 4 million and dried fruit with 1 million tonnes (Figure 2).

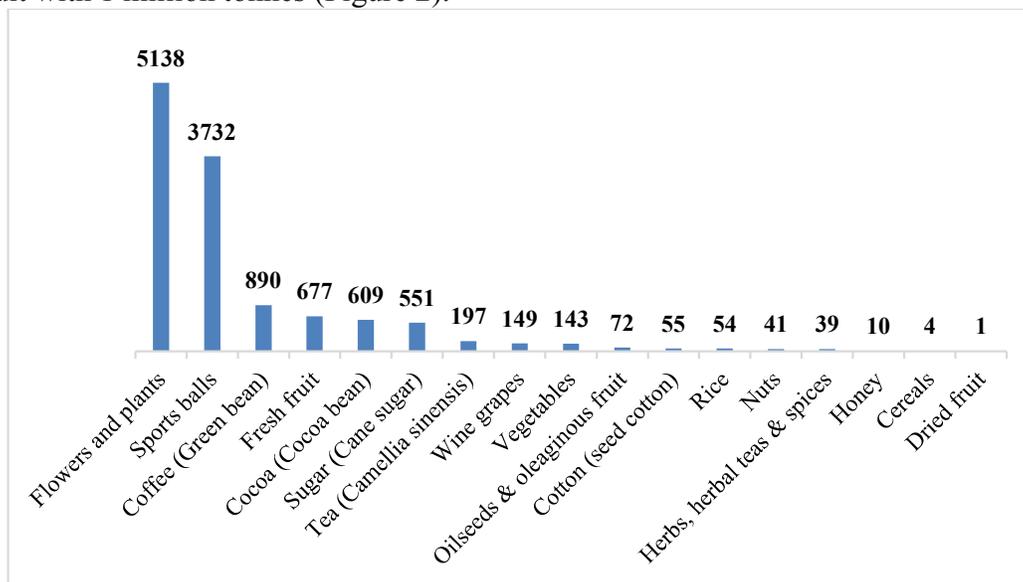


Figure 2. Total production of FairTrade certified products in 2020 (million tonnes)

Source: www.fairtrade.net.

The FairTrade Premium is growing year on year, also illustrating the increase in production for the main seven products. Thus, in 2010, the premium for the seven products was €51 million, reaching €179.4 million in 2020, an increase of over 250%. The premium for other products also increased in 2020 (€11.7 million) by more than 116% compared to the premium recorded in 2014 (€52.4 million) (Table 1).

Table 1. Total FairTrade premium (million euros)

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020/2014 (%)
Top 7 products	51	61	86	95	106,2	139,24	150,6	178,1	176,7	190,6	179,4	68,93
Other product	-	-	-	-	5,4	6,4	7,7	10,7	11	9,6	11,7	116,67

Source: www.fairtrade.net.

At the level of producer organisations, 48% of the premium was used in services to farmers, 44% in investments related to producer organisations and 8% in services to communities, while in the case of labour organisations, 80% of the premium was allocated to services for workers and their families, 12% to community services and 9% to worker training.

Table 2. Value of retail sales in 2017 (million euros)

Country	Value
UK	2,013.7
Germany	1,329.3
USA	994
Switzerland	630
France	561

Country	Value
Sweden	394
Irlanda	342
Austria	304
Canada	297
Netherlands	290
Finland	233
Australia/New Zealand	226
Belgia	145
Danemark	134
Italia	130
Norway	121
Japan	94
Spain/Portugal	35
Korea	30
Czech Republic/Slovakia	26
Poland	22
Luxemburg	14
Brazilia	10,5
Tawan	7
Hong Kong	4,6
India	2,8
Philippines	0,2
Rest of the word	96

Source: www.fairtrade.net.

Retail sales of FairTrade certified products are growing year on year, topping the ranking with the UK with sales of €2 billion, and EU countries such as Germany with €1.3 billion, France with €561 million, Sweden with €394 million. At the bottom, in terms of retail sales, are Hong Kong (€4.6 million), India (€2.8 million) and the Philippines (€0.2 million) (Table 2).

According to the 2017-2018 annual report, FairTrade is trying to expand its sales worldwide, these products reaching the European Union as a single or multi-ingredient product. These retail values show the need for the European Union to join the organization., through which consumers are offered several ethical and certified options.

Table 3. Certified producer organisations (number)

Continent	2016	2017	2018	2019	2020	Average	St. Dev.	Coef. Var.	Rate of Grow
	no	no	no	no	no	no	no	(%)	(%)
Asia and Pacific	236	261	268	282	303	270	24.87	9.21	6.45
Africa and the Middle East	444	535	597	634	627	567.4	79.28	13.97	9.01
Latin America and the Caribbean	731	803	842	906	950	846.4	85.89	10.15	6.77
TOTAL	1,411	1,599	1,707	1,822	1,880	1,683.8	186.91	11.10	7.44

Source: www.fairtrade.net.

Producer organisations located in Asia and the Pacific increased over the period 2016-2020. This shows a period average of 270 organisations, with a positive annual rate of 6.45% and a standard deviation of 24.87 organisations. The coefficient of variation shows a value of 9.21%, which indicates the homogeneity of the data.

Africa and the Middle East show an average of 567.4 organisations and a positive rate of 9.01%. The coefficient of variation shows a value of 13.97%, which indicates the average homogeneity of the data series analysed.

The Latin America and the Caribbean region shows a positive rate of 6.77% and a coefficient of variation of 10.15%, which indicates an average homogeneity of the data (Table 3).

Table 4. Analysis of the main statistical indicators for the cultivated area of the seven main FairTrade products

Product	2016	2017	2018	2019	2020	Average	St. Dev.	Coef. Var.	Rate of Grow
	hectare	(%)	(%)						
Bananas	36,487	38,316	41,143	46,887	48,583	42,283.2	52,80.08	12.49	7.42
Cocoa	722,060	1,021,227	1,178,664	1,372,820	1,416,653	1,142,285	283,280.65	24.80	18.35
Coffee	1,046,813	938,158	961,774	1,001,002	1,127,766	1,015,103	75,269.23	7.41	1.88
Cotton	49,985	62,899	55,516	48,763	62,041	55,840.8	6,571.75	11.77	5.55
Flowers	2,540	2,690	2,824	2,808	3,355	2,843.4	307.79	10.82	7.20
Sugar	152,991	146,388	149,738	124,030	104,868	135,603	20,597.52	15.19	-9.01
Tea	126,259	135,155	136,453	113,382	124,954	127,240.6	9,297.30	7.31	-0.26

Source: www.fairtrade.net

The total area cultivated by FairTrade certified producer organisations for bananas shows an annual average of 42.3 thousand hectares, a positive rate of 7.42% and a standard deviation of 5.3 thousand hectares. The coefficient of variation shows a value of 12.49%, indicating a homogeneous average variation of the data.

In the case of the area under cocoa cultivation, at the level of the world FairTrade organisation, the average for the period was 1142.2 thousand hectares and the annual rate was positive at 18.35%. The coefficient of variation was 24.8%, indicating the average homogeneity of the data series.

For coffee, the average for the period was 1015.1 thousand hectares, the annual rate was positive (1.88%) and the standard deviation was 75.3 thousand hectares.

The area under cotton shows a positive annual rate (5.55%) and the coefficient of variation has a value of 11.77%, indicating an average homogeneity of the data.

The area under flowers fluctuated over the period analysed, the annual rate was 7.2% and there was a standard deviation of 307.79 hectares.

The area under sugar cane showed a negative annual rate of 9.01% and a coefficient of variation of 15.19%, indicating the average homogeneity of the data series. Also for the area under tea, the annual rate was negative 0.269 and the coefficient of variation was 7.31%, indicating a homogeneous data series (Table 4.).

FairTrade's production of bananas averaged 1081.55 thousand tonnes over the period under review, with a standard deviation of 215.21 thousand tonnes and a positive annual rate of 13.21%. The coefficient of variation was 19.9%, indicating an average homogeneity of the data series. The country that produced the highest quantity of bananas in 2020 was Colombia.

The cocoa production obtained showed a period average of 433.15 thousand tonnes, a standard deviation of 142.3 thousand tonnes and a positive annual rate of 1.44%. The data series according to the coefficient of variation (32.85%) is heterogeneous. Côte d'Ivoire was the country producing the highest quantity of cocoa recorded in 2020 (Table 5.).

Table 5. Analysis of the main statistical indicators for the production of the seven main FairTrade products

Product	2016	2017	2018	2019	2020	Average	St. Dev.	Coef. Var.	Rate of Grow
	Thousand tons	(%)	(%)						
Bananas	830.951	970.531	1005.041	1236.127	1365.076	1081.55	215.21	19.90	13.21
Cocoa	291.917	409.603	536.556	618.633	309.047	433.15	142.30	32.85	1.44
Coffee	541.256	633.854	745.516	824.404	889.589	726.92	140.93	19.39	13.23
Cotton	48.047	52.763	48.838	46.973	54.84	50.29	3.35	6.67	3.36
Flowers	3766476	4079889	4310091	4634426	5137758	4385728.10	526813.72	49177886.45	8.07
Sugar	701.521	686.814	584.878	528.672	550.647	610.51	79.13	12.96	-5.87
Tea	253.87	216.127	189.765	183.63	196.712	208.02	28.39	13.65	-6.18

Source: www.fairtrade.net

In the case of coffee production, the average recorded was 140.93 thousand tonnes, the annual rate is positive at 13.23% and the data series according to the coefficient of variation (19.39%) is medium homogeneous. The main countries that produced the largest quantities of coffee in 2020 were Colombia, Brazil and Peru.

Cotton production shows a positive annual rate of 3.36%, a period average of 50.29 thousand tonnes, and a positive growth rate of 3.36%. India is the largest cotton producing country.

In the case of flower production, the average for the period was 4.38 billion flowers, with a positive growth rate of 8.07%.

For sugar cane and tea production, the annual rate is negative, at 5.87% and 6.18% respectively, and the coefficient of variation shows an average homogeneity of the data series for both products. The highest quantities of sugar cane are obtained in producing countries, and in the case of tea and flower production, Kenya is the main producing country in 2020 (Table 5.).

Conclusion

At the global movement level, the number of certified product organisations is increasing year by year, in 2016 there were 1411 organisations reaching 1880 organisations in 2020, an increase of over 33%. The increase in the number of organisations illustrates the awareness of ethical behaviour and the benefits of the organisation, as well as the holistic approach the organisation takes and the topics discussed which include human rights, gender equality, child and forced labour, climate change, environment.

In 2017, the top sales include countries in the European Union such as Germany with €1.3 billion, France with €561 million, Sweden with €394 million. This shows the importance given by the EU to promote ethical trade and the marketing of products that are fairly priced for the producer.

At the level of the world organisation, there are countries in the European Union that promote fair trade and market FairTrade labelled products, these are Austria, Belgium, Denmark, Finland with Estonia, Latvia and Lithuania, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden.

Clearly, this form of certification can be seen as a viable support for small farms in developing and underdeveloped countries to face competition. This type of certification also has social aspects, with an impact on the communities where they operate.

Recognition of certification in Europe is an important asset, as the high standard of living in Western European countries means that they are interested in buying products with this label.

In Europe, there is also such a company dealing with fair trade, called the European Free Trade Association (EFTA).

Given the challenges faced by Romanian agriculture, where there are more than 3.4 million farms (the most in the European Union), after Poland and Bulgaria, such an initiative will be supported by the accession of small farmers, but given the standard of living in Romania, where the price is the main criterion for choosing agri-food products for most of the population, such a product with such a marking will be extremely limited (Sterie, 2020).

A main issue facing the FairTrade organisation is the climatic conditions, addressed by the FairTrade climate standard. This involves two directions of approach, namely, the first social can be used to implement tree planting, clean energy, irrigation projects. On the other hand, developing countries can benefit from carbon credits whereby they receive a set minimum price to cover project costs.

Fair trade is trade with a difference, enabling farmers and workers to take control of their lives and all processes in the production chain, consumers to take control of the supply chain, and suppliers to become stable.

The limitations of the research are the lack of long data sets that would have allowed for econometric analysis and no predictions.

Future research in this area aims at an analysis of organisations promoting Fair Trade at E.U. level and an analysis at Romanian level on FairTrade branded products and determining the awareness of Fair Trade among stakeholders.

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