# Fairtrade fruit: Successes, challenges and dilemmas

**Dave Boselie**

Introducing organic certification and fair trade standards has helped increase small scale farmers' access to the rapidly expanding supermarket segment in many European countries. Besides creating better conditions for production and trade, the fair trade movement has mobilised substantial technical and financial support to allow small producers to build up their capacities. One core principle of the fair trade standard –a minimum price guarantee– has helped producers' organisations comply with basic standards that respect social criteria like minimum wages and the rights of workers to organise themselves.

Originally, fair trade attracted only the attention of smallholder producer organisations that operated in a niche market. During the past few years, however, big fruit operators have become interested in serving the "mainstream" market – which includes multinational food retail companies. Criticism about this development aside, the fact that fair trade is now attracting such interest underlines the growing importance of ethical concerns to consumers. In numerical terms, the market may still be classified as niche, but the days of fair trade being limited to marginal producers and alternative trade organisations are long gone. The arrival of multinational companies to the fair trade arena threatens to push smallholders out of the international retail market once again. Lower prices will be the inevitable result when these companies offer large quantities of fair trade products, and inevitably economies of scale will favour larger producers. This raises the question as to what the unique selling point of smallholder producer organisations will be when the Fairtrade label on their product is no longer unique.

This article presents the challenges that come with growth, and the dilemmas regarding the expansion of the organic and fair trade export markets, based on the experiences of Europe's foremost Fairtrade fruit importer, distributor and marketing agent: AgroFair Ltd. AgroFair was established by a Dutch NGO in 1996, and was the first company in the world to apply FLO's Fairtrade standards to the fruit export industry. By its nature, it is a service-providing company that co-ordinates and facilitates the logistical flow and processing of products without actually owning a fleet of trucks or ripening facilities. The company represents the interests of producers from developing countries in the European market. It is based in Barendrecht, the Netherlands, and has subsidiaries in Italy, the U.K., France, the United States and Finland.

## From "niche" to "mainstream"

The greatest victory of the fair trade and "green" movements is probably the acceptance of their products by supermarket chains throughout Europe and North America. These retail chains serve an increasing share of the total population, and this demand has helped the turnover of import and distribution companies like AgroFair grow by more than 30 percent per year for the last four years. From a producer's perspective, however, this rapid growth of demand for high quality products poses various challenges.

*Escalation of food safety and quality standards*
In recent years, we have witnessed an escalation of food quality standards and market requirements which continuously force producers to upgrade their technical facilities and management capacities. Food safety standards like GlobalGap and HACCP force producers to invest substantial amounts of resources in pre-harvest and post-harvest handling infrastructure; however, small scale producers have difficulties in complying with these requirements. For this reason, AgroFair created the AgroFair Assistance & Development Foundation (AFAD) in 2002, to complement its work and to deal specifically with these issues. AFAD's quality and certification experts coach the quality managers of producers' organisations, and link them to local and regional experts to help improve their quality management skills.

*Rising economies of scale and competitiveness*
Besides creating opportunities, the current success of the fair trade and organic markets also represents an enormous threat to the small and medium scale businesses involved. The "mainstreaming" of both product categories asks for economies of scale which cannot be achieved easily by the individual producers' organisations. It is no exaggeration to state that supermarkets are screaming for a rapid diversification of the product portfolio, but at the same time wish to lower the number of suppliers. Furthermore, import companies are expanding the geographic range of their product sources. This leads to a situation of greater competition between producers.


Photo: R. van den Bergh

**Increasing demand for bananas in Europe can bring benefits, and also challenges, for fruit producers in El Guabo, Ecuador.**

AgroFair has tried to deal with this issue in a number of ways. For example, it links import and distribution companies directly with producers, cutting out intermediaries who do not add value in the production and export process. At the same time, AgroFair has started to organise its global sourcing programme by building strategic alliances with regional hubs, export companies or service providers, all of whom are able to link up with a broad portfolio of products and producers from the same region. Examples of such regional strategic hubs are WAFF Ltd. (based in Ghana), Cauquen (based in Argentina) and FruitOne (based in South Africa).

*Organisation and leadership development*
It has become clear that for producers to be committed to fair trade and organic standards, AgroFair needs to invest in strengthening capacities of individual leaders and organisations in the production and trade process. To this end, AgroFair's business model is based on co-ownership and participatory governance structures. Fifty percent of the shares of the company are in the hands of the international producer co-operative CPAF ("Co-operative Producers AgroFair"), while the other fifty percent is in the hands of European NGOs and sustainable venture capitalists.

*New non-tariff and technical barriers to trade*
Long distance trade is currently hotly debated in terms of "food miles" and "carbon footprints". While academics and policy makers are still focusing on the best methodologies for measuring impact, many retailers have started including the origin of their products on their labels. Producers' organisations are worried that this type of labelling may turn out to be a new barrier to trade, hampering the introduction of products from developing countries. At the moment, AFAD is collaborating with the Agricultural Economics Research Institute, in The Hague, in order to get insights into the "carbon footprint" of a few fruit categories. Focusing on bananas and pineapples imported from Ecuador and Costa Rica, these studies consider the "carbon footprint" from a handling perspective.

Equally important is the growing use of information and communication technologies (ICTs) as part of international trade. These include technologies which help track and trace products, or which can help sell specific products (through, for example, "virtual portals"). In general, these technologies require high skills and big financial investments. Supermarkets promote the use of ICT tools because they lead to higher efficiency and transparency, but many producers feel this adds to the list of requirements with which they must comply. The GET Support Foundation, an initiative also based in the Netherlands, recently launched an internet based portal to link up food producers with retailers in a more transparent way. Such initiatives give producer organisations a broader set of options to sell their products. As of this year, AFAD partners in Morocco, Ghana, South Africa and Argentina are participating in pilot projects to test new opportunities for market access through this portal.

## Further dilemmas for Fairtrade

Aside from the challenges that come with growth, there are other dilemmas that will need to be considered as fair trade develops.

*Minimum price guarantee*
Providing agricultural producers and workers with a guaranteed minimum price has been the central pillar of the fair trade concept. However, day-to-day business practices show some shortcomings. Producers' organisations, for example, are never able to sell all of their products under Fairtrade conditions. The benefits of having a Fairtrade certification are thereby reduced, as trade organisations that import Fairtrade food products tend to perform very weakly in the conventional markets. For example, fresh fruit imports are generally sold on consignment basis, which means that the producer receives a price that depends on the day-to-day fluctuations in the market, and may result in an actual loss. Secondly, the minimum price strategy does not always reflect market dynamics: rapidly changing exchange rates and the (increasing) costs of agricultural inputs have made most minimum price-setting useless. Many argue that the system has become so bureaucratic that the Fairtrade price-setting committee cannot cope with revisions of minimum prices, let alone define prices for new products.

*"National Initiative" barrier*
Each country has a "National Initiative", which determines whether a company can have access to its markets. In many cases, this follows arbitrary policies. AgroFair, for example, is not allowed to sell its Fairtrade citrus products in Switzerland, even though these are sold in the European Union. Linked to this is the fact that the Fairtrade premium and fee structure seems to be more and more unbalanced in favour of the northern side of the value chain: AgroFair currently pays a higher fee for National Initiatives per kilogramme of Fairtrade pineapple than for the premium fee to producers.

*Ideal "Fairtrade producer" profile*
A final dilemma regards the definition of the ideal Fairtrade producer. Does the ideal refer to farm size or family income? Different examples show that instead of using compliance to the social code of conduct (degree of control and co-ownership) as basic criteria for a Fairtrade certificate, the main indicator for deciding whether or not a farm can be certified has been its small size. Setting a maximum farm size conflicts with the original objective of giving smallholder producers access to export markets: how can we allow them to grow if we set maximum farm sizes? It is likely that elements such as co-ownership and joint decision making will become more important criteria to distinguish oneself from the traditional fruit companies which are increasingly embracing Fairtrade.

## From "mainstreaming" to "broadstreaming"

Rather than limiting itself to "mainstreaming", the coming phase of the fair trade market development will shift to "broadstreaming". Broadly speaking, this refers to an increasing diversification, adding new product categories, and increasing market shares. From a sourcing perspective, the African continent will further expand its role as the horticultural garden for Europe and Asia. This will have a profound impact in terms of greater employment opportunities, trade volumes and incomes, which will necessitate greater attention to producer development programmes. Strategic alliances are therefore needed to cope with the challenges and capture the opportunities before the big market players do.

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**Dave Boselie**. AgroFair Assistance & Development Foundation (AFAD).
Koopliedenweg 10, 2991 LN Barendrecht, the Netherlands.
E-mail: dave.boselie@agrofair.nl ; http://www.agrofair.com

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