



# Beyond a Fair Price

## The Co-operative Movement and Fair Trade

Based on College Paper number 14 by Samantha Lacey

The full publication can be downloaded from the Co-operatives for Development website or a copy can be sent on request.

This briefing paper explores the relationship between co-operatives and Fair Trade. It asks the question: **How can the Fair Trade and co-operative movements work together to best meet the needs of smallholder producers?**

### Why now?

The financial, food and environmental crises are simultaneously hitting developing countries, impacting especially on the lives of smallholders who under current trading models in the competitive market are forced to produce as cheaply as possible. Unfair terms of trade are exacerbating the urgent food security and environmental challenges that the world is facing.

Many farmers do not have the power to argue for long-term contracts or the skills and capital required to maintain the ecosystems on which they depend for long-term food production. Their livelihoods remain insecure, because if crops fail or production costs increase, buyers can simply switch to alternative suppliers.

Producers want long-term stable relationships with buyers. The co-operative movement and Fair Trade can help to develop such alternatives.

However, as Fair Trade sales have soared in recent years, it now faces the challenge of balancing the demands of mainstream retailers with its pro-poor development roots. This policy brief suggests ways it can achieve this through supporting its producer co-operative members.

Unique elements producer co-operatives bring to Fair Trade:

- Co-operatives are democratically run by their members.
- Co-operative members own the business themselves and share its profits.
- Co-operative membership brings strength in numbers, allowing producers to form networks to negotiate for better prices, access loans and receive training.

# Two movements provide resilient models

Although they started over a century apart, both the co-operative and Fair Trade movements were established as responses to inequalities and unjust market practices. They responded to these inequalities by developing practices rooted in their many shared values such as self-help, personal responsibility, democracy, equality, equity and solidarity. The aim has been to empower both producers and consumers.

Both co-operatives and Fair Trade have demonstrated their resilience in the face of a global recession, demonstrating the social and business benefits to a values based approach to enterprise.

When Fair Trade first started to develop, co-operative producers, retailers and wholesalers became natural partners due to their values approach to enterprise. As democratic enterprises, producer co-operatives could provide the decision-making mechanism for the equitable use of the Fair Trade Premium. The Co-operative Group was the first mainstream UK retailer to sell Fair Trade products to people who did not shop in specialist ethical or world shops.

## Timeline of Fair Trade and co-operative movements

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- 1840s** The first successful consumer co-operative is established in Rochdale, England. Many other types of co-operatives arise across Europe.
  - 1930s** Co-operatives in Africa begin to be formed to facilitate the export of commodities such as coffee and cotton.
  - 1960s** The role of co-operatives in marketing is strengthened by governments of the newly independent countries. In general co-operatives are subject to government control and direction. Fair Trade is promoted as a trade-based solution to poverty, through a growing number of Alternative Trade Organisations (ATOs) and world shops (e.g. Oxfam, Fair Trade Original, and Ten Thousand Villages).
  - 1980s** Structural adjustment leads to the collapse of many developing country co-operatives. Others survive and begin to re-engage with members. Institutionalisation of ATOs, which begin to develop their products into Fair Trade brands, giving rise to the need for internationally standardised labelling (e.g. FLO, IFAT/WFTO).
  - 1990s** Consumer co-operatives bring Fair Trade products to the mainstream consumer in the UK.
  - 2000s** Growth of Fair Trade in other mainstream retailers- creating a challenge of balancing their demands with the development focus of Fair Trade. Resurgence of the global co-operative movement.

### Fair Trade growth

- More than 1 million producers and workers (~5 million people including their families and dependents) in 58 developing countries now benefit from FLO certified Fair Trade sales. Including non FLO certified Fair Trade would make these figures even higher.
- The sales of FLO certified Fair Trade products have been increasing by almost 40% a year on average.
- 72% of the UK public now recognise the FAIRTRADE Mark.

Source: FLO, Fairtrade Foundation

### Co-operative growth

- The co-operative sector worldwide has about 800 million members in over 100 countries and an estimated three billion people derive some support for their livelihoods from co-operatives.
- It is estimated that co-operatives account for more than 100 million jobs around the world.
- The proportion of GDP attributable to co-operatives is highest in Kenya at 45% , followed by New Zealand with 22%.

Source: United Nations

# Smallholder producer needs

Smallholder representatives interviewed for the paper explained that for many producers, achieving FLO Fair Trade certification and finding buyers that will buy at Fair Trade prices often proves the biggest hurdle. They said that with Fair Trade and non-Fair Trade buyers they felt demands were made of them but there was no one for them to talk to about the problems they faced meeting these demands.

Producers asked for:

- Secure trading partnerships to enable them to plan and build their capacity in the long term.
- Two way communication and support when working towards international standards rather than demands for compliance and costly audits.
- Support they receive to be driven by their own needs rather than donor priorities.

- More inclusive models of standard setting which can ensure standards are relevant and achievable, as well as less dominated by the demands of western stakeholders.
- Smallholders find it hard to compete with plantations when meeting international quality and ethical standards. They ask for a more level playing field.
- More member training and skill development to help farmers have a say in the running of their co-operatives and ensure they are run in the interests of all the members.
- Continued growth in demand for Fair Trade since many producers only sell about 10% of their certified products under Fair Trade terms.

## How can the Fair Trade movement better support producer co-operatives?

Most Fair Trade smallholder producers are certified through their co-operative. The Fair Trade movement could therefore play a significant role in helping farmers to maximise the benefits they receive through being member owners of co-operatives.

Fair Trade could:

- Enhance producer support and capacity building in a way which recognises the distinct governance and organisation development needs of co-operatives.
- Build on lessons learnt from existing innovative models of co-operative co-ownership and partial product processing so that producer organisations can access to more of the value chain – especially the later stages which are closest to the consumer and most profitable.
- Review the FLO minimum price to ensure it covers the cost of certification.
- Involve producers more during the development of certification and audit standards.
- Create standards for other value chain players, particularly multinational retailers, to encourage them to provide more support to producers, ensure they engage in more long term trading partnerships and require them to expand the range of products they buy under Fair Trade terms using a continuous improvement model.
- Support producers through training and access to loans to adapt to and prevent climate change and environmental degradation in a way that recognises their limited capacity to document achievements.
- Use its political influence to represent producer views in global trade policy discussions.

# Case Study of La Siembra

La Siembra is a North American worker co-operative which produces Fair Trade products under the “Cocoa Camino” brand. The co-operative is committed to extending the principles of its own model through its value chains, which it does by sourcing from and supporting producer co-operatives in Latin America. For example, La Siembra assisted a sugar co-operative in Paraguay to establish its own sugar processing factory, and has supported a Dominican producer confederation in its efforts to establish a cocoa processing factory in Dominica, by sourcing ingredients from this factory.

*“La Siembra is not only selling Fair Trade products, but through the co-operative value chain, is creating a new economic system which allows producers to gain greater control of the value chain and therefore a higher share of the overall revenue generated from the end-product. By ensuring, not only that producers*

*receive a fair price for their raw materials, but that they also have greater access to the value chain, the trade between La Siembra and its producer co-operatives adds depth to both Fair Trade and co-operative principles.” - Colin MacDougal, La Siembra*



*The Cafiesa Factory, a co-operative cocoa processing factory in Dominica which La Siembra supports and collaborates with.*

## What next for the co-operative movement?

Co-operative retailers can build on their unique values to continue to help build stronger and more holistic models of Fair Trade and to continue to set the benchmark for responsible retailing.

- Co-operatives could use their global presence to work together to form networks of producer and retailer co-operatives based on long term and equitable partnerships which recognise the need to address a wide range of issues not just a fair price.

- Co-operatives can ensure that they embed their core values and principles throughout all aspects of their business to provide a genuine values based alternative business model which can represent the voices of its members.
- Consumer co-operatives can work with their customer members to increase involvement of members in a range of ethical consumption issues and build a deeper understanding of their co-operative and its global supply chains.

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