



co-operatives
for
development

Briefing Paper No 4

How Fair Trade can better support producer co-operatives

By Peter Hurst

Peter Hurst is a specialist in labour rights and standards, industrial relations, co-operatives, Fair Trade and environmental issues. He has nineteen years of international experience working on labour, social, environmental, employment and development issues and projects, including co-operatives and Fair Trade. He has worked for a number of organizations, including Fairtrade Labelling Organisation International (FLO), the International Labour Organisation (ILO), the International Programme on the Elimination of Child Labour (IPEC) and the Worldwide Fund for Nature International.



Introduction

Developing fair, ethical, or, in the terminology of the International Labour Organization, “decent”, supply or value chains (1) for products and services is becoming increasingly important for businesses competing in consumer responsive world markets. Co-operatives looking to compete and thrive in international markets are seeking to develop and/or strengthen partnerships with other socially-orientated, like-minded trade organisations and initiatives, especially the Fair Trade movement, with which co-operatives – in the South as producers and in the North as retailers – are already closely connected.

From the start, the growth of Fair Trade has been heavily entwined with the co-operative movement, from the producer side to the retail side, and many of the stages in between. Both the Fair Trade movement and the co-operative movement have their roots in producer and consumer empowerment and in balancing economic needs with social justice. Frustrated consumers, who object to current value chain models where all the power is concentrated among the multinational food and retail companies at the expense of the producer, have turned to Fair Trade and to co-operatives to find an alternative (2).

Since many of the first Fair Trade products, such as coffee and bananas, were sourced

from Latin America, and since the co-operative movements in those countries tended to be quite strong and producer-led rather than government-controlled, it was natural for Fair Trade bodies looking for democratic producer organisations to source from existing co-operatives. Also, the Co-operative Group was the first mainstream UK supermarket to make Fair Trade products available to customers who did not shop in specialist ethical or world shops. The decision to stock Fair Trade products in all Co-operative Group stores played a major role in helping to bring Fair Trade into the mainstream in the UK but also helped to strengthen the Co-operative Group’s brand image as an ethical retailer (3).

However, recognising both the differences and the synergies between co-operatives and Fair Trade is important in taking forward and building co-operation, alliances and partnerships on a mutually beneficial and realistic basis. Value chains encompass the full range of activities and services required to bring a product or service from its conception to sale in the final market – whether local, national, regional or global. Value chains include input suppliers, producers, processors and buyers. They are supported by a range of technical, business and financial service providers.

“Both the Fair Trade movement and the co-operative movement have their roots in producer and consumer empowerment and in balancing economic needs with social justice”



Key Priorities

Key priorities and areas for the future development of co-operative / Fair Trade alliances and partnerships include:

Fair Trade Plus

Co-operatives and the co-operative movement are looking to develop Fair Trade Plus by promoting co-operative to co-operative Fair Trade value chains. The aim is to strengthen co-operation among co-operatives, especially North-South. The question is – will Fair Trade organisations, such as the Fairtrade Labelling Organizations International and the World Fair Trade Organization, be able to actively support the development of co-operative to co-operative supply/value chains?

Co-operative Capacity Building

Co-operatives have to be strong enough to benefit from Fair Trade and not to become over-reliant on it. They need to ensure that they continue to invest in the development of themselves as membership-based organisations, so that if for any reason they lose their Fair Trade market, they are strong enough to adequately service their members. So, Fair Trade support for co-operative capacity building is an issue that needs to be addressed.

Institutional Capacity Building

Fair Trade also needs to support institutional capacity building for co-operatives at a national level, including co-operative apex organisations, and for co-operative umbrella bodies like the International Co-operative Alliance (ICA). Co-operatives, like trade unions, are often poorly funded and lack basic resources. However, at the moment, little emphasis is placed by Fair Trade organisations such as FLO on the organisational/institutional development of co-operatives. It should be a key priority for Fair Trade to promote and financially support the growth of co-operatives. This should include Fair Trade providing finance for staffing positions in co-operative bodies like the International Co-operative Alliance.

Representation In Fair Trade Networks

Consideration needs to be given as to where and how co-operative organisations and institutions fit in Fair Trade governance models. How to ensure that co-operatives and their representative bodies are properly represented, and have a voice, in Fair Trade networks, boards etc? For example, within Fair Trade there is a need to consider:

- How co-operatives and other producer organisations are represented within the Fair Trade Producer Networks in Africa, Asia and Latin America and how those networks are linked into the FLO systems.
- How co-operatives are linked to Fair Trade certified larger producer and licensed retail organisations, which can cover multinational enterprises including supermarket chains.
- How co-operatives are linked to workers and trade unions involved in Fair Trade, especially where co-operatives are hiring labour.

Co-operative - Fair Trade - Multinational Enterprise Tensions

There is strong criticism from many small producer organisations, including co-operatives, that they are increasingly disadvantaged within Fair Trade systems because they are unable to compete with larger producer organisations and estates, which can achieve economies of scale that are not possible for smaller organisations. There is also evidence of supermarket chains pushing minimum prices down in order to ensure that Fair Trade products are competitively priced in supermarkets. These issues need further discussion and exploration.

Research

Research into the impacts of Fair Trade on co-operatives in different parts of the world – positive and negative – is needed. This research would include, for example, addressing questions such as whether co-operatives are happy with the current FLO

Fair Trade Premium payments scheme or does it need changing?

The International Year of the Co-operatives

In developing Fair Trade-co-operative alliances and partnerships, use should be made of the impetus provided by the fact that the United Nations has designated 2012 as the International Year of the Co-operatives (4).

Co-operative to co-operative trading

Other opportunities and measures to strengthen co-operation between the co-operative and Fair Trade movements and to help the development of co-operative to co-operative trading include:

- Improving market access for co-operatives; increasing access to more of the value chain – for example, Divine chocolate.
- Improving know how (access to information, technical support etc).
- Tackling “false co-operatives” which have obtained Fair Trade certification.

Conclusion

There are many opportunities for co-operatives and Fair Trade to further develop co-operation, alliances and partnerships – across the whole spectrum of Fair Trade organisations and not just concentrating on the Fairtrade Mark. However, future co-operation will need to address capacity, institutional and governance issues, and the development of co-operative to co-operative supply/value chains. Fair Trade has to realise that dealing with co-operatives as a

movement, and across the many sectors they operate in, may be more productive than dealing with only individual co-operatives. The International Year of the Co-operatives 2012 could be the target date for some new, exciting Co-operative-Fair Trade partnerships and initiatives (5).

Endnotes

1. “Value chains encompass the full range of activities and services required to bring a product or service from its conception to sale in the final market – whether local, national, regional or global. Value chains include input suppliers, producers, processors and buyers. They are supported by a range of technical, business, and financial service providers.” Quoted in: *Integrated financing for value chains*. World Council of Credit Unions (WOCCU), Technical Guide, 2009.
2. Lacey, Samantha. *Beyond a Fair Price – the Co-operative Movement and Fair Trade*. Co-operative College, UK, Paper 14, 2009, p72.
3. Lacey, Samantha. *Beyond a fair price – the Co-operative Movement and Fair Trade*. The Co-operative College, UK, Paper 14, 2009, p72.
4. Resolution adopted by the UN General Assembly (64th session, Agenda item 61 (b)), 64/136. Co-operatives in social development – to promote greater co-operation: “Proclaims the year 2012 the International Year of Co-operatives”.
5. Resolution adopted by the UN General Assembly (64th session, Agenda item 61 (b)), 64/136. Co-operatives in social development - to promote greater cooperation: “Proclaims the year 2012 the International Year of Co-operatives”.

The Co-operatives for Development programme is based at the Co-operative College and is funded by UK aid from the Department for International Development. It works to promote co-operative solutions to poverty through research, training and policy advice.

The Co-operative College
Holyoake House
Hanover Street
Manchester
M60 0AS
United Kingdom
Tel: +44(0)161 246 2926

College website: www.co-op.ac.uk
CFD website: www.internationaldevelopment.coop
Email: cfid@co-op.ac.uk

