

## CRS Faculty Learning Commons

### Term Sheet

Spring 2016 Session 1: “Fair Trade and Ethical Trade: State of the Movement”

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#### **Business Models**

**Fair Trade:** Fair trade is an approach to business and to development based on dialogue, transparency, and respect that seeks to create greater equity in the international trading system. <sup>i</sup>

**Alternative Trade:** A values-based movement and model developed during the 1940s – 60s focused on strengthening local communities in developing countries through partnerships which sourced goods for sale to churches and other faith-based organizations, mostly in Europe, the US and Canada. Aligned with the fair trade movement, US based pioneers of alternative trade include Ten Thousand Villages and Serrv. In the United States the membership organization that many of these businesses belong to is the [Fair Trade Federation](#), an association of businesses fully committed to fair trade principles.

**Direct Trade:** While there is no centralized standard, most direct trade approaches include the following elements: direct relationships with producers (smallholder, medium and estate), an overwhelming focus on quality control throughout the chain, and a pricing system that creates clear incentives for quality, with premiums that generally exceed the guaranteed minimums for Fair Trade Certified products. Direct trade companies work directly with smallholder farmers to ensure access to products that satisfy their rigorous quality standards, and often seek exclusivity in these relationships. There is no 3<sup>rd</sup> party verification of the relationship between the company and the buyer.

**Free Trade:** An international trading system which allows participating countries to import and export goods without tariffs, duties or quotas. The North American Free Trade Agreement is one such example of a free trade policy between the U.S., Canada and Mexico.

#### **Fair Trade Terms**

**Fair Trade Standards:** A set of internationally recognized fair trade standards created by Fair Trade International. Fair Trade International represents the international fair trade system. When a product carries the FAIRTRADE Mark it means the producers and traders have met Fairtrade Standards. The [Fairtrade Standards](#) are designed to address the imbalance of power in trading relationships, unstable markets and the injustices of conventional trade.<sup>ii</sup> It is important to note that there are varying certification schemes within the fair trade system that emphasize some standards over others or have slightly modified standards.

**Fair Trade Minimum Price:** For agricultural commodities a fair trade minimum price and additional social premium paid to the cooperative is established. When the market price is higher than the Fairtrade Minimum Price, producers should receive the current market price or the price negotiated at contract signing. Fair trade crafts do not follow this process.

Fair Trade Certification: In the US products carry several labels that indicate a third party certification or verification system. Fair trade certification is a product certification within the market-based movement of fair trade. Standards are designed to aid the sustainable development of some smaller producers and agricultural workers. In order to become certified producers, the cooperatives and their fellow farmers have to strictly comply with the standards laid down by the certification body.

### **Fair Trade Certification Bodies**



NAME: **FAIR TRADE CERTIFIED**

ISSUING ORGANIZATION: **Fair Trade USA**

The Fair Trade Certified label is regulated by Fair Trade USA (formerly TransFair USA). Products that contain fair trade-certified ingredients, such as sugar or nuts in energy bars, can bear a label noting this. You can learn more at [fairtradeusa.org/certification/Label-usage](http://fairtradeusa.org/certification/Label-usage). FTUSA certifies transactions, not companies.



NAME: **FAIRTRADE MARK**

ISSUING ORGANIZATION: **Fairtrade International/Flo-Cert**

Fairtrade International, also known as FLO, maintains an international register of fair trade certified cooperatives and plantations that have met its standards. FLO includes farmer representatives in its governance. In late 2012, FLO began operating in the United States to license U.S. companies to sell coffee, chocolate, tea, sugar and other commodities. FLO certifies transactions, not companies. More about the standards and structure of FLO are at [fairtrade.net/standards.html](http://fairtrade.net/standards.html).



NAME: **FAIR FOR LIFE**

ISSUING ORGANIZATION: **Institute for Marketecology**

The Swiss-based Institute for Marketecology, or IMO, manages Fair for Life, a neutral third-party certification program for social accountability and fair trade. It complements existing fair trade certification systems and covers many agricultural, manufacturing and trading operations that may be excluded from independent verification and fair trade certification. It also certifies all critical steps in the value chain. Learn more at [fairforlife.net](http://fairforlife.net).



NAME: **SMALL PRODUCERS SYMBOL**

ISSUING ORGANIZATION: **FUNDEPPO**

The Small Producers' Symbol was launched in 2006 by the Latin American and Caribbean Network of Fair Trade Small Producers, known as CLAC. Small producers created, promote, and work to maintain the objectivity of the certification system. The symbol represents a house that has been built solidly and is open to everyone, as well as balance and unity between producers and consumers, between men and women, and between nature and dignified living. Learn more at [tusimbolo.org](http://tusimbolo.org).



NAME: **FAIR TRADE FEDERATION**

ISSUING ORGANIZATION: **Fair Trade Federation**

The Fair Trade Federation logo is used by members of the Fair Trade Federation, or FTF, an association of organizations fully committed to fair trade principles. It does not represent a third-party inspection and verification system; therefore it is not a certification.

It indicates that a company has met the membership criteria of FTF. FTF upholds nine fair trade principles that you can learn about at [fairtradefederation.org/fair-trade-federation-principles/](http://fairtradefederation.org/fair-trade-federation-principles/).

## **General Terms**

Economic Justice – In the Catholic social tradition, the economic system functions so that it serves all people. We judge any economic system by what it does for and to people and by how it permits all to participate in it. *The economy should serve people, not the other way around.*<sup>iii</sup>

Opportunity Cost - When choosing between alternatives, the “cost” of the second best choice would have incurred, or foregone, had the first choice not been selected.

## **Legislation**

Business Supply Chain Transparency on Trafficking and Slavery Act of 2015, a bill currently in committee in both houses of Congress. The proposed legislation includes detailed requirements on what and how U.S. companies with more than \$100 million in annual sales revenues would be required to publicly disclose their efforts to identify and address risks of forced labor, slavery, human trafficking and the worst forms of child labor in their supply chains.

The 2008 U.S. Farm Bill, “Subtitle C–Miscellaneous,” Section 3205 calls for the creation of a Consultative Group to Eliminate the Use of Child Labor and Forced Labor in Imported Agricultural Products.

California Transparency in Supply Chains Act In 2010, the California legislature passed SB657, better known as the. This law requires that large retailers and manufacturers doing business in California to publish an annual report of the steps they are taking to eradicate slavery and human trafficking within their production chains, including their suppliers. It specifically requires they disclose what 3<sup>rd</sup> party monitoring of their supply chains they use, whether they make unannounced audits of suppliers, and what steps they take to train relevant personnel in addressing slavery and trafficking.

On September 25, 2012 (the anniversary of the Emancipation Proclamation), President Obama signed an Executive Order “Strengthening Protections Against Trafficking In Persons In Federal Contracts” which required similar disclosures and positive actions among any company serving as a Federal contractor or subcontractor.

The U.S. Food and Drug Administration is finalizing the language of the Food Safety Modernization Act (FSMA) which is designed to protect consumers from food-borne illness and bioterrorism and will have profound impacts on agricultural supply chain operations.

## **Coffee – The Bean and Production**

Coffee is derived from the Arabic “qahhwat al-bun,” or “wine of the bean.”

Castillo: A variety developed by breeders at Colombia’s coffee research center Cenicafé that offers mostly disease resistance and high yields

Caturra: A variety of coffee whose principal differentiators are its cup quality and its rust-susceptibility

Coffee Leaf Rust: A fungus known as “roya”

Cooperatives/Producer Organizations: Those small producer organizations that are owned and governed by their members



Source: Equal Exchange

**G x E x M:** A framework that helps to understand the complex interactions between three related variables – genotype or genetics; environment; and management. The framework also helps to explain a broad range of farm-level outcomes including yields, efficiencies, product quality and profitability.

G: Genotype or Genetics (What you plant. In this case, a coffee variety.)

E: Environment (Where you plant your chosen coffee variety and the conditions that prevail there—elevation, soils, weather, etc.)

M: Management (How you manage that coffee variety, including husbandry, harvesting and post-harvest processing.)

Market Segments Among Buyers: (examples of buyers)

“Specialty” Segment - Counter Culture, George Howell, Intelligentsia, Red Fox, Stumptown, Equal Exchange

“High-Volume Specialty” – Federación Nacional de Cafeteros, Keurig Green Mountain, Starbucks

Smallholder Coffee Growers: Growers in Nariño have small farms (0.9 hectares planted in coffee on average), low production (less than 9 bags/hectare) and are mostly poor (61 percent) and hungry (57 percent report food shortages).

Traditional Coffee Business Sourcing Model

Farmers & Plantation Workers → Intermediaries & Plantations → Processing Mills → Exporters → Brokers → Importers → Roasters → Distributors → Retailers → Coffee Consumer

Varietal Diversification: Diversification of varieties of coffee subspecies in order to sustain the commercial viability of a given farm or cooperative

Varietal Agnosticism: In terms of its support for renovation, investing in renovation with the varieties growers themselves choose

## **Organizations**

Equal Exchange: The pioneering worker-owned fair trade company that Jonathan Rosenthal co-founded, with Rink Dickinson and Michael Rozyne in 1985, and led. CRS Fair Trade business partner since 2008.

Serrv: A nonprofit organization working with 60 community based producers in 30 countries to provide technical support and a market for fairly traded handmade art, jewelry, and household items. Serrv is recognized as a leader and pioneer in the fair trade movement, with origins in 1949 as one of the first fair trade organizations in the United States. Serrv has been a CRS Fair Trade business partner since 1995.

Ten Thousand Villages: Founded in 1946 Ten Thousand Villages is a fair trade retailer of gifts, home accents and personal accessories handcrafted by artisans in over 30 countries. TTV has been a CRS Fair Trade business partner since 2015.

Fair Labor Association: Since 1999, FLA has helped improve the lives of millions of workers around the world. As a collaborative effort of socially responsible companies, colleges and universities, and civil society organizations, FLA creates lasting solutions to abusive labor practices by offering tools and resources to companies, delivering training to factory workers and management, conducting due diligence through independent assessments, and advocating for greater accountability and transparency from companies, manufacturers, factories and others involved in global supply chains.

International Center for Tropical Agriculture: (CIAT) Operating since 1967, CIAT's goal is to work in collaboration with hundreds of partners across the developing world to develop technologies, innovative methods, and new knowledge that better enable farmers, mainly smallholders, to improve their crop production, incomes, and management of natural resources.

International Coffee Organization: (ICO) Established in 1963, the ICO operates in collaboration with the United Nations (UN) to enhance cooperation between nations that consume, distribute and produce coffee. As of July 2015 its 48 members consist of 40 exporting nations, 7 importing nations and 1 importing community (the European Union).

Fair Trade Campaigns: Part of Fair Trade USA, Fair Trade Campaigns is a grassroots movement mobilizing thousands of conscious consumers and fair trade advocates on campuses and communities across the USA. Fair Trade Campaigns recognizes towns, colleges, universities, schools and congregations in the US for embedding fair trade practices and principles into policy, as well as the social and intellectual foundations of their communities. They provide tools, resources and support events to launch and grow local Fair Trade Campaigns in towns, universities, schools and congregations.

SOAS (The School of Oriental and African Studies) at University of London is known for its research in fair trade, employment and poverty reduction. SOAS is the only higher education institution in Europe specializing in the study of Asia, Africa and the near Middle East.

Specialty Coffee Association of America (SCAA) was founded in 1982 as a non-profit trade organization for the specialty coffee industry. Its members are located in more than 40 countries and span every segment of the specialty coffee industry, including producers, roasters, importers/exporters, retailers, manufacturers, baristas and other industry professionals.

World Fair Trade Organization (WFTO): A global network of organizations representing the fair trade supply chain. WFTO is the home of fair traders: producers, marketers, exporters, importers, wholesalers and retailers that demonstrate 100% commitment to Fair Trade and apply the 10 WFTO Principles of Fair Trade to their supply chain. The WFTO International Guarantee system checks practices across the supply chain against the WFTO Fair Trade Standard, a set of compliance criteria based on the 10 Fair Trade Principles and on International Labour Organisation (ILO) conventions.

### **Programs**

The Colombia Sensory Trial is a cross-sector collaboration coordinated by CRS and joined by the International Center for Tropical Agriculture, the Sensory Analysis Center at Kansas State University, the World Coffee Research program at Texas A&M's Norman Borlaug Institute, and cuppers from eight influential coffee organizations: Counter Culture Coffee, Federación Nacional de Cafeteros, George Howell Coffee, Intelligentsia Coffee, Keurig Green Mountain, Red Fox Coffee Merchants, Starbucks and Stumptown Coffee. The Trial enlisted all of these organizations to contribute to rigorous, independent research on the comparative cup quality of Castillo and Caturra samples collected from 25 farms in Nariño during the 2014 harvest.

CRS Coffeelands Program is a three-year, \$4.5 million initiative which will place full-time expert staff in Central Africa, Central America, East Africa, South America and the United States. They will coordinate efforts of CRS programs in those regions to contribute to lasting change at scale through high-impact programming, industry engagement, policy influence, high-level research, and dialogue.

CRS Fair Trade offers opportunities for Catholic parishes, schools, universities and other institutions to purchase fair trade products through our partners for general use, special events, and fundraising initiatives. They engage with CRS by hosting Serrv Consignment Sales or Community Orders at the parish or school, shopping at Ten Thousand Villages during a CRS Fair Trade Community shopping event, hosting a coffee sale, purchasing products online or participating in an Equal Exchange school fundraiser. CRS Fair Trade offers a range of faith formation resources to root and strengthen fair trade activities in our faith.

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<sup>i</sup> [Fair Trade Federation](#)

<sup>ii</sup> [Fair Trade International](#)

<sup>iii</sup> [Economic Justice for All](#): 13