

FAIR- TRADE CERTIFICATION; AN INNOVATIVE WAY TO FETCH BETTER INCOME FOR SMALL AND MARGINAL FARMERS

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Abstract: *In India the small and marginal farmers are bitterly exploited by the middlemen. Farmers and workers at the beginning of the supply chain don't always get a fair share of the benefits of trade. Fair-trade enables consumers to put this right. This article is trying to provide more inputs on the concept of fair trade, so that the farmer organizations can take initiatives for attaining fair trade certification which fetches better income for them. This also depicts the advantages of becoming a fair trade certified farmer. One of the astonishing facts realized during the meeting with producer organizations in Western Ghats is most of them are unaware about the concept of Fair Trade. This clearly indicates that necessary steps have to be taken by the concerned authorities to educate the farmers on modern business concepts such as Fair Trade, Farmer Producer Companies Etc.*

Key Words: *Flo Cert, European Fair Trade Organization, Fair-Trade Labeling Organization International, Producer Farmer Companies, Fetching Better Incomes*

I. INTRODUCTION

Indian farmers must start thinking out of the box for fetching better income for their produces. The recent innovative business model like Producer Company can become successful only when the farmers go for agribusiness certifications such as fair-trade certifications, organic certifications, rain forest alliance certifications etc. Through this journal the researcher is trying to educate the farmers about the concept of fair-trade certifications and it's advantages

II. THE CONCEPT OF FAIR TRADE

Very often we have heard the word 'Fair'. As Laymen, for us 'Fair' means 'good', 'decent', 'better' etc. Therefore 'Fair Trade' means 'good trade' or 'decent trade' where the farmers are benefited. Farmers and workers at the beginning of the supply chain don't always get a fair share of the benefits of trade. Fair-trade enables consumers to put this right. As you would know, the Farmer Producer Organizations are a consortium of farmer federations and farmer associations. Therefore as a matter of fact, Fair Trade Certification is highly recommended for the Farmer Producer Organizations to generate more income. Fair trade is a consumer-driven movement to promote fair prices and reasonable conditions for producers of primary goods in developing regions. It is a social movement whose stated goal is to help producers in developing countries achieve better trading conditions and to promote sustainability.

Members of the movement advocate the payment of higher prices to exporters, as well as higher social and environmental standards. The movement focuses in particular on commodities, or products which are typically exported from developing countries to developed countries, but also consumed in domestic markets (e.g. Brazil and India) most notably handicrafts, coffee, cocoa, sugar, tea, banana, honey, cotton, wine, [1] fresh fruit, chocolate, flowers, gold, [2] and 3D printer filament [3].

The movement seeks to promote greater equity in international trading partnerships through dialogue, transparency, and respect. It promotes sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers in developing countries. [4] Fair-trade labeling organizations most commonly use a definition of 'fair trade' developed by FINE, an informal association of four international fair trade networks — Fair-trade Labeling Organizations International, World fair-trade Organization, Network of European Workshop and European Fair Trade Association (EFTA) —: fair trade is a trading partnership, based on dialogue, transparency, and respect, that seeks greater equity in international trade. Fair trade organizations, backed by consumers, are engaged actively in supporting producers, awareness raising, and in campaigning for changes in the rules and practice of conventional international trade. [5]

There are several recognized Fair-trade certifiers, including Fair-trade International (formerly called FLO, fair-trade Labeling Organizations International, IMO and Eco-Social. Additionally, Fair Trade USA, formerly a licensing agency for the Fair-trade International label, broke from the system and is implementing its own fair trade labeling scheme, which has resulted in controversy due to its inclusion of independent smallholders and estates for all crops. In 2008, Fair-trade International certified approximately (€3.4B) of products [6] [7]. The World Trade Organization publishes annual figures on the world trade of goods and services. The Fair Trade movement is especially popular in the UK where there are 500 Fair-trade towns, 118 universities, over 6,000 churches, and over 4,000 UK schools registered in the Fair-trade Schools Scheme [8]. In 2011, over 1.2 million farmers and workers in more than 60 countries participated in Fair Trade, and €65 million in Fair-trade premium was paid. According to fair-trade International, nearly six out of ten consumers have seen the fair-trade mark and almost nine in ten of them trust it [9].

III. A SUITABLE OPERATIONAL MODEL FOR THE BETTERMENT OF PRODUCER ORGANIZATIONS.

Fair-trade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. When farmers can sell on Fair-trade terms, it provides them with a better deal and improved terms of trade. This allows them the opportunity to improve their lives and plan for their future. Fair-trade offers consumers a powerful way to reduce poverty through their everyday shopping. When a product carries the FAIRTRADE Mark it means the producers and traders have met Fair-trade Standards. The Fair-trade Standards [10] are designed to address the imbalance of power in trading relationships, unstable markets and the injustices of conventional trade. In 2009, Fair-trade International along with the World Fair Trade Organization adopted the Charter of Fair Trade Principles, which provides a single international reference point for Fair Trade. The charter includes our common vision, definition of Fair Trade, core principles and the distinct approaches to Fair Trade. Fair-trade International endorses the definition of Fair Trade and adheres to the Principles [11].

THE STANDARDS FOR FAIR TRADE

There are distinct sets of fair-trade Standards, which acknowledge different types of producers. One set of standards applies to smallholders that are working together in cooperatives or other organizations with a democratic structure. The other set applies to workers, whose employers pay decent wages, guarantee the right to join trade unions, ensure health and safety standards and provide adequate housing where relevant. fair-trade Standards also cover terms of trade. Most products have a set fair-trade Minimum Price, which is the minimum that must be paid to the producers. In addition producers get an additional sum, the fair-trade Premium, to invest in their communities or businesses.

FAIR TRADE MINIMUM PRICE

The minimum price paid to fair-trade producers is determined by the fair-trade Standards and Pricing Unit. It applies to most fair-trade certified products. This price aims to ensure that producers can cover their average costs of sustainable production. It acts as a safety net for farmers at times when world markets fall below a sustainable level. When the market price is higher than the fair-trade Minimum Price, the buyer must pay the higher price. Producers and traders can also negotiate higher prices on the basis of quality and other attributes.

FAIR TRADE PREMIUM

In addition to the price paid for the product, there is an additional sum of money, called the fair-trade Premium that farmers receive for products sold on fair-trade terms. This money goes into a communal fund for workers and farmers to use to improve their social, economic and environmental conditions. The use of this additional income is decided upon democratically by producers within the farmers' organization, or by a workers' committee on a plantation. The Premium is invested in education and healthcare, farm

improvements to increase yield and quality, or processing facilities to increase income. As many projects funded by the Premium are communal, the broader community, outside the producer organization often benefits from Fair-trade.

FAIR TRADE PRODUCTS

There are now thousands of products that carry the FAIRTRADE Mark. fair-trade Standards exist for food products ranging from tea and coffee to fresh fruits and nuts. There are also standards for non-food products such as flowers and plants, sports balls and seed cotton.

IV. BENEFITS OF FAIR TRADE

1. Stable prices

For most products there is a fair-trade Minimum Price that aims to cover the costs of sustainable production – even when world market prices fall.

2. A Fair-trade Premium

The Premium helps producers to improve the quality of their lives. It is paid on top of the agreed fair-trade price, and producers decide democratically how to use it. Typically they invest it in education, healthcare, farm improvements or processing facilities to increase income.

3. Partnership

Producers are involved in decisions that affect their future. fair-trade certified producers jointly own and manage fair-trade International. Through the fair-trade International's Board, its Committees and consultation processes producers can influence prices, premiums, standards and overall strategy.

4. Empowerment of farmers and workers

This is a goal of fair-trade. Small farmer groups must have a democratic structure and transparent administration in order to be certified. Workers must be allowed to have representatives on a committee that decides on the use of the fair-trade Premium. Both groups are supported by fair-trade International to develop their capacity in this area.

V. WITH FAIR TRADE EVERYONE WINS

Consumers

Shoppers can buy products in line with their values and principles. They can choose from an ever growing range of great products. By buying into fair-trade consumers support producers who are struggling to improve their lives.

Traders/companies

Since its launch in 2002 the FAIRTRADE Mark has become the most widely, recognized social and development label in the world. fair-trade offers companies a credible way to ensure that their trade has a positive impact for the people at the end of the chain.

Environment

Fair-trade rewards and encourages farming and production practices that are environmentally sustainable. Producers are also encouraged to strive toward organic certification. Producers must:

- Protect the environment in which they work and

live. This includes areas of natural water, virgin forest and other important land areas and dealing with problems of erosion and waste management.

- Develop, implement and monitor an operations plan on their farming and techniques. This needs to reflect a balance between protecting the environment and good business results.
- Follow national and international standards for the handling of chemicals. There is a list of chemicals which they must not use.
- Not, intentionally, use products which include genetically modified organisms (GMO).
- Work out and monitor what affect their activities are having on the environment. Then they must make a plan of how they can lessen the impacts and keep checking that this plan is carried out.



Illustration 1: Flo Certified Coffee Beans

VI. CERTIFYING FAIR-TRADE

FLOCERT is the independent certifier for Fair-trade. By checking compliance with Fair-trade Standards, the company ensures that the relevant economic, social, and environmental standards are met and that producers receive the Fair-trade Minimum Price and Premium.

FLOCERT auditors are highly qualified, usually based in the countries and regions where they work, and familiar with local cultures, languages, and legal systems. All auditors are examined on their skills and receive annual training.

Consumers can be confident that the international FAIRTRADE Marks are only used on products that meet the international Fair-trade Standards, and benefit Fair-trade certified farmers and workers.

Producer Audits

All producer organizations – whether small producer group, plantation or contract production setup – must go through an initial on-site audit before they can sell Fair-trade certified products.

The size of Fair-trade producer organizations varies greatly from small cooperatives with a few farmer members to large plantations with hundreds of workers, on up to large second-grade cooperatives with thousands of farmer members. As a result of this, FLOCERT randomly selects a pre-defined minimum number of farms to be physically visited and workers to be interviewed. The annual cost of certification depends on the total number of farmers or workers. A full Fair-trade producer audit will last several days. The time the auditor spends in the field depends on the size of the

producer organization (number of farmer members or workers), its complexity, and the number of certified products it wants to sell as Fair-trade.

Following the physical audit, an audit report is sent to FLOCERT for evaluation and approval or to follow-up on any non-conformity identified during the audit. The decision to certify is taken by FLOCERT, and only after all non-conformities have been corrected.

After receiving the initial Fair-trade certification, producer organizations are physically audited at least twice in a three-year certification cycle. In addition to the regular audits, FLOCERT conducts regular unannounced audits



Illustration 2: Fair Trade Certified Farmers in Wayanadu, Kerala during Coffee Harvesting.

TRADER AUDITS

FLOCERT also audits traders and companies against the Fair-trade Trade Standard. Traders and companies wishing to sell Fair-trade products first receive a temporary 'permission to trade' prior to their first audit to ensure that they can comply with the Trade Standard. This enables traders to build up a history in the Fair-trade system that can be audited and enables producers to benefit from new buyers coming on board. A complete audit is then conducted within six months after receiving the permission to trade. At the audit itself the auditor checks on-site if all Fair-trade transactions were conducted in line with the corresponding Fair-trade Standards. Traders involved in Fair-trade Premium and Minimum Price payments are audited at least twice in a three-year certification cycle and FLOCERT also conducts unannounced audits. FLOCERT is ISO 17065 certified. ISO 17065 is the leading, internationally recognized quality norm for bodies operating a product certification system. FLOCERT follows the ISO 17065 norm in all its certification operations. Concretely, ISO 17065 certification guarantees that:

- A quality management system is in place
- Transparency in all processes
- Independence in the certification decision making

FLOCERT is checked by an independent third party to ensure compliance with ISO 17065 rules.

VII. CONCLUSION

With fair-trade the farmers have the power to change the world every day. With one simple choice we can get farmers a better deal. And that means they can make their own decisions, control their futures and lead the dignified life everyone deserves. fair-trade is about better prices, decent working conditions and fair terms of trade for farmers and workers. fair-trade supports small scale farmers and workers who are marginalized from trade in a variety of ways. There are over 1.4 million farmers and workers in 1,140 producer organizations across the fair-trade system. But in India, the farmers are not aware about this concept. Therefore the NGOs of Government Agencies dealing with the Farmers must take up initiatives for propagating the concept of fair trade.

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