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# Fair Trade and Organic Initiatives in Asian Agriculture

The Hidden Realities

Rie Makita and Tadasu Tsuruta



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In addition to constituting an evolving area of inquiry within the social sciences, agricultural certification, and particularly its Fair Trade and organic components, has emerged as a significant tool for promoting rural development in the global South. This book is unique for two reasons. First, in contrast to existing studies that have tended to examine Fair Trade and organic certification as independent systems, the studies presented in this book reveal their joint application within actual production settings, demonstrating the greater complexity entailed in these double certification systems through the generation of contradictions and tensions compared with single certification systems. Second, the authors, who are both Asian, reveal the realities of applying Fair Trade and organic certification systems within Asian agriculture. In doing so, they challenge the fact that most Fair Trade studies have been undertaken by Western scholars who have tended to focus on Latin American and African producers. Drawing on a wealth of grounded case studies conducted in India, Thailand, and the Philippines, this pioneering study on double certification makes a significant contribution to studies on Fair Trade and organic agriculture beyond Asia.

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The Hidden Realities

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# Abbreviations

AAN	Alternative Agriculture Network
ACT	Organic Agriculture Certification Thailand
ADB	Asian Development Bank
AOFG	Agriculture and Organic Farming Group India
ATC	Alter Trade Corporation
ATFI	Alter Trade Foundation Incorporation
Bt	<i>Bacillus thuringiensis</i>
CAEF	Community of Agro-Ecology Foundation
CARP	Comprehensive Agrarian Reform Program
CHAI	Community Health Advancement Initiative
CLOA	Certificate of Land Ownership Award
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FiBL	Research Institute of Organic Agriculture
FLO	Fairtrade International (formerly called Fairtrade Labeling Organizations International)
GM	Genetically modified
ICAC	International Cotton Advisory Committee
IFAD	International Fund for Agricultural Development
IFOAM	International Federation of Organic Agriculture Movements
IMO	Institute for Marketecology
NCS	Nature Care Society
NGO	Non-governmental organization
NOFTA	Negros Organic Fair Trade Association
NOP	National Organic Program
PLA	Plantation Labor Act
Rs.	Indian Rupees
SFS	Surin Farmers Support
SIF	Social Investment Fund
STARFA	Santa Rita Farmers Multi-purpose Cooperative (formerly called Santa Rita Farm Workers Association)
USDA	the United States Department of Agriculture
WFTO	World Fair Trade Organization

# 1 Introduction

## 1.1 Two consumer movements surrounding agricultural products

The profusion of certification labels on processed food and beverage products, such as coffee and tea, from the global South perplexes consumers. There are primarily two categories of certification. The first provides consumers with an assurance that through their purchase of the labeled products they are helping disadvantaged Southern producers. The second provides an assurance that the products are environmentally friendly. Within the first category, the Fairtrade certification, issued by Fairtrade International (FLO), is the best known.<sup>1</sup> Organic certification is predominant within the second category. These two forms of certification have different origins and histories. Whereas Fairtrade certification is derived from the Fair Trade movement (see, e.g., Nicholls and Opal, 2005), organic certification is derived from the organic movement (see, e.g., Guthman, 2004a). However, by their designations appearing together as labels on the packaging of a single product, these separate movements have apparently been merged. According to a monitoring report released by FLO based on data collected in 2013 (Fairtrade International [FLO], 2014a, p. 62), 74 percent of all Fairtrade-certified producer organizations (including hired labor organizations) held at least one additional form of certification. Moreover, 51 percent of the Fairtrade-certified organizations held organic certification. Furthermore, Ecocert, which is a French inspection and certifying body, has introduced a single new integrated certification system that combines the Fair Trade and organic initiatives (French Fair Trade Platform, 2015, p. 16). An association of French companies, Bio Partenaire, has even created an “organic fair trade” label for its member companies engaged in organic and Fair Trade activities (French Fair Trade Platform, 2015, pp. 26–27).

Although the convergence of the two movements has been led by markets located in the global North, this has necessarily involved producers in the global South (Weber, 2007, pp. 113–114). As discussed in a subsequent section, whereas Fair Trade and organic agriculture differ when considered as movements, they share some characteristics in common when considered as certification systems. The similarities and differences between the two initiatives cause confusion not only among consumers in the North, but also among producers in the South.

## 2 Introduction

This book is primarily concerned with the increasing interactions of these two global initiatives on the side of Southern producers.

At the onset, we would like to clarify certain key terms. In this book we use “movement” to express the original concept. This needs to be clearly differentiated from activities related to obtaining and maintaining “certification,” which is a marketing tool of the movement. However, in practice there are situations in which outsiders cannot distinguish movement-related activities from certification-related ones. In such situations we use the term “initiative,” which denotes a more comprehensive concept than either movement or certification. In other words, the Fair Trade initiative or “Fair Trade” includes all associated ideas and activities that pertain to the Fair Trade movement and certification. Similarly, the organic initiative includes both the organic movement and certification. Spelled as one word and capitalized, “Fairtrade” refers to the specific certification system implemented by FLO, that is, “a non-profit membership organization which defines fair production and trade standards, establishes auditing procedures and promotes the sale of labeled products” (Raynolds and Bennett, 2015, p. 6). Given the existence of similar fair and ethical trade programs, this book distinguishes between “Fairtrade” and “Fair Trade,” which is a general term encompassing other similar programs.

Fair Trade, as defined in *A Charter of Fair Trade Principles*, which has been adopted by the World Fair Trade Organization (WFTO) and Fairtrade Labeling Organizations International (now known as Fairtrade International, FLO), is designed to “[contribute] to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South” (WFTO and FLO, 2009, p. 4). Thus, the primary objective of Fair Trade certification systems is to help “marginalized producers and workers . . . in the South.” Fairtrade certification is expected to provide certified producer groups with benefits such as higher prices for their products compared to free trade prices, minimum guaranteed prices, and price premiums that producer groups can take advantage of to improve their communal infrastructure and services (FLO, 2014b). In order to acquire Fairtrade certification and enjoy these benefits, participating producers are required to comply with regulations pertaining to “sustainable development.” The phrase “sustainable development” connotes environmental, social, and economic sustainability (e.g., Hisas and Penaflor, 2006, p. 27). In addition to the components of social and economic sustainability embodied within cooperatives that are democratically organized and managed, as well as the ban on child labor, the same charter clearly refers to the environmental sustainability component as follows:

All parties to Fair Trade relationships collaborate on continual improvement on the environmental impact of production and trade through efficient use of raw materials from sustainable sources, reducing use of energy from non-renewable sources, and improving waste management. Adoption of organic production processes in agriculture (over time and subject to local conditions) is encouraged.

(WFTO and FLO, 2009, p. 10)

It is highly feasible that producers who adopt organic production practices under a Fair Trade certification could also be certified as organic. Thus, a Fair Trade certification may contribute to the promotion of organic agriculture.

However, the organic movement is based on the “technical issue of production” (Browne, Harris, Hofny-Collins, Pasiecznik, and Wallace, 2000, p. 82). The Food and Agriculture Organization (FAO) of the United Nations (FAO, 2014) defines organic agriculture as follows:

Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity. . . . This is accomplished by using, where possible, agronomic, biological, and mechanical methods, as opposed to using synthetic materials, to fulfill any specific function within the system.

Organic agriculture is evidently dedicated to the conservation of natural resources. However, consumers purchase organic food products for their personal health benefits rather than to contribute to environmental conservation (Cottingham and Winkler, 2007, pp. 32–33). Whereas consumers choose Fair Trade-certified products for altruistic reasons, they choose organic-certified products for reasons of self-interest. This may be one reason why the organic market is considerably larger than the Fair Trade market (Sahota, 2007, p. 25).

The global expansion of the organic movement also opened up opportunities for Southern agricultural producers to find new markets in the North for the products they cultivated (Raynolds, 2004). Many small and marginal farmers in the South traditionally follow organic cultivation practices that depend on locally available manures; conventional smallholders whose yields are comparatively low can significantly increase them by transitioning to organic production (Bacon, Méndez, and Fox, 2008, p. 353). The global organic movement offers small farmers in the South an opportunity to convert their prevailing disadvantages, such as small-scale production and the use of unsophisticated technologies, into positive sales points. Although organic certification does not require any social justice-related regulations, the International Federation of Organic Agriculture Movements (IFOAM) highlights “fairness” as one of the principles of organic agriculture:

This principle emphasizes that those involved in Organic Agriculture should conduct human relationships in a manner that ensures fairness at all levels and to all parties – farmers, workers, processors, distributors, traders and consumers. Organic Agriculture should provide everyone involved with a good quality of life, and contribute to food sovereignty and reduction of poverty.

(IFOAM, 2014)

The linking together of organic and Fair Trade certification systems appears to be logical. In practice, a few organic labels such as “Ecocert” and “Natureland” have adopted the Fair Trade component.<sup>2</sup> As in the case of Fair Trade certification



## 4 *Introduction*

systems, nations in the global North have led the organic certification process (Mutersbaugh and Klooster, 2011, p. 164).

Although Fair Trade–organic double certification has been a popular marketing practice (Allen and Malin, 2008; Bowes and Croft, 2007), the meaning of double certification has not been sufficiently explored. Most producer-focused studies have attended to only one of these forms of certification and have not distinguished one from the other (e.g., Getz and Shreck, 2006; Jafee, 2007; Thavat, 2011). An article by Browne et al. (2000) is noteworthy for introducing the discussion on the possible convergence of the two movements. Subsequently, some studies have sought to compare different certification systems (Giovannucci and Ponte, 2005; Kolk, 2013; Muradian and Pelupessy, 2005; Neilson et al., 2011). Parvathi and Waibel (2016) are exceptional in their examination of whether Fairtrade certification can bring additional benefits to organic-certified farmers, using panel data collected from black pepper cultivators in Kerala, India. Based on their comparison of single-certified organic farmers with double-certified farmers, they conclude that Fairtrade certification does not increase the incomes of organic farmers. The question this raises is this: Why did some farmers choose only organic certification, while others chose both kinds of certification? An empirical exploration of the different aspects of double certification would thus be pertinent.

### 1.2 **The objectives and scope of the research**

In this book we raise three questions concerning Fair Trade–organic double certification. First, under what conditions can producers obtain double certification? Second, do some farmers prefer single certification – Fair Trade or organic – to double certification? Third, how do these two forms of certification interact with each other?

We attempt to answer these three questions through five case studies from Asia. Many countries within Asia belong to the global South. Small farmers within the region, like those in Latin America and Africa, are seeking to benefit from the Fair Trade movement. However, traders and consumers in the North have little awareness of the realities of Fair Trade impacting Asian farmers and workers because the majority of studies on Fair Trade conducted by American and European scholars have tended to focus on Latin American and African producers. As we are Asian social scientists, our underlying aim in conducting these Asian case studies was to explore how Fair Trade has permeated Asian agriculture. This was our motive when we planned these case studies in Asia. Although organic agriculture was not the primary topic during the planning stage of the research, it appeared to be closely associated with Fair Trade in all of the case studies. The case studies subsequently revealed a variety of contradictions or tensions around Fair Trade and organic agriculture.

This book focuses on the convergence of two different certification schemes for Fair Trade and organic agriculture. As previously discussed, there have been attempts to incorporate both of these within a single certification label, such as

“Fair Trade by Ecocert” and “Natureland Fair” (French Fair Trade Platform, 2015, pp. 16, 64). However, because of the small scale of these efforts, it is difficult to find cases for observation, especially within Asia. We believe that the findings of our study, which focuses on the convergence of these two certification systems, will be conducive to the development of such a single merged certification system.

Before presenting the case studies, it would be salient to provide an overview of these respective initiatives within Asian agriculture and the presence of Asia within the studies on both Fair Trade and organic agriculture.

### 1.3 The Fair Trade initiative in Asian agriculture

Monitoring reports issued by FLO (2013, 2014a) provide an outline of the development of Fair Trade in Asia. The first characteristic is that “Fairtrade has historically been smaller in scale and slower to grow in Asia than elsewhere” (FLO, 2013, p. 7). As Table 1.1 shows, only 17 percent of all Fairtrade farmers and workers live in Asia (FLO, 2014a, p. 18).<sup>3</sup> However, in recent years Asia has shown the highest growth rate in terms of the number of Fairtrade farmers and workers (FLO, 2013, p. 18). From 2012 to 2013 the number of Fairtrade-certified producer organizations increased by 12 percent in Asia, compared with a 5 percent increase in other regions (FLO, 2014a, p. 37). At the end of 2013 there were 182 Fairtrade-certified producer organizations distributed in 18 countries in Asia: of these, 115 were small farmer organizations, 19 were contract production organizations, and 48 were hired labor organizations (FLO, 2014a, p. 144).<sup>4</sup> Thus, Asia’s Fairtrade production is characterized by a large portion of hired labor organizations, represented by tea plantations. Asia leads in the area of plantation-based Fair Trade. Specifically, this region accounts for 80 percent of the world’s Fairtrade tea plantation workers (FLO, 2014a, p. 108). Thus, whereas Asia supplies 49 percent of all Fairtrade workers in the world, it accounts for just 12 percent of all Fairtrade farmers (Table 1.1).

*Table 1.1* The global distribution of Fairtrade farmers and workers, 2013 (unit: the number of registered persons)

<i>Region</i>	<i>Fairtrade farmers</i>	<i>%</i>	<i>Workers on Fairtrade-certified plantations</i>	<i>%</i>	<i>Total</i>	<i>%</i>
Latin America and the Caribbean	309,500	24	13,900	7	323,400	21
Africa and the Middle East	838,500	64	93,600	44	932,100	62
Asia and Oceania	157,500	12	103,400	49	260,900	17
World	1,305,500	100	210,900	100	1,516,400	100

Source: FLO (2014a, p. 18)