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Fair Trade: A Western Success Story Reaches a New Audience in India

Over the last year, fluctuating markets and financial risk have been front page news. But, for farmers in India, booms and busts aren't breaking news but realities that they have struggled with for years. According to the World Bank, 60% of India's 1.1 billion people are dependent on agriculture for their livelihoods. Hampering their efforts to earn a decent living are uncertain and unstable markets, poor productivity and marketing capacity, and the inability to market and add value to their produce. Pair these challenges with increasing production and household costs, and it's no wonder that many of India's farmers who sell through conventional supply chains have struggled for so long to make ends meet. Seth Petchers, Acting CEO and Advisor, Shop for Change Fair Trade, explains.

Photo Credit: Zameen Organics

Back To The Future

In response to the failure of conventional supply chains to address the problems facing farmers, a handful of companies emerged in Europe and the United States to offer an alternative. These companies, to which the initial moniker "alternative traders" was attached, were the pioneers of fair trade—a movement that emerged to prove business can be profitable for companies as well as farmers and handcraft artisans. The principles behind the concept included better returns and business opportunities for poor producers—fostered largely through long-term, direct relationships between companies

and producer marketing organizations. In 1988, fair trade certification was launched in Europe. Through certification of companies' business practices as "fair trade," certifiers aimed to infuse conventional supply chains with fair trade principles. Today, the UK, United States, and several other Western countries have their own fair trade certification organizations. In 2008, twenty years after the launch of the first fair trade certification label, global sales of products displaying fair trade certification labels—now sold by global brands including Wal-Mart, Starbucks, Cadbury, Tesco, and Target—reached US\$ 4.1 billion.

Fair Trade Comes To India

For decades, numerous Indian organizations have exported fair trade products to foreign markets. To many farmers and handcraft artisans, fair trade has been a lifeline, providing price stability and long-term trading partnerships that have enabled their communities to take important steps in the long

process of development. Yet, with India home to one-third of the world's poor, fair trade export markets have not grown fast enough to absorb the supply of Indian fair trade products needed to make a large-scale impact on poverty. For the hundreds of millions of small-scale Indian farmers and artisans, a need remains for new alternatives to complement export-oriented fair trade.

In November 2006, Traidcraft Exchange, and International Resources for Fairer Trade (UK and India-based fair trade organizations, respectively), initiated a conversation with a group of Indian organizations to discuss creating a presence for fair

trade in the Indian market. As Maveen Pereira of Traidcraft recalls, “These organizations—many of which struggle to find alternative, value-added markets to meet the needs of the farmers and artisans they support—recognized the irony in the fact that small-scale producers are struggling to find alternative export markets while the Indian consumer market is booming.”

Recent demographic trends in India—specifically the exponential growth of the middle class—pointed to exciting new opportunities for farmers and artisans to market fair trade products to middle-class consumers. And, an increasing amount of market research identified sizable numbers of middle class consumers who believed products should be sourced responsibly. International Media and Panel Group’s 2007 survey of middle-class Indian consumers showed that 30% believe it is important that companies act ethically. A 2008 McKinsey Quarterly report found that 42% of respondents would be more inclined to buy from food and beverage companies that develop more eco-friendly products. The challenge was to help consumers connect the dots between their own lives, the products they purchase, and the opportunities that can be created for farmers and artisans through fair trade if consumers do their bit.

Persuading Consumers To Shop For Change

After exploring a variety of different options, the fair trade groups recognized that the certification model could be the ticket to tapping India’s promising market for fair trade. From this conversation,

Shop for Change Fair Trade was born. Launched with funding from the European Commission and Dutch funders ICCO and Hivos, Shop for Change is building on successful international models of fair trade and adapting them for the Indian market. Certification of the first producers, cotton farmers, is now underway. Conversations have begun with textile companies to buy certified cotton and put the Shop for Change label on their products, the first of which are expected on shelves in the coming months. Gijs Spoor, Director of Zameen Organic, sees important opportunities for India in the new label: “Why should we export our best products to Europe if we have discerning consumers back home who also want to feel good about what they wear? We need to respect Indian shoppers and offer them the same high social and environmental standards that we offer for export. These are desperate times for cotton farmers; fair trade offers us all a sustainable, long-term solution to this immediate crisis.”

The foundation of Shop for Change’s certification system is its standards, which spell out the social and environmental requirements for farmers and companies who participate in the Shop for Change supply chain. Based on international fair trade principles, the standards address specific aspects of farming in India and include a financial premium that farmer organizations can invest in organizational strengthening or farmer training.

While maintaining a rigorous certification and inspection program for farmers and companies, Shop for Change aims to lower barriers to fair trade so new farmers can take part and can lessen

the dependence of established fair trade farmer organizations on international markets.

Incentives For Fairer Business

The goal of fair trade is the economic and social empowerment of farmers. But from its inception, the movement has worked to add value to supply chains so that farmers, companies and consumers can all benefit. As fair trade is introduced into the Indian market, this means a value proposition that not only assures gains for farmers, but also creates incentives for companies to adopt fair trade. In short, that means the promise of increased brand equity and sales, which requires significant effort to raise consumer awareness of the fair trade concept.

As fair trade gains traction in India, supporters envision a day in the not-too-distant future when consumers can fill their shopping carts with a range of fair trade products—from clothing and home furnishings to food and beverages. In cities across the country, fair trade retail shops are beginning to emerge, and the promise of a fair trade label adds weight to the idea that in India, fair trade is a concept that has arrived.

Seth Petchers is the Acting CEO of Shop for Change Fair Trade. Seth’s experience in fair trade dates back to 1999 when he worked to launch a fair trade label in the United States. Before joining Shop for Change, Seth worked to connect farmers and artisans to markets at Oxfam America and the World Bank, and he served as Board Chair of the Fair Trade Federation.