



UNIVERSITÄT HOHENHEIM



Domestic Fair Trade – principles and business

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Putting social fairness at the heart of organic trade
Nuremberg, February 20, 2010



Why presenting jointly? Some words about us.....

- Bio Suisse is the Swiss umbrella organisation for Organic Farming
 - 5.800 farms, 750 licensees (processors, traders)
 - since several years discussions concerning Domestic Fair Trade (= DFT)
 - currently establishment of a DFT scheme
- University of Hohenheim
 - Research activities in the field, discussions on the topic since several years
 - In 2009: cooperation with Bio Suisse

Outline

Domestic Fair Trade

- Background and current trends in respect to sustainability
- Sustainability & Organic Farming
- Concepts and understanding of fairness in the mid-European context
- Practical examples and initiatives in Central Europe



Background and current trends related to sustainability

„Beyond GDP“ - Measuring progress in a changing world



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20.8.2009
COM(2009) 433 final

**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

**GDP and beyond
Measuring progress in a changing world**

Source: EC 2009; <http://www.beyond-gdp.eu/>



Background and current trends related to sustainability

„Beyond GDP“ - Measuring progress in a changing world

- „GDP alone cannot reflect the economic performance of modern society“
- „GDP does not measure environmental sustainability or social inclusion and these limitations need to be taken into account when using it in policy analysis and debates“

Source: EC 2009; <http://www.beyond-gdp.eu/>

Background and current trends related to sustainability

Scarcity conditions:

- „Agricultural policy acts beyond practical reason because it seems to pay more attention to increasing efficiency than to improving ecological quality, even though the conditions of scarcity are exactly inverse“
- We would like to add: This estimation is also valid for the social dimension today!

Source: Weinschenck (1994): Rückkehr zu den Prinzipien praktischer Vernunft; own translation

Sustainability and Organic farming

- Early organic pioneers in search of sustainability, even if the concept was not established yet
- Original concept of *Alternativer Landbau*: a different and extended economic understanding based on the three pillars of sustainability:
 - Economic activity considering ecological aspects,
 - Foster local and regional business cycles and building small and peripheral economic structures
 - fair and honest interaction

Source: based on Mayer 2008, in accordance to Lautermann 2005

Sustainability and Organic farming

Sustainability is anchored implicitly in Organic Farming

- Sustainability captured and implemented intuitively before the concept was established
- Currently in OF: „All that glitters is not gold!“

Explicit understanding of sustainability and reactivation of original values

- Development of „Domestic Fair Trade“ concepts in many European organic farmers associations
- Certification of social aspects all along the food chain as next step
- Inclusion into state regulation in future?

Multifunctionality of organic farming: From organic's duality....

Dabbert et al. (2001);
"dual role" concept of Organic farming

Production for the market /
response to consumer
demand

Production to provide public
goods

Source: Own graph, based on Dabbert et al. 2001

....to a trinomial concept of OF

Michelsen et al. (2008);
Trinomial concept of Organic farming

Production for the
market / response
to consumer
demand

Production to
provide public
goods

Production in
accordance to
values and
principles of
Organic Farming

Source: Own graph, based on Michelsen et al. 2008

Concepts and understanding of fairness in the mid-European context

What is fairness?

John Rawls: worst-off person in a society must always benefit from socio-economic inequalities (*difference principle*)

Jürgen Habermas: according to *discourse ethics* an ideal speech situation between stakeholders can lead to consensus-based fair rules



DFT examples from Europe



On which levels can DFT concepts be implemented?

Public law approaches

- e.g. Codex Alimentarius
- State regulations (e.g. EU organic regulation)

Private sector approaches

- Farmers Associations (e.g. Naturland)
- Certification bodies (e.g. IMO)
- Companies (e.g. conventional milk in Germany)

Source: Mayer 2008

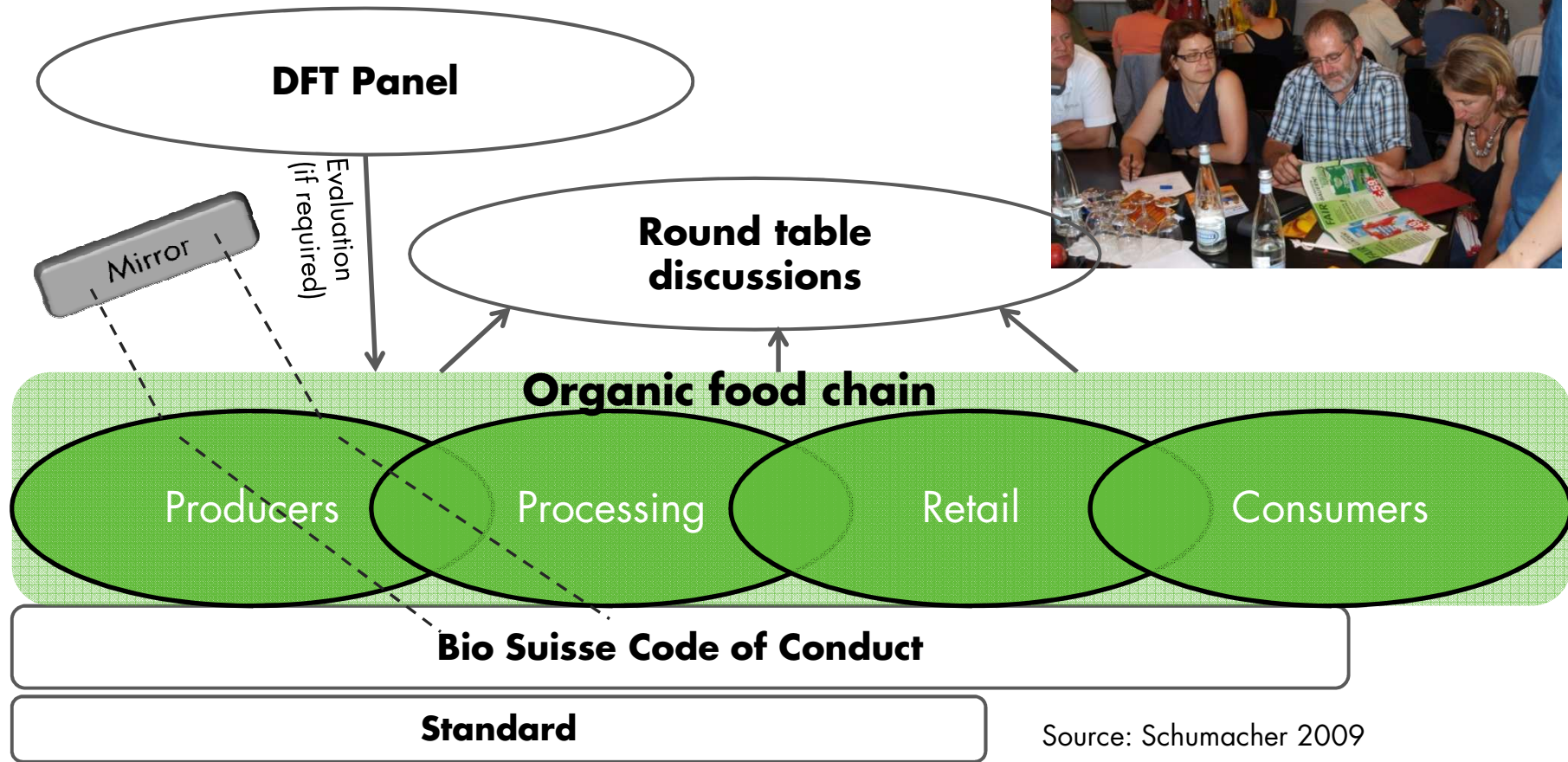


Practical examples and initiatives in Central Europe

- Bio Suisse Domestic Fair Trade
- Upländer-Bauernmolkerei resp. Biofairverein
- Indicator list of Regionalwert AG
- BNN Kodex



The Bio Suisse Fairness-Strategy



Practical examples and initiatives in Central Europe

Erzeuger Fair Milch-Projekt (fair milk prices for producers)

- Project implementation in 2005
- Stakeholders
 - Upländer-Bauernmolkerei (dairy) and Max-Rubner-Institut
- Aims
 - Securing livelihoods of own dairy farmers
 - Transparent communication of performance of domestic producers
- Price increase of 5 ct per liter of milk
- Instrument: Label and communication campaign



Source: Mayer 2008

Practical examples and initiatives in Central Europe

Bestes Bio-Fair für Alle (since February 2008)

- Background
 - Growing interest in CSR
 - Inflationary use of the term „Fair“
- Aims
 - Credible communication of basic values of OF
- Stakeholders
 - Upländer-Bauernmolkerei, Kassler-Institut für ländliche Entwicklung (Kassel Institute of rural development), interested companies
- Development of own DFT certification programme



Source: Mayer 2008

Practical examples and initiatives in Central Europe



The screenshot shows the homepage of the Bio-Kodex website. At the top, there is a navigation bar with options like 'Datei', 'Bearbeiten', 'Ansicht', 'Chronik', 'Lesezeichen', 'Extras', and 'Hilfe'. The address bar shows the URL 'http://www.bio-kodex.de/kodex_v2/index.php'. Below the navigation bar, the main content area features a large orange banner with the text 'The BNN kodex Bio kann mehr!' and images of strawberries. Below the banner, there are several sections: 'Bio aus Überzeugung', 'Bio mit Herkunft', 'Transparenz & Sicherheit', 'Echter Klimaschutz', 'Natürlicher Geschmack', 'Kompetente Beratung', 'Vielfalt', and 'Verantwortung & ehrlicher Dialog'. At the bottom, there are sections for 'Aktuell', 'Termin', 'Produktfinder', 'Unternehmensfinder', and 'Für Händler'.

Regionalwert AG



Bürgeraktiengesellschaft in der Region Freiburg

Double balancing: Annual evaluation of socio-ecological values of sustainability

- Employment structure;
- Wages;
- Employee turnover;
- Quality of workplace;
- Soil fertility (Agriculture);
- Ressource consumption;
- Biodiversity;
- Compliance with EU organic regulation;
- Distribution of added value;
- Creation of value within the region;
- (Social) commitment within the region;
- Dialogue in the value chain

Discussion & Outlook

The freerider problem: how to prevent „fairwashing“?

10 Liter Bioethanol 100%

(1 Kanister á 10 Liter) + 1 Ausgießer gratis!



Grundpreis: 1,89 EUR/Liter inkl. KOSTENLOSER Versand

BioFair Markenqualität

- ✓ 100% aus Roggen von deutschen Feldern
- ✓ Garantiert 100% Bio und 100% rein.
- ✓ sensorisch und chemisch geprüft
- ✓ rückstandsfreie und geruchsfreie Verbrennung mit gelber Flamme
- ✓ extra optimiert für Ethanol-Kamine

BioFair Ethanol verbrennt mit einer geruchsfreien und angenehm wärmenden Flamme. Die regelmäßige sensorische und chemische Überprüfung unseres Bioethanols gewährleistet die gleich bleibende Spitzenqualität unseres Produktes.

Bei der Verbrennung wird BioFair Ethanol lediglich in Wasserdampf und Kohlendioxid umgesetzt. Das sind die Stoffe, die wir auch beim Atmen freisetzen. Beste Voraussetzungen für die Verwendung in Bioethanol Kaminen!



Source: <http://www.bioethanol-versand.de>

Discussion & Outlook

- Domestic Fair Trade as alternative for organic farming economy and commerce
- “Back to the roots” and renaissance of the immanent values
- Possibility to separate from *discount organic*
- DFT could prove pioneering role of OF&F (with respect to a holistic approach of sustainability including social aspects)



BioFach 2010

Thank you very much for your attention!



Background and current trends related to sustainability

Beyond GDP - Measuring progress in a changing world

Plan for 2010: Index for environmental damage

Aim: evaluate environmental protection measures related to

- Climate change and energy consumption,
- Nature and Biodiversity,
- Air pollution and health effects,
- Water consumption and pollution and
- Waste production and consumption of resources

Further social and ecological indicators will be considered for national accounting in the future

Source: EC 2009; <http://www.beyond-gdp.eu/>

Concepts and understanding of fairness in the mid-European context

Journal of Economic Perspectives—Volume 14, Number 3—Summer 2000—Pages 159–181

- Concept of *homo oeconomicus* is increasingly challenged
- There is evidence of a sense of justice inherent to human beings
- Own behavior often depends on the behavior of others (reciprocity)

Fairness and Retaliation: The Economics of Reciprocity

Ernst Fehr and Simon Gächter

A long-standing tradition in economics views human beings as exclusively self-interested. In most economic accounts of individual behavior and aggregate social phenomena, the “vast forces of greed” (Arrow, 1980) are

Practical examples and initiatives in Central Europe

Bestes Bio-Fair für Alle

- Instrument: Code of conduct with label
- CoC contains three criteria:
 - Fair trade relationships
 - Regional production
 - Social and environmental commitment
- Inspection and certification by accredited certification body

Source: Mayer 2008