

University of Bath



PHD

Three dimensions of fair trade: The analysis of financial, social, and environmental objectives of fair trade in organic rice

Udomkit, Nuntana

Award date:
2002

Awarding institution:
University of Bath

[Link to publication](#)

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal ?

Take down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

**Three Dimensions of Fair Trade:
The Analysis of Financial, Social, and Environmental
Objectives of Fair Trade in Organic Rice**

**Submitted by Nuntana Udomkit
For the degree of PhD
Of the University of Bath
2002**

COPYRIGHT

Attention is drawn to the fact that copyright of this thesis rests with its author. This copy of the thesis has been supplied on condition that anyone who consults it is understood to recognise that its copyright rests with its author and that no quotation from the thesis and no information derived from it may be published without the prior written consent of the author.

This thesis may be made available for the consultation within the University Library and may be photocopied or lent to other libraries for the purposed of consultation.

 Nuntana Udomkit

UMI Number: U601881

All rights reserved

INFORMATION TO ALL USERS

The quality of this reproduction is dependent upon the quality of the copy submitted.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if material had to be removed, a note will indicate the deletion.



UMI U601881

Published by ProQuest LLC 2013. Copyright in the Dissertation held by the Author.
Microform Edition © ProQuest LLC.

All rights reserved. This work is protected against
unauthorized copying under Title 17, United States Code.



ProQuest LLC
789 East Eisenhower Parkway
P.O. Box 1346
Ann Arbor, MI 48106-1346

UNIVERSITY OF BATH
LIBRARY
8 20 NOV 2002
...Ph.D.

Table of Contents

List of tables	7
List of figures	9
List of maps	10
List of abbreviations	11
List of Thai terms used	12
Acknowledgement	14
Abstract	15
Introduction	16
<u>Part 1: An Overview</u>	24
Chapter 1: An overview of rice and rice trading	25
1. Introduction	25
2. Origin of rice and its growing areas	25
3. Rice and its importance	27
3.1. Rice as food	27
3.2. Rice as a source of income	28
3.3. Rice as a political commodity	29
4. Types of rice	31
5. World rice production and consumption	34
6. Major exporters and importers	36
7. Characteristics of the rice market	39
8. Trends in production and demand for rice	42
9. Rice and the poor	43
10. Conclusion	47

	2
Chapter 2: An overview of rice and Thai economy and society	49
1. Introduction	49
2. Rice production, consumption, and trade	50
3. Rice and the Thai macro economy	52
4. Rice trade and poor farmers	55
5. Farmers and middlemen	59
6. Government policies towards rice farming	62
6.1 The background to rice policies in Thailand	64
6.2 Rice policy 1999/2000	65
7. Other alternatives?	67
8. Conclusion	69
Chapter 3: An overview of fair trade	71
1. Introduction	71
2. From ethical trade to fair trade	71
3. History of fair trade	76
4. The objective of fair trade	78
5. Distinctive characteristics of fair trade	79
6. Fair trade in organic produce and livelihoods sustainability	83
7. The mechanics of the fair trade network	86
7.1. Fair trade network and umbrella organisation	87
7.2. Fair trade labelling organisations	87
7.3. Producers and fair trade organisations	89
7.4. Business sector	93
8. The heterogeneity of the ‘fairness’ of fair trade	94
9. Fair trade consumers	95
9.1. Types of consumers	98
9.2. Marketing channels	99
10. Conclusion	101

<u>Part 2: The research and its findings</u>	103
Chapter 4: Research methods and frameworks	104
1. Introduction	104
2. Approaching the topic, timetable, and fieldwork	105
2.1. Pre-fieldwork	106
2.2. Fieldwork	107
2.2.1. Fieldwork at Green Net	108
2.2.2. Fieldwork in Surin Province	108
2.3. Experiences from fieldwork	111
2.4. Redefining the scope of the study	112
2.5. After the fieldwork	115
3. Research frameworks	116
3.1. Understanding rice trading	117
3.2. Understanding the effects of fair trade on producers	119
4. Research methods and data collection	122
5. Conclusion	127
Chapter 5: Socio-economic condition of Surin's farmers	128
1. Introduction	128
2. Poverty in the North East	128
3. Surin farmers	132
4. The Natural Agriculture Group (NAG)	135
5. The socio-economic situation of Surin farmers	137
5.1. Household family	137
5.2. Land	138
5.3. Household assets	139
5.4. Farm activities	140
5.5. Non-farm activities	142
5.6. Net income	144
5.7. Debt	145
5.8. Savings	146
6. Conclusion	147

Chapter 6: Maps of the rice trade: conventional trade versus fair trade	149
1. Introduction	149
2. The conventional trade network	150
2.1. Farmers and rice farming	150
2.2. Paddy traders	152
2.3. Mills	154
2.4. Rice brokers	156
2.5. Wholesalers and retailers	157
2.6. Exporters	158
3. The fair trade network	159
3.1. Producer groups	159
3.2. Green Net	163
3.3. Claro	165
3.4. Processes of fair trading	166
4. The comparison	169
4.1. Physical aspects	169
4.2. Sociological and institutional aspects	171
4.3. Financial aspects	175
5. Conclusion	182
Chapter 7: Financial analysis of fair trade	184
1. Introduction	184
2. Fair trade: an alternative for farmers?	184
3. Fair trade and fair price	186
4. Financial performance of rice farming	189
4.1. Price	191
4.2. Yield	193
4.3. Cost of production	194
4.3.1. Variable input costs	195
4.3.2. Labour use and labour cost	195
4.4. Gross margin	198
5. Conversion to organic farming – what are the barriers?	199
5.1. Financial barriers	201

5.2. Input-related barriers	202
5.3. Institutional barriers	202
5.4. Social barriers	204
6. Conclusion	205
Chapter 8: Non-financial analysis of fair trade	206
1. Introduction	206
2. Poverty beyond income levels: What contribution can fair trade make?	207
3. Psychological dimensions	211
3.1. Farmers' perceptions of their occupation	211
3.2. Farmers' perceptions of the problems facing their occupation and possible solutions	213
3.3. Farmers' perceptions of their future	214
4. Social dimensions	218
4.1. The timing of paddy sales	218
4.2. Reasons for selling paddy	219
4.3. To whom farmers sell paddy	219
4.4. Price received by farmers for their paddy	220
4.5. Reasons why farmers sell paddy to particular traders	221
4.6. Farmers' perceptions of their bargaining power	222
4.7. Farmers' access to government help	223
4.8. Social groups to which farmers belong	223
4.9. Farmers' sources of farm technical help	225
4.10. Farmer's sources of price information	226
5. Environmental dimensions	228
6. What are the non-financial effects of fair trade?	234
7. Conclusion	235
Chapter 9: Fair trade management: welfare oriented versus business-like?	237
1. Introduction	237
2. The shifting notion of NGOs' work	238
2.1. The shifting notion: from development towards business	238

2.2. The role of fair trade organisations: direct intervention or facilitation?	242
2.3. Fair trade management: can business and development objectives be combined?	244
3. Experience from the fair trade in rice project	248
4. Fair trade management: which way now?	257
5. Conclusion	260
Conclusion	262
Appendices	276
Appendix 1: Interview guide for farmers	277
Appendix 2: Interview guide for paddy/rice traders	299
Bibliography	304

List of tables

Table 1.1.	Agricultural sector population and work force in selected developing countries and regions, 1980 and 1993	29
Table 1.2.	Rice production and consumption in the top 10 producing countries	36
Table 1.3.	Mean per capita consumption of white rice equivalent in the European Union (1970-1990)	43
Table 2.1.	Thai rice: production, consumption and stocks, 1995/66-1997/98	50
Table 2.2.	Rice export value, quantity of rice production, volume of rice export, world total exports and world market share of Thai rice (1993-1997)	51
Table 2.3.	Harvested area, production and yield by region (1993/94-1995/96)	51
Table 2.4.	Agriculture as a proportional of total output and export value	53
Table 2.5.	Poverty incidence (1988-1998)	54
Table 2.6.	GDP and workforce shares of major economic sectors	54
Table 2.7.	Distribution of chemical fertilisers use	57
Table 2.8.	Sources of Thailand's chemical fertiliser imports	58
Table 3.1.	Divergent elements of ethical trade initiatives	73
Table 3.2.	Three related types of social development engagement with the private sector	75
Table 3.3.	Potential benefits of organic agriculture	85
Table 3.4.	The main European groups allocating fair trade marks	88
Table 3.5.	Activities of key UK-based ATOs	90
Table 4.1.	Summary of investigation areas and its methods	126
Table 5.1.	Yield of rice farming by regions	130
Table 5.2.	Three major agricultural products of the North East	130
Table 5.3.	Farm cash incomes and farm expenses (1995/96)	131
Table 5.4.	Overview of industry, Surin province (1998)	133
Table 5.5.	Average monthly income and expenditure per household (1998)	135
Table 5.6.	Areas and number of household members of the NAG (1994-1999)	137

Table 5.7.	Percentage of number of household members	138
Table 5.8.	Size of land that farmers own	138
Table 5.9.	Size of rented land	139
Table 5.10.	Summary of households' assets	140
Table 5.11.	Reasons for not using chemical fertilisers	141
Table 5.12.	Summary of livestock in farm households	141
Table 5.13.	Farm income levels	142
Table 5.14.	Reasons for working off-farm	143
Table 5.15.	Utilisation of non-farm income	144
Table 5.16.	Non-farm income levels	144
Table 5.17.	Debts levels of farm households	146
Table 5.18.	Saving levels of farm households	147
Table 6.1.	Major Thai rice exporters (1997)	158
Table 6.2.	Estimated rice production of farmers' groups in Surin	167
Table 6.3.	EFTA order	167
Table 6.4.	Allocation of rice export quota	168
Table 6.5.	Quantity and value of rice purchase from each farmer group	169
Table 6.6.	Value of outputs from milling 1 kilogram of paddy	176
Table 6.7.	Cost of production of milling 100 kilogram of rice	177
Table 6.8.	Price structure of fair trade rice	179
Table 6.9.	Claro price structure	180
Table 7.1.	Reasons for joining the NAG	185
Table 7.2.	Help that farmers receive from the NAG	186
Table 7.3.	Comparative output, variable costs and gross margin for rice farming (1999/2000)	192
Table 7.4.	Production cycle of conventional and organic rice farming	197
Table 7.5.	Reasons for not practising organic farming and/or quitting the NAG	200
Table 8.1.	Changes after farmers joined the project	211
Table 8.2.	Farmers' perceptions of their occupation	212
Table 8.3.	Farmers' perceptions of their quality of life	212
Table 8.4.	Farmers' perceptions of the problems facing their occupation	213

Table 8.5.	Farmer's perceptions of the possible solutions to the problems facing their occupation	215
Table 8.6.	Farmers' perceptions of their household ability to be able to survive in a crisis	216
Table 8.7.	Farmers' perceptions of their confidence to be able to survive in a crisis compared to 5 years ago	217
Table 8.8.	Farmers' perceptions of their power/ability to change their life	217
Table 8.9.	Farmers' perceptions of their future of their profession	218
Table 8.10.	Social groups to which farmers belong	224
Table 8.11.	Reasons that lead farmers to join social groups	225
Table 8.12.	Sources of farm technical assistance	226
Table 8.13.	Sources of price information	227
Table 8.14.	Fertilisers and pesticides use in Thai agriculture	229
Table 8.15.	Number of deaths by principal causes	232
Table 9.1.	Comparisons of organisations in different sectors	238
Table 9.2.	NGOs' evolutionary path in the development of small businesses and income generation	241
Table 9.3.	Examples of ancillary services by sector	243
Table 9.4.	Problems and standards of export rice (1997)	251

List of figures

Figure 1.1.	Harvested areas of paddy by continent, 1993-1997	35
Figure 1.2.	Major rice producing countries	35
Figure 1.3.	World rice exporter, 1999/2000	37
Figure 1.4.	Major rice exporters, 1996-2000	37
Figure 1.5.	Major rice importers, 1999/2000	38
Figure 1.6.	Major rice importers, 1996-2000	38
Figure 1.7.	Price of rice, 1988-1997	45
Figure 2.1.	Average yield of selected rice producing countries (1993-1997)	57
Figure 3.1.	Map of fair trade network	86

	10
Figure 3.2. The market-based to producer-based spectrum in fair trade	94
Figure 3.3. Features contributing to the growth of fair trade	98
Figure 5.1. Utilisation of farm holding land in Surin province	133
Figure 5.2. Income and expenditure of farm households	145
Figure 6.1. The network of conventional trade in rice	151
Figure 6.2. The trading network of fair trade in rice	160
Figure 6.3. The organisation chart of Surin Farmer Support	162
Figure 6.4. The organisation chart of Green Net	164
Figure 8.1. Traders to whom farmers sell paddy	220
Figure 8.2. Price received by farmers for their paddy	221
Figure 8.3. Reasons why farmers sell paddy to particular traders	222

List of maps

Map 4.1. Map of Thailand	109
Map 4.2. Map of Surin Province	110

List of Abbreviations

AAN	Alternative Agriculture Network, Thailand
ATO	Alternative Trade Organisation, Thailand
BAAC	Bank for Agriculture and Agricultural Co-operatives, Thailand
CBO	Community-based Organisation
DFID	Department for International Development, UK
EFTA	European Fair Trade Association
ETI	Ethical Trading Initiative
FAO	Food and Agriculture Organisation
FTO	Fair Trade Organisation
GDP	Gross Domestic Product
GPP	Gross Provincial Product
GRO	Grassroots support Organisation
HEIA	High External Inputs Agriculture
IFAT	International Federation for Alternative Trade
IFOAM	International Federation of Organic Agriculture Movements
IRRI	International Rice Research Institute
MSO	Membership Support Organisation
NAG	Natural Agricultural Group
NESDB	National Economics and Social Development Board, Thailand
NGO	Non Governmental Organisation
NRET	Natural Resources and Ethical Trade Programme, University of Greenwich
OECD	Organisation for Economic Co-operation and Development
SFS	Surin Farmer Support
SoDS	School of Development Studies, University of Natal
TDRI	Thailand Development Research Institute
TDSE	Thai Development Support Committee
TEI	Thailand Environmental Institute

UNCTAD	United Nations Conference on Trade and Development
USDA	United States Development of Agriculture

List of Thai Terms

Baht	Thai currency unit, one baht is approximately £0.016 (rate at 16/7/2002)
Rai	Measurement unit of land, one rai is approximately 0.16 hectare

“[...] I would like my country to get a fair price for products that I and my fellow citizens create.

As a farmer, I would like to have my own plot of land with a system which gives me access to credit, to new agricultural technology and to markets, and a fair price for my produce.

As a worker, I would want to have some share, some sense of participation in the factory in which I work.

As a human being, I would like inexpensive newspapers and paperback books, plus access to radio and TV (without too much advertising) [...].”

Ungphakorn (reproduced in Bangkok Post, 1999a:1)

Acknowledgements

Without help from a number of people, I would not have come this far with my research. First of all, I would like to thank the Thai Government for giving me the chance to study and sponsoring me to do my Masters and Ph.D. I deeply appreciate the big investment that the government has made in me. Special thanks needs to be given to my family, whose love and support have never faded. Thanks must also be given to Mr. Chanchai Likitkantasorn who encouraged me to pursue my studies.

I deeply appreciate the support of numerous staff at the Department of Economics and International Development. In particular to my supervisor, Dr. Adrian Winnett, Dr. Joseph Devine, Dr. Allister McGregor, Dr. James Copestake, Susan Johnson, and Kevin Marsh. Their recommendations, advice, and effort during the whole course of my study has helped me improve the quality of this thesis. I also indebted the Director of Green Net, Mr. Vitoon Panyakul, and Surin Farmer Support for giving me an opportunity to carry out fieldwork. Moreover, special thanks must be given to Mr. Manoch Namdech and Miss Uraivan Srimuang for their hospitality in Surin Province. Thanks must also go to my research assistants, Nong Aar and Nong Puh, who made data acquisition possible.

Thanks to my friends who make my life so colourful: Kevin who is my best (pasta and lasagne) cook; Joe who is my best supporter; Buapan who is my best 'teacher'; Mo who is my best 'friend', and my officemates (Teera, Ramon, Hai-Feng and Ali) whose friendship is unforgettable. Considering the fact that we all come from different countries around the world, I feel sad that my studies are coming to an end, as I do not know when I will have a chance to see my friends again.

Nuntana Udomkit

July, 2002

Abstract

Fair trade, as opposed to conventional trade, emphasises the fact that poor producers are not offered a fair price for their products, either on local or international markets; and that they are kept in a disadvantaged position on account of economic or geographic factors, lack of experience, availability of resources, small scale of production, and limited bargaining power. Fair trade subsequently aims to remove the trade imbalance by promoting a trading system based on equal partnership, ensuring producers are guaranteed a fair price and a margin for investment in order to sustain their livelihoods.

This research adopts a comparative approach, comparing conventional trade to fair trade. Rice trade is the case study. The practice of fair trade was appraised using the results of fieldwork in the North East of Thailand. There are two main layers of analysis. First, the thesis aims to understand the trade systems. Maps of trade networks are drawn and then compared according to physical, social, and financial factors. Second, the thesis aims to examine the effects of fair trade on producers, and to what extent fair trade can make a contribution to the sustainable livelihoods of farmers. There are two main areas of analysis – financial and non-financial aspects.

The findings of this research suggest that, in practice, there is a potential conflict between the development dimension and the business dimension of fair trade. However, fair trade projects benefit fair trade farmers. The fair trade network is less complicated than conventional farming. The relationship between actors involved in fair trade is more ‘producer focused’, even if not completely equal. There is evidence of the positive effect of fair trade for its members, particularly in terms of social and environmental benefits. However, fair trade in organic rice may not necessarily and always increase incomes for farmers. Shifting from conventional farming to organic farming contains some risk of falling yields, and the cost of conversion is high. Many farmers, particularly those who are very poor, cannot afford to carry these risks. It is evident that in the future fair trade management will become increasingly ‘business-like’ in order to be financially viable, and that raises the difficulty of compromising the development objective.

Introduction

“Miguel is a poverty-stricken banana farmer from Ecuador who makes less than \$1 for a 40lb box of fruit, which he sells through middlemen on the world market. But Luis Lima, his neighbour – who also grows bananas – makes a guaranteed \$2.50 a box and a lump sum premium on top of that. This is because he sells on the alternative fair trade market and belongs to the La Guelpa collective.

Miguel gave up farming last month after getting into debt. The conventional world banana price collapsed earlier this year and his few acres of land near the coastal city of Machala lie unused. He may have to find work in the city. Luis, however, has prospered. Selling bananas to the fair trade market has meant he earns £15 a week. While conventional banana farmers in Colombia have been striking against low earnings, the 99 members of the El Guelpa collective have been able to invest in villages and farms. They have replanted fields devastated by El Nino and brought clean water to communities. They have even employed an agronomist to improve their farming techniques. Next year they hope to build schools and improve health care. Their children are now well fed and can stay at school.

The way it works is simple. Small scale producers supply direct to supermarkets or other companies, cutting out the middlemen. A price, guaranteed to be above what they would traditionally get, is set each year in consultation with the farmers and fair trade organisation. We, the consumers, pay a little bit more and the farmers also get a “premium” lump sum depending on how much they sell. One of the conditions is that this money must be invested in social projects or infrastructure that the farmers decide themselves. [...] How the farmers decide to spend the extra money is inspiring. In most cases, they decide to invest it in communal self-help. One Nicaraguan cooperative selling fair trade coffee to British consumers has invested in schools and a small pension for retired farmers. In Tanzania, some of the money from coffee is going towards improved housing.

There are fair trade schemes in more than 30 countries. Schools and creches have been built, irrigation supplied and even fleets of bicycles provided to save farmers walking miles to their landholdings. [...] For us in Europe it means a penny or two extra on a chocolate bar, cup of tea or jar of honey. But for some of the poorest people in the world, the extra cash can repay itself 1,000 times”.

Vidal (1999b)

The above report is an example of how fair trade is portrayed in the mass media. It compared two banana farmer’s livelihoods – one is a fair trade farmer and the other is a conventional farmer. The most obvious question that arose from such report is whether fair trade is better than conventional trade. If so; in what way? And if not; why not? In raising these questions, the report provokes further investigation into the impact of fair trade in a more constructed way.

Turning to look at the political importance of fair trade, the concept of fair trade has recently been encouraged by many governmental organisations, development organisations, and even the business sector. The UK Department for International Development approves of the mix of self-help and pragmatic idealism advocated by fair trade, since it potentially offers real benefits for people both in poor and rich countries. As the International Development Secretary, Clare Short states, “Fair trade is a practical way for the public to bring a transformation to the lives of people in developing countries. By purchasing fair trade products, consumers are sending out a powerful message to supermarkets: that we care where our goods are coming from, and that they are produced in a decent way. As demand grows, these values are influencing mainstream sources and our purchasing power is sending ripples of change across the world” (quoted in Tickle, 2001). Subsequently, with the support of many organisations, there have been an increasing number of fair trade initiatives. The issues have captured the interest of the media and have become one of the fastest growing areas of research in the past few years.

Fair trade, as opposed to conventional trade, emphasises the fact that poor producers are not offered a fair price for their products, either in local or international markets. Producers are kept in a disadvantaged position on account of economic or geographic

factors, lack of experience, availability of resources, the small scale of their production and limited bargaining power. Fair trade subsequently aims to remove the trade imbalance by promoting a trading system based on equal partnership, ensuring producers are guaranteed a fair price and a margin for investment in order to sustain their livelihoods. Fair trade claims that it is different from conventional trade. It is an alternative trade channel that seeks to benefit producers. For example, in one Oxfam campaign, it is stated that:

“In its work overseas, Oxfam sees how the odds are stacked against poor people. Trade is just one example: small-scale producers struggling to sell their goods: farmers forced to accept hopelessly low prices for their year’s harvest; and exploited factory workers barely making a living. Oxfam is working to make trade work for them, by supporting their efforts to earn a living and by addressing the wider issues relating to international trade. Oxfam Fair Trade works with producers in the South: providing an export outlet for their crafts and foods, and helping to improve their access to local markets”.

Despite the fact that the importance of fair trade has become widely recognised, there are still a limited number of comprehensive studies on fair trade. Even if research into fair trade has only begun recently, there are many areas still to be explored. Even as consumers, we know little of how fair trade works. For instance, what channels does fair trade use to link producers and consumers? Where does the additional price that consumers pay for their fairly traded product go? If producers benefit from fair trade, why do all producers not convert to fair trade?

It is argued that the messages received by consumers over-simplify fair trade, and that there is a serious lack of baseline data in the analysis. In fact, fair trade management is in fact complicated and involves a combination of financial and non-financial objectives that may conflict with each other. Moreover, the use of the term fair trade in the current academic and campaign literature is currently characterised by confusion. Furthermore, the presentation of fair trade in the media is highly politicised, concentrating on a picture of poor farmers in the south and affluent consumers in the north without considering the details of fair trade management (for

example, see Guardian, 2000; Stuart, 2001; Tickle, 2001 Tranchell, 2000a; Tranchell, 2000b; Vidal, 1999a; Vidal, 1999b). There is little but anecdotal evidence of the impact that fair trade organisations may have had on producers and their communities (Oxford Policy Management, 2000; Tallontire, 2001). Few systematic evaluations have been done on the impact of fair trade and on whether the benefits of so-called alternative trade are sufficiently different from those of commercial trade to justify ‘subsidies’ from consumers and voluntary organisations.

This thesis attempts to offer a comprehensive study of fair trade. It aims to answer three main questions. First, is fair trade needed? Second, is fair trade successful in overcoming the problems of conventional trade? Third, if fair trade does succeed; why? If not; what are the constraints? This thesis adopts a comparative approach, comparing conventional trade to fair trade, because fair trade ultimately aims to solve perceived problems with conventional trade. Moreover, no such comparative research has previously been undertaken. Three sample groups of farmers are used – fair trade producers, conventional producers, and ex-fair trade producers. The inclusion of the third group is important because there has been no research focusing on those excluded from fair trade initiatives.

There are two main layers of analysis in this thesis. First, it aims to understand the trade systems. Maps of trade networks are drawn and then compared according to physical, social, and financial factors. Second, it aims to examine the effects of fair trade on producers. There are two main areas of analysis – financial and non-financial aspects.

Rice was chosen as the case study for this research because there is no study as yet on fair trade in rice. It is worth examining if fair trade really does benefit farmers and exploring how the effects can be further expanded to other poor farmers. Rice is one of the most important grain crops and remains the staple food for over half of the world’s population. Rice trading is also a good example of trade that does not appear to offer much benefit to producers. This is because the international rice market is a narrow surplus market. Rice trade accounts for a small share of production, with only 3-4% of rice traded internationally. Thus, the effects of normal year to year fluctuations can generate substantial world price variability if changes in production

are shifted to the world market. Moreover, the volume of trade and prices are highly variable. Annual price variability exceeds that experienced by other grains.

In the case of Thailand, rice is the most significant commodity for the Thai economy and society. It is the country's staple food, and by-products of rice are also important for both human and animal consumption. In the 1990s, rice farming covered 80% of the country's arable area, and almost 60% of the total Thai labour force was engaged in agriculture producing rice as a main or subsidiary crop (TDRI, 1995). Moreover, Thailand is the world's biggest rice exporter, with a share of approximately 30% of the world market. Rice is therefore important not only for the rice farmers, but also for the macro-economy of the country, as well as for food security of the nation.

However, despite the centrality of rice in the Thai economy, farmers have remained poor and marginalised. On account of the low price of paddy, and the high cost of inputs such as fertilisers and pesticides, the price offered for their produce has not always covered the cost of production. Moreover, the agriculture sector has been systematically neglected. The rice farmers who contribute to the nation's food security have remained poor. A lack of cash usually forces farmers to sell their rice to intermediaries who then grant them credit at extortionate interest rates. Families are trapped in a vicious circle of debt, which is passed from generation to generation. Many rice farmers feel hopeless about their future and want to quit being rice farmers because of the fragility of their livelihood. This will affect the food security of the world as Thailand is the world biggest rice exporter. Hence, the claim that fair trade helps farmers is an important one that deserves analysis and research.

The organisation of the thesis

This thesis contains two parts. The first part presents an overview of rice trading, farmers' livelihoods and fair trade (chapter 1 to 3 respectively). The second part of this thesis seeks to determine if fair trade is a feasible alternative for farmers; that is, to find out if fair trade overcomes the problems of conventional trade. This part comprises six chapters. Chapter 4 deals with the research methodology. Chapter 5 explores the socio-economic condition of Surin's farmers. Chapters 6 to 9 deal with the findings of the research. Below is a brief outline of each chapter is presented.

Chapter 1 looks at international rice trading in the context of rural poverty. It begins with an introduction to rice production and the international rice market. The nature of rice is then examined. Next, it looks at world rice production and consumption patterns, examining the structure of the rice market internationally as well as locally, and outlining a number of problematic issues in conventional rice trading.

Chapter 2 moves on to focus on the world's biggest rice exporter: Thailand. It looks at the roles of rice in the Thai economy. Rice production, consumption, trade, and its relation to the Thai macro economy are explained. It then looks at rice trade and farmers' livelihoods. Next, it looks at initiatives set up to assist farmers, particularly government rice policies. Finally, we ask how fair trade may contribute to the rice trade.

Chapter 3 introduces the aims and objectives of fair trade. It begins by exploring the concept of fair trade in relation to ethical trade, and then explores the history of fair trade. The objectives of fair trade are then explained, including the aims of shortening the trading chain, and creating trade based on equal partnership that gives a fair price to producers. A number of fair trade schemes are then illustrated. The chapter then turns to examine fair trade in organic produce, and its potential benefits, explaining how fair trade networks function. The chapter then discusses the heterogeneity and the 'fairness' of fair trade. Finally, it deals with fair trade markets and their consumers.

Chapter 4 explains the research methods and frameworks used in the thesis. It also introduces the rice fair trade project in Surin province, North-eastern Thailand – the first and the only rice fair trade project under the collaboration of the European Fair Trade Association (EFTA). While the first part of the chapter looks at how the research was conducted, the second part deals with research frameworks. There are two layers of analysis in this thesis – understanding trade and examining its impact on producers. The first of these questions is addressed through the employment of the 'commodity system' framework. The analysis of the effects of fair trade on producers is divided into an examination of financial and non-financial dimensions. For the financial analysis, cost-benefit analysis is employed. The non-financial analysis is based more on qualitative analysis.

Chapter 5 gives general background information on the North East of Thailand. Then it focuses specifically on the Surin province and the Natural Agricultural Group (NAG). It presents socio-economic data of three types of farmers – fair trade farmers, conventional farmers, and farmers who quit fair trade – and explores differences in the economic and social status of the three groups.

Chapter 6 compares the physical, social, and financial aspects of conventional trade and fair trade. Maps of the two systems of trade are drawn in order to give an overall picture of the rice trading process. It then explains the different activities and actors in each step of the trade processes. Then a comparison of different aspects of the two systems is undertaken. First, we ask whether fair trade has shortened the trade network, reduced middlemen, and is more vertically integrated than conventional trade. Second, the relationships within the trade network are examined. Finally, prices margins, sources of capital, and profitability are compared and analysed.

Chapter 7 and 8 look more specifically at the effects of fair trade on producers. Chapter 7 focuses on financial aspects. To begin with, it explores the motivations and expectations behind the decision of farmers to join a fair trade project. Two further questions are then examined. First, does fair trade offer a fair price to farmers? If so, does fair trade enhance the financial sustainability of producers? Secondly, we look specifically at farmers who dropped out of fair trade scheme. This is interesting to explore because if fair trade does benefit producers financially, why is there a group of farmers that quit or decide not to join a fair trade group?

Chapter 8 looks at other benefits of fair trade. Three main aspects are analysed – psychological, social, and environmental. The psychological dimension explores various attitudes towards farming as a profession, farmers' problems and their potential solutions, and attitudes towards their future. The social dimension examines the process of selling and trading paddy. Of particular interest is the notion of bargaining power and how farmers deal with other actors, government or otherwise, involved in the trade process. Finally the environmental dimension examines the effect of pesticide usage on the environment and the health of farmers.

Chapter 9 deals with a contentious area of the fair trade debate. It explains the complexity of fair trade management that results from the involvement of many different actors, including consumers, importers, fair trade organisations, NGOs, and farmer groups. Some organisations emphasise the aim of improving the livelihoods of producers, while others emphasise the business aspects of fair trade. This raises the difficult issue of contrasting objectives, and ultimately, the problem of prioritising between them. There are three sections in this chapter. The first section examines shifts in NGO work, specifically the move from development towards business. It asks about the appropriate role of NGOs and fair trade organisations, and the extent to which fair trade organisations can do business successfully? Can NGOs and commerce bridge the 'ideological divide' between them and find enough common ground on which to build strategies that genuinely improve rural livelihoods? How efficient can this be? The second part of this chapter looks at the empirical data drawn from the fieldwork. It looks at the management of fair trade from the viewpoint of institutions within the trade network. The last section discusses whether fair trade should be welfare oriented or business-like.

Part 1
An Overview

Chapter 1

Rice and Rice Trading: An Overview

1. Introduction

Rice is one of the most important grain crops in the world, especially in Asia. Rice remains the staple food for over half of the world's population. Moreover, rice farming has been a significant source of subsistence and income for a substantial number of farmers. The economically active labour force in agriculture ranges from around one-half (e.g. Pakistan and Indonesia) to two-thirds (e.g. Bangladesh, China, and India) in many economies where rice is the predominate staple. However, research has pointed out that the structure of the rice market itself is 'volatile' and 'thin', resulting in difficulties in trade (Latham, 1998; Siamwalla and Haykin, 1983; UNCTAD, 1995b). Thus, it is argued that improvements in rice production and trade provide an important means to alleviate rural poverty, as well as to help improve distribution within countries.

This chapter aims to provide a background on rice in general and on the international rice market. To begin with, it will give brief background information on rice, including its origins, growing areas, types, and importance. Then it will look at the economy of rice: production and consumption, importers and exporters. Next, it will discuss the characteristics of rice market. Finally, it will touch upon the issue of rice trade and the poor.

2. Origins of rice and its growing areas

The origins of rice have long been debated. From archaeological evidence found in Thailand, it is believed that rice was grown in Southeast Asia at least before 4000 BC (IRRI, 1997). The process of diffusion has carried rice in all directions. It is believed that migrant people from Southern China and Northern Vietnam carried the rice cultivation to the Philippines during the second millennium BC, and Deutero-Malays carried the practice to Indonesia about 1500 BC. From China or Korea, the crop was introduced to Japan no later than 100 BC. Movement to western India and south to

Sri Lanka also took place very early. Rice was a major crop in Sri Lanka as early as 1000 BC. The crop may well have been introduced to Greece and the neighbouring areas of the Mediterranean by returning members of Alexander the Great's expedition to India c. 344-324 BC. From Greece and Sicily, rice spread gradually throughout the Southern portions of Europe and to a few locations in northern Africa (IRRI, 1997).

As a result of colonisation, rice cultivation was introduced to European colonies. The Portuguese carried it to Brazil, and the Spanish introduced its cultivation to several locations in Central and South America. The first record of rice in North America dates from 1685, when the crop was produced on the coastal lowland and islands of what is now South Carolina. The crop may well have been carried to the area by slaves brought from the African continent. Early in the 18th century, rice spread to Louisiana, but not until the 20th century was it produced in California's Sacramento Valley. The introduction of rice in California corresponded almost exactly with the timing of the first successful crop in Australia's New South Wales (IRRI, 1997).

Information from IRRI (1997) indicates that rice is produced in a wide range of locations and under a variety of climatic conditions, from the wettest areas in the world to the driest deserts. It is produced along Myanmar's Arakan Coast, where the growing season records an average of more than 5,100 mm of rain fall, and at Al Hasa Oasis in Saudi Arabia, where annual rainfall is less than 100 mm. Temperatures, too, vary greatly. In the Upper Sind in Pakistan, the rice season averages 33 degrees Celsius; in Oratu, Japan, the mean temperature for the growing season is 17 degrees Celsius. The crop is produced at sea level on coastal plains and in delta regions throughout Asia, and to a height of 2,600 m on the slopes of Nepal's Himalaya. Rice is also grown under an extremely broad range of solar radiation, ranging from 25% radiation during the main rice season in portions of Myanmar, Thailand, and India's Assam State to approximately 95% in Southern Egypt and the Sudan.

Rice occupies a remarkably high portion of the total planted area. In the world as a whole, rice occupies one-tenth of arable land, but in the majority of the Asian countries, rice is pre-eminent and occupies one-third or more of the total planted area. In Asia, the population pressure on limited land resources is high, and a close balance is maintained between rice production and food needs. Moreover, the cultivated area is subject to an alternating wet and dry seasonal cycle, and also contains many of the world's major rivers, each with its own vast delta. Here, enormous areas of flat, low-lying agricultural land are flooded annually during and immediately following the rainy season. Only two major food crops, rice and taro, adapt readily to production under these conditions of saturated soil and high temperatures.

3. Rice and its importance

Rice has historically been one of the most vital grain crops in the world. Three important reasons discussed below contribute to its importance.

3.1 Rice as a food

Rice supplies a large share of caloric intake in many countries. Over half of the world's population consumes rice as a staple food. Rice provides 23% of global human *per capita* energy and 16% of *per capita* protein. Rice also provides minerals, vitamins, and fiber.

For the majority of Asians who eat rice, the grain accounts for a remarkably high proportion of total caloric intake. In 1992, caloric intake was 2,546 calories *per person per day* in less developed countries compared with 3,585 calories *per person per day* in industrialised countries. For Asia, caloric intake was 2,531 calories *per person per day*, with 35% coming from rice (based on a *per capita* consumption of 85 kg *per year*). By comparison, rice accounted for 10% of caloric intake and grain consumption of 25 kg *per person per year* in Latin America; 7% of caloric intake and 15 kg *per person per year* in Africa; 2% of caloric intake and 8 kg *per person per year* in Australia; and 2% of caloric intake and 7 kg *per person per year* in the USA.

Rice, however, accounts for as much as 30% of daily caloric intake among recent immigrants to the USA from Southeast Asia (Dawe, 1998; IRRI, 1997).

3.2 Rice as a source of income

Rice farming still accounts for an important share of total economic activity. It has been a significant source of subsistence and income for a substantial number of farmers, particularly in many developing economies where this commodity is a traditional crop and where alternative cash-earning opportunities are typically rather limited. Rice farming is thus important not only for rice farmers, but also in some instances for the macro-economy.

UNCTAD (1995b) points out that in terms of the working-age population in the early 1990s, for example, the economically active labour force in agriculture ranged from around one-half to as much as two-thirds in many economies with rice as a predominate staple. These economies included, in Asia: China, India, Indonesia, Myanmar, the Philippines, Thailand and Vietnam, as well as most of those in the African rice belt. As a whole, some 1.1 billion people depend directly on farming for their livelihood, while the agricultural sector population represents over 2.3 billion persons in developing countries (see table 1.1). These figures contrast sharply with a work force and farm sector population of less than 15 and 30 million respectively in OECD countries.

Improvement in rice production and trade thus provide an important means of alleviating rural poverty, as well as potentially improving distributive equality within countries. There were about 1.1 billion poor people in developing countries in 1985. Of this number, some 0.8 billion were found in Asia. Notably, the rural poor accounted for as much as two-thirds of the overall incidence of poverty in many economies across various global regions (UNCTAD, 1995b).

Table 1.1: Agricultural sector population and work force in selected developing countries and regions, 1980 and 1993.

Countries	Agricultural sector population				Agricultural sector work force			
	Number (mil.)		% of total population		Number (mil.)		% of total work force	
	1980	1993	1980	1993	1980	1993	1980	1993
Asia (total)	1625.8	1827.1	66	58	753.7	877.2	69	60
-Bangladesh	66.0	81.3	75	66	18.9	25.0	75	66
-China	739.5	785.9	74	63	406.1	463.1	74	65
-India	456.0	553.3	66	62	185.0	223.9	70	65
-Indonesia	80.2	81.4	53	42	32.2	35.7	57	46
-Pakistan	49.3	65.9	58	51	13.9	18.4	55	48
Africa (total)	308.4	407.2	69	62	128.7	158.8	71	64
-Egypt	18.7	21.9	46	39	5.1	6.1	46	39
-Ethiopia	30.9	39.8	80	73	14.1	16.2	80	73
-Nigeria	53.4	76.0	68	64	21.8	28.2	68	64
Latin America (total)	114.6	115.3	32	25	38.9	40.9	32	24
-Brazil	37.8	35.4	31	23	13.8	13.2	31	23
-Colombia	9.1	8.7	34	26	2.7	2.9	34	25
-Mexico	24.5	25.3	37	28	7.9	9.0	37	28
Regional total	2048.8	2349.6	63	55	921.3	1076.9	66	58
World total	2196.0	2445.5	49	44	993.1	1123.1	51	45

Source: UNCTAD (1995b:11)

3.3 Rice as a political commodity

One of the classic studies of the political economy of food is of Thompson's (1971) "Moral Economy Reviewed". He analyses the political culture, the expectations, traditions, and superstitions of the working population most frequently involved in actions in the market; and the relation and negotiations between crowd and rules which go under the unsatisfactory term of 'riot'. He shows how, in times of high prices and of hardship, the crown might enforce, with a robust direct action, protective market-control and the regulation of prices, sometimes claiming a legitimacy derived from the paternalist model.

Rice is a good example of political commodity. It provides 30-76% of people's daily calories. A secure, bountiful supply of rice in Asia has typically ensured food security and economic, political, and social stability. It is pointed out that the first sign of civil unrest can often be traced to rising rice prices (Dawe and Dedolph, 1999; Hossain, 1996). This is because urban workers and the rural landless, who spend 50-70% of their total income on rice, cannot tolerate drastic price increases. Poor rice farmers also have limited ability to tolerate sudden, sharp price declines. Social dissatisfaction may result if citizens perceive changes in prices to be too sharp or abrupt (Dawe, 1998).

When compared with the world markets for wheat and maize, that for rice is extremely small and unstable. Even though the international rice trade has increased significantly in the past few years, only 6.6% of the world's rice crop will be sold on the world market in 1999. World rice prices are more volatile, and no futures market of any significant size exists. With many Asian countries being large relative to the size of the world market, reliance on it could mean very large increases in world prices if a major harvest failure occurs. Because rice makes up such a large share of poor farmers' incomes and poor consumers' expenditures on food, unstable prices can lead to large and abrupt swings in purchasing power for these individuals. Such risk and uncertainty contradict the very notion of food security.

Government intervention on rice price is very crucial in Asia, particularly when there is a crop failure. As Sen (1981) states, where there had been a crop failure, "a moderate short-fall in production was translated into an exceptional short-fall in market release". The market cannot be isolated and abstracted from the network of political, social, and legal relations in which it is situated. Once the downward spiral of famine is entered, the process can become cumulative, and "no matter how a famine is caused, methods of breaking it call for a large supply of food in the public distribution system" (Sen, 1981:79)¹. Indonesia provides a sobering lesson about

¹ In his "Poverty and Famine", Sen (1981) employs "entitlement theory". Entitlement indicates all the various means by which people gain access to essential food supply, whether this is through direct subsistence farming or through the provision by an employer or by purchase in the market. Sen argues that a famine is triggered by the breakdown of such entitlement and the merit

what could happen in the absence of any government intervention. The stunning plunge of the Indonesian rupiah during the financial crisis – from Rp 2,500 to 15,000 to the dollar – would have triggered a sixfold increase in the domestic rice price within a few months, while consumer incomes remained stagnant. Rice prices did increase substantially, but because of the government’s stabilisation policies, the increase was much less than a factor of six and was not abrupt. Without these policies, widespread famine might have occurred (Dawe and Dedolph, 1999).

4. Types of rice

Rice is a member of the grass family. There are innumerable species, several different cultivation methods and various commercial varieties. There are two main cultivated varieties, *Oryza sativa* of Asia, and *Oryza glaberrima* of West Africa. The former dominates commercial usage (Latham, 1998). Rice can also be differentiated into three subspecies linked to the conditions under which it is cultivated. Indica originated in the Asian tropics and subtropics, Sinica-Japonica in the subtropical and temperate zones, and Jovonica in the equatorial climate of Indonesia. These rice may also further divided into 3 cultivated methods ‘dry’ rain-fed upland and lowland rice, and ‘wet’ irrigated and ‘floating’ deep-water rice².

There are over 120,000 varieties of cultivated rice around the world (Latham, 1998). Rice is strongly stratified by type and quality. These rice also have different characteristics when cooked and eaten. Broadly speaking, Indica have long thin grains and do not stick together when cooked, the most favoured types from India to Thailand also being fragrant or scented. In contrast, Sinica-Japonica have more

of this approach is that it goes beyond considerations of the availability of food, and examines “why some groups had to starve while others could feed themselves...What allows one group rather than another to get hold of the food that is there?” (Sen, 1981: 154).

² Upland Rice: Rice grown on both flat and stepped fields that are not diked, prepared and seeded under dry conditions, and depend solely on rainfall for moisture.

Lowland Rice: Rice grown on fields that have water levels from 5-10 to as high as 80 centimetres. Most of the rice is grown by transplanting or by broadcasting dry and wet paddy.

Deep-Water or Floating Rice: Rice grown on fields that have water levels from 80 cm to 3-4 metres. The rice is grown by broadcasting dry paddy on fields before the rain or water comes.

rounded grains, and go sticky and coagulate when cooked, characteristics favoured in Japan (Swaminathan, 1984).

The global rice market is extremely segregated by type and quality, with little substitution among buyers. There is little substitution in production among the various types of rice either, as soil and climate often dictate the type of rice that can be grown economically in any particular area. As a result, global rice prices are typically more volatile than prices for other grains. The difference in quality among internationally traded rice types is evident from the extreme variation in unit import prices, which may vary by up to 200% (USDA, 1999b).

The world market is nowadays restricted to four varieties of rice; long-grain Indica, short-grain Japonica, perfumed rice (e.g. Basmati from India, and Pakistan and Hom Mali or Jasmine rice from Thailand), and glutinous rice (USDA, 1999b). Indica rice is the dominant type of rice traded world-wide, accounting for more than 75% of global trade. It is grown mostly in tropical and sub-tropical areas. US Southern long and medium grain rice are considered to be Indica. Thailand, Vietnam, China, the United States, and Pakistan are the primary exporters of Indica rice. Argentina, Uruguay, Guyana, Myanmar, and Surinam also export smaller amounts of Indica. The world Indica market is further segmented. It is composed of a demand for brown rice, milled rice and parboiled rice, each defined by quality based on the percentage of broken grain, chalkiness, translucency of the grain, and aroma when cooked³.

³ Rice has 5 forms. Paddy rice: paddy describes rice as it comes from the field after harvest. The rice has been threshed and each grain is separated. The grain of rice has a hard husk protecting the kernel inside. Paddy rice is also called rough rice. It is less dense than milled rice and usually weighs around one third heavier than milled.

Brown rice: after the husk is removed the remaining product is called brown rice (or sometimes cargo rice). Brown rice is more nutritious than white, but very little rice is consumed in the brown form. Consumption of brown rice is low because it takes almost one hour to cook and consumers generally do not like the taste and texture.

Milled rice: milled rice has had the hulls and bran removed. It is also called white rice or polished rice. Most milled rice sold into Northern domestic markets has been milled very hard and has had the broken content removed to below 4%. Less expensive rice sold to export markets may be milled to a lesser degree and may have higher percentages of broken kernels.

Parboiled rice: while in the paddy form, rice is soaked and then steam cooked. The rice is then dried while still in the paddy form and then passed through a standard milling process to remove the hull and bran. Parboiling allows longer storage conditions. Parboiling also glues broken rice

Japonica rice accounts for around 12% of global trade and is typically grown in temperate climates. Japonica rice has a more rounded grain than Indica. California medium grain rice is a Japonica. Australia, Egypt, China, the EU and the United States are the primary exporters of Japonica rice.

Aromatic rice, primarily Thai Jasmine and Basmati from India and Pakistan, accounts for almost 10% of global trade and sells at a premium to Indica and Japonica. Thailand, India, and Pakistan export the bulk of the aromatic rice, with the United States exporting a very small amount. The high-quality and aromatic varieties have commanded a significant price premium. They, in addition, benefit from more income-elastic demand through secular income growth and spreading affluence among rice-consuming developing countries and ethnic groups in industrialised regions.

Finally, glutinous rice (or sweet rice), grown mostly in Southeast Asia, accounts for most of the remainder. Like aromatic rice, these sell at a premium to Indica and Japonica. The bulk of glutinous rice is grown in Southeast Asia. Thailand accounts for most of the glutinous rice traded. The United States grows a very small amount of glutinous rice, mostly in California and exports to Japan.

Southeast Asia, South Asia, sub-Saharan Africa and Latin America are the primary import markets for Indica rice. Northeast Asia and the Eastern Mediterranean are the major import markets of Japonica rice. Europe, the Middle East, and the United States account for the bulk of Basmati imports. China, the United States, Hong Kong, and Singapore are the primary markets for jasmine rice. Southeast Asia and Japan are the major import markets for glutinous rice (FAO, 1999).

back together and dramatically improves the milling yield of whole kernels in the rice. This improvement in milling yield, especially for poor quality paddy, can justify the cost of the process.

Broken rice: grains of rice can become cracked in the field, during the drying process, or during the milling process. The percentage of broken grains (relative to total milled rice) generated during milling usually ranges from 12 to 24 %, though the percentage can be higher in countries with deficient processing equipment. Generally, the higher the percentage of broken grains, the lower the quality of rice (Sage V Foods, undated).

5. World rice production and consumption

Approximately 90% of the world's rice production is concentrated in Asia. China, India, Indonesia, and Bangladesh are the world's largest producers of rice. China alone accounts for a third of production, while India accounts for almost one quarter. Brazil is the largest non-Asian rice producer, accounting for a little over 2% of world production. The United States accounts for roughly 1.5-2.0% of the world production. Italy, Spain, and Australia are the only other developed countries producing any significant quantities of rice. Within the EU, Italy, Spain, Greece, Portugal, and France account for the bulk of production, with approximately 60, 25, 5, 5 and 4% of EU production respectively. Countries' productive capacities are not always indicative of the position in the export market however. Indonesia, Bangladesh, the Philippines and Brazil for example are large producers, but net importers of rice. Figure 1.1 represents harvested area of paddy by continent and figure 1.2 shows the major rice producing countries.

Figure 1.1: Harvested area of paddy by continent average 1993-1997

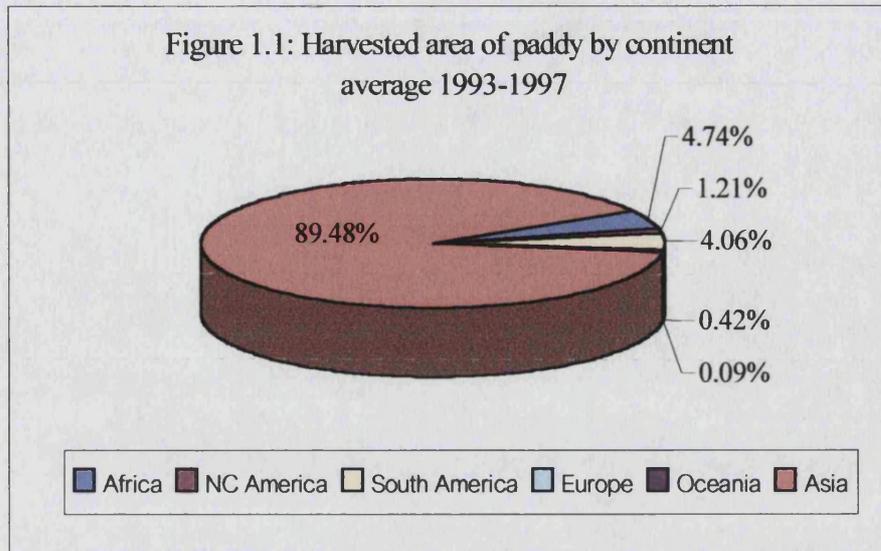
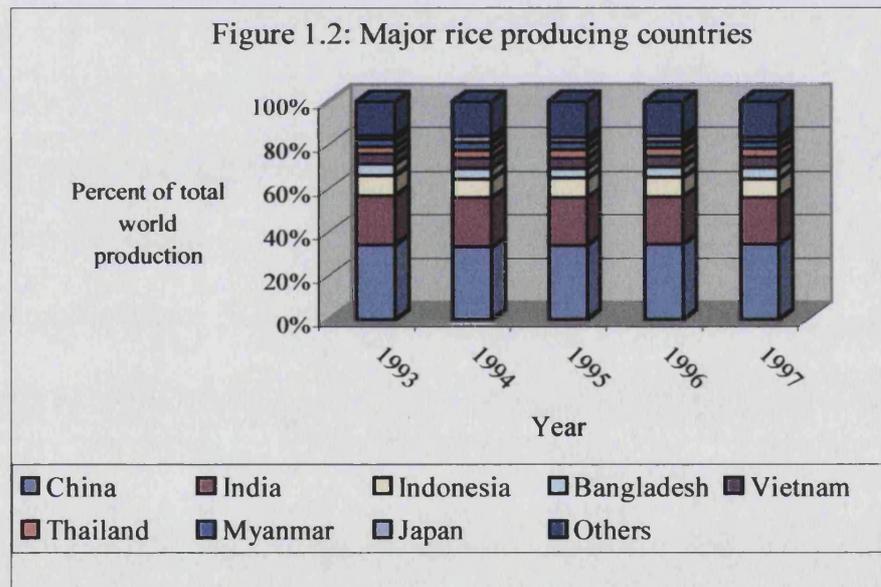


Figure 1.2: Major rice producing countries



Source: Office of Agricultural Economics (1999a:10-11)

Table 1.2: Rice Production and Consumption in the top 10 Producing Countries
(million tonnes, milled basis)

Countries	1997/98		1998/99		1999/2000 ⁴
	Production	Consumption	Production	Consumption	Production
China	133.8	135.9	132.4	137	131.6
India	81.6	79.3	85.2	80.7	86.7
Indonesia	32.6	35.4	32.4	35.2	33.2
Vietnam	18.9	15.1	20.4	14.5	21.1
Bangladesh	18.7	19.6	19.5	19.6	20.2
Thailand	14.9	8.7	15.0	9.0	15.4
Philippines	6.6	8.1	6.8	8.2	7.9
Brazil	6.3	7.7	5.6	7.3	7.7
Japan	8.3	9.2	7.4	9.1	7.6
United States	5.5	3.3	5.6	3.5	6.3
World Total	380.9	382.9	385.0	385.0	404.6

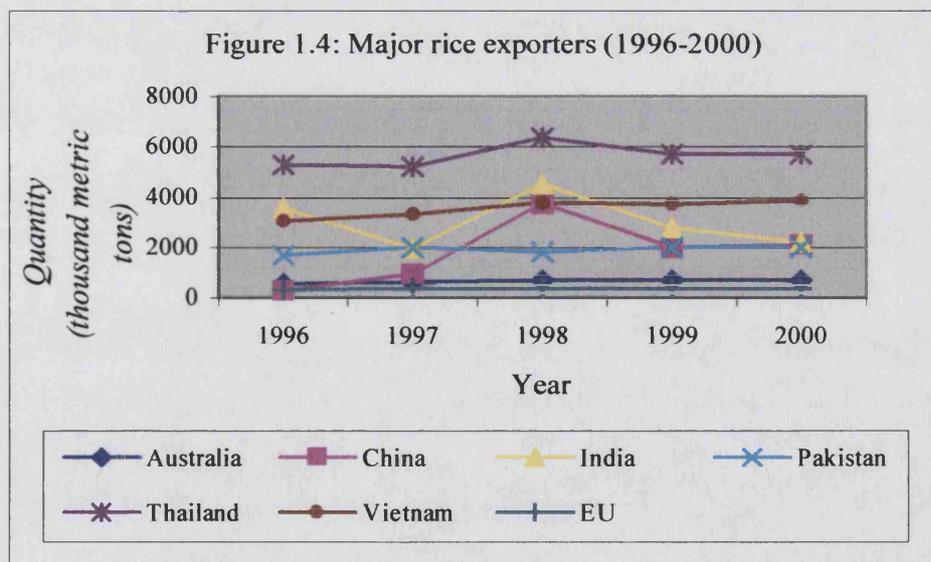
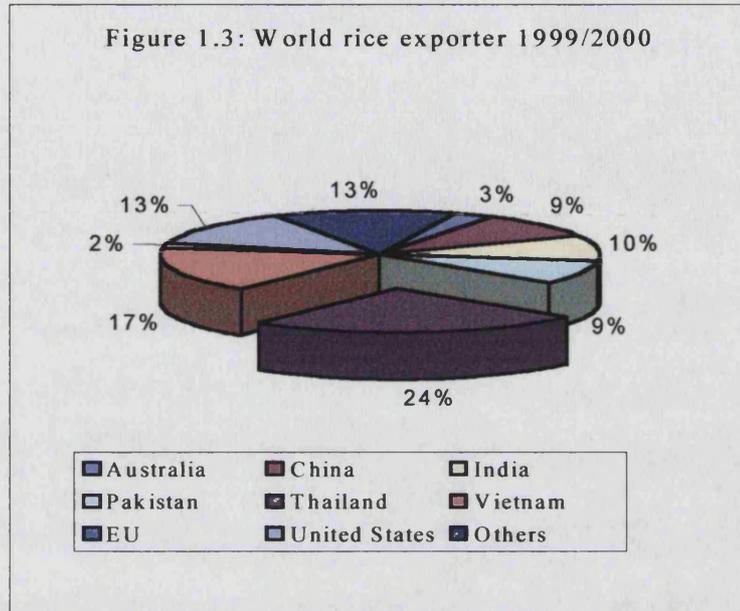
Source: FAO (2000:15)

6. Major exporters and importers

Historically, there were generally four net exporters of rice prior to 1989 – Thailand, the United States, Pakistan, and China – which accounted for about 70% of world trade from 1980 to 1988. Vietnam returned to the world market in 1989 as the third largest exporter and is expected to remain a major exporter in the future. At present Thailand, Vietnam and the United States are the three largest rice exporters, accounting for roughly half the rice traded over the last 5 years. At this point in time, Thailand is the most important exporting country, but its position is threatened by other Asian countries, particularly Vietnam (Department of Domestic Trade, 1999; Department of Foreign Trade, undated; NFI, undated; Pongvutitham, 1997; Warr and Wollmer, 1996). In view of such competition, countries like Thailand, Vietnam and the United States continue their production subsidies to rice farmers (European

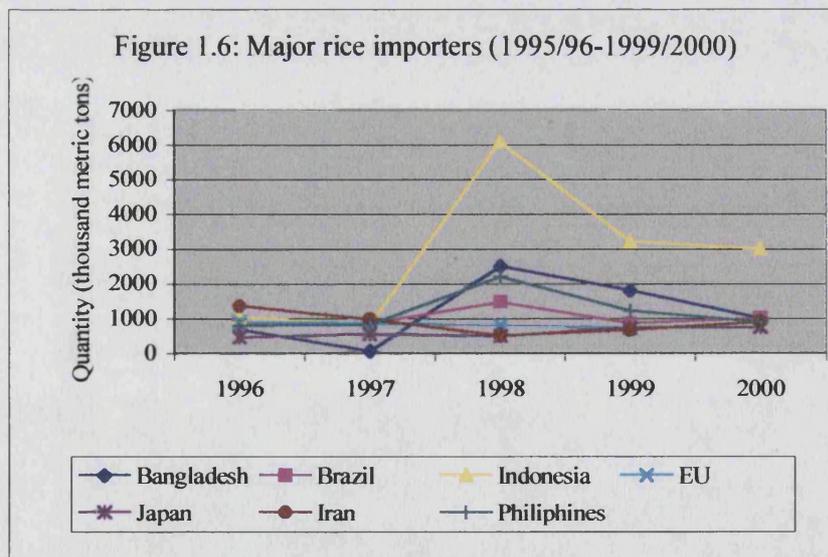
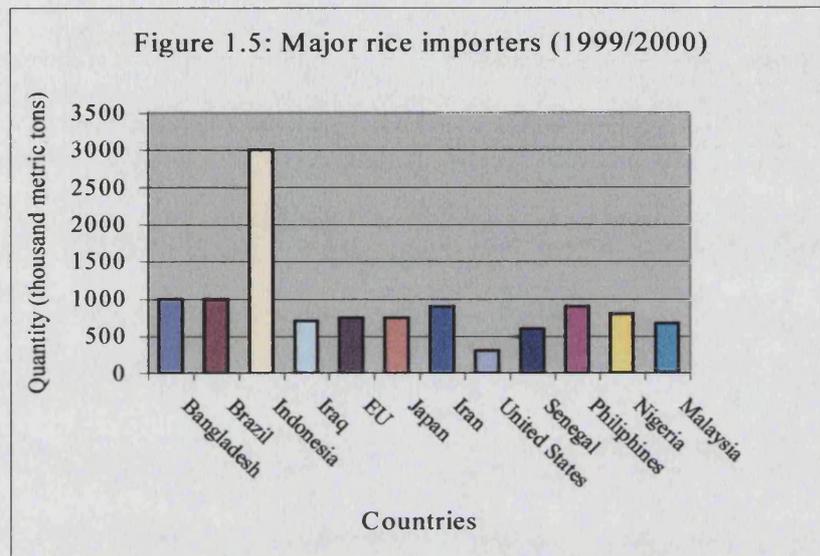
⁴ No consumption figures available for 1999/2000

World Shops' campaign for the right to food, undated). Figure 1.3 and 1.4 show the major rice exporters.



Source: USDA (1999a:10)

The largest importers of rice in 2000 were Indonesia⁵, Brazil, Bangladesh, Iran, the EU, the Philippines, Malaysia and Iraq. Figure 1.5 and 1.6 shows selected major rice importers for the year 1999/2000 and the years 1995/96-1999/2000.



Source: USDA (1999a:10)

⁵ In 1997/98, there was a major crop failure in Indonesia. As a result, in 1998 Indonesia became the largest rice importer.

7. Characteristics of the rice market

Much research has been undertaken to examine the functioning and nature of the rice market (Barker *et al*, 1985; Bray, 1986; Childs, 1990; David and Otsuka, 1994; Eagleton, 2001; FAO, 1991; Grist, 1986; Hossain, 1996; Jayne, 1993; Latham, 1998; Roche, 1992; Pinthong, 1977; Siamwalla and Haykin, 1983; Siamwalla and Na-Ranong 1990; UNCTAD, 1995b). The following are summaries of the characteristics of the rice market that are identified in this literature as:

1. Residual: the international rice market is a narrow surplus market. Since rice is consumed foremost in the countries of production – with the exception of the United States – only 4% of world rice production is traded internationally. The rice that enters the world rice market is residual or ‘left over’ rice, surplus to the needs of the exporting countries.
2. Thin: the rice trade accounts for a small share of production. It is ‘thin’ because the amounts of rice traded are very small in proportion to the amount of world rice production, as most producers and exporters are also major consumers of rice themselves. Trade has typically accounted for 3-4% of production since 1960. Thus, the effects of normal year-to-year fluctuations in production of 2-3% can generate substantial world price variability if changes in production are shifted to the world market.
3. Volatile: rice trade volumes and prices are highly variable. Annual price variability exceeds that experienced by other grains. Because about 90% of the world’s rice crop is produced in Asia and half of the crop is not irrigated, the world rice supply depends critically on the timing of the Asian monsoon and is therefore more variable than other major grains. Sellers and buyers change all the time, according to the state of their own crops. A bad harvest may suddenly take an exporter out of the market, or even force them to import rice. Similarly a good harvest may make it unnecessary for a country to import rice, and possibly leave them a surplus which they can export. So year by year the participants change, with

different buyers and sellers entering the market. Consequently, price varies according to unpredictable quantities and qualities of rice available. Hence, producers are unable to escape the risks associated with price variability.

4. In contrast to other commodities, there is no uniform world price for rice. This is because of the huge number of different qualities of rice. The weekly Thai 100% grade B price is commonly cited as the 'world price'. Other commonly used indicators include US long grain No.2, 4% broken and Vietnamese 5% broken. Moreover, it is pointed out that futures markets do not play a significant role in the international rice trade. The reason behind the lack of futures markets is the secretive nature of rice trading. Traders do not like to disclose the exact prices at which transactions take place, and the existence of a futures market would disperse the price information that enables them to strike profitable deals. In particular Thai traders, who are important suppliers of rice to the world market, benefit from the lack of futures markets and seem content with the current situation⁶.

5. The majority of rice trade is an inter-South trading. The weight of Asia in world rice production is reflected in the structure of the world market. In 1998 Asia imported over half of the total world imports and exported over 70% of total world exports. The main exporters in Asia are Thailand, Vietnam, India, Pakistan and China. The key Asian rice importers are Indonesia, the Philippines and Bangladesh. The fact that key importers are also rice producers has important consequences for the dynamics and stability of this market. A good harvest for rice producers reduces demand for rice imports, increases surplus exports and drives the world price down. Conversely, a harvest failure increases demand for imports, reduces available exports and drives world price up. Both high or low world prices have dangerous internal economic effects for importers and exporters. This has extremely important political

⁶ Many analysts maintain that increased use of futures markets would smooth price volatility, thereby reducing the vulnerability of poor farmers and consumers to sharp price movements. However, direct participation in these markets is rare even in developed countries, and is inconceivable for the millions of poor rice farmers and workers. Even farmers who are relatively wealthy would face substantial problems in using futures markets to improve their incentives for long term investment. This is because the structure of futures markets does not allow prices to be locked in over the long term (Roche, 1998; Dawe, 2001).

consequence. This is because, as stated earlier, rice makes up such a large share of poor farmers' incomes and poor consumers' expenditures on food. Unstable prices can lead to large and abrupt swings in purchasing power for these individuals.

6. Instability and price volatility in the rice market is exacerbated by the unpredictable pattern of trade. The introduction of high-yield varieties of rice during the 1960s enabled a number of traditional rice importers to approach self-sufficiency. As a result, relatively small changes in domestic supply or demand can cause important countries including China, Indonesia, India, Brazil and Japan to enter the market as importer, exporter or both in any given year. Consequently, numerous countries float in and out of the world market due to random and temporary aberrations in domestic supply and demand. This has impeded the development of long-run trade patterns, increased transaction costs and has contributed to instability in the market.

7. Brokers and traders play a crucial role in the functioning of the rice trading. As mentioned earlier, the rice market is volatile, subsequently, sellers and buyers must link together quickly, and, as the situation each year changes, finding a suitable trading partner is a bewildering and confusing process. The search takes time and money so the cost of actually making the transaction is high. For this reason specialist rice brokering houses exist in the major market centres, who make their living from the commission they charge in setting up these deals. There are brokerage houses in the United States, Europe, Singapore and Hong Kong. In Europe, brokerage houses exist in Britain, France and Belgium.

Rice brokers exist between traders and traders, governments and governments, and end-users and exporters. The vast majority of Thai exports are sold through brokers such as Jacksons (UK) or Creed (US), and not directly to international trading companies. This is because brokers help to provide the liquidity that is missing from the market (Latham, 1998).

8. Trends in production and demand for rice

In the last thirty years, rice has been transformed into a big business in international trade. In that time rice production has doubled and multinational corporations have increasingly taken over its trade worldwide. There are two major factors contributing to the higher demand for rice. Firstly, world population is growing rapidly and will remain a major factor behind a substantial increase in demand for rice over the next 30 to 50 years. Analysts estimate that by 2025, an additional 300 million tonnes of rice will be needed annually (Hossain, 1996). The potential for increased productivity created by the green revolution technologies of the late 1960s has almost been exploited, particularly for the irrigated and rainfed environment.

Secondly, trends in dietary consumption patterns have generally changed, and are part of a general dietary diversification, supplementing in the increase in rice consumption. Rice is now not only a staple food within Asia. For example of European Union rice trade, EU imports represent approximately 4% of the 15 million tonnes world rice trade (IRRI, 1997). IRRI (1997) explains that rice formerly had a staple food status, but only within producing regions, and was considered as a luxury dessert product elsewhere. It is now of interest for diversifying conventional diets. There is increasing consumer demand for high quality varieties and rice dishes, with a willingness to pay more for these products.

Table 1.3 shows that rice consumption has increased at a faster rate in northern European countries where people are not traditional rice consumers, as compared with Southern Europe. Consumption reached 3.5 kg *per* person in northern Europe in 1990. In Italy, annual rice consumption *per* inhabitant includes about 5 kg of Japonica rice (round-and medium- grain varieties) and 300 g of Indica rice (long grain varieties). Imported long-grain rice is generally preferred in northern Europe. In the UK, the mean annual rice consumption *per* person includes 700 g of European Japonica rice and 3.7 kg of Indica rice (IRRI, 1997:40). It is predicted that rice consumption will continue to rise in northern Europe and gradually level off in Southern Europe (IRRI, 1997).

Table 1.3: Mean *per capita* consumption of white rice equivalent in the European Union from 1970 to 1990 (kg *per person per year*)

Country	1970	1980	1990	Average increase (%) since 1970
United Kingdom	1.4	3.3	3.7	8.2
Germany	1.6	2.0	3.4	5.6
Ireland	1.0	2.1	1.8	4.0
Belgium and Luxembourg	1.6	4.2	3.5	5.9
Netherlands	3.0	3.5	5.1	3.5
Denmark	1.6	2.1	2.7	3.4
France	2.5	3.7	4.1	3.2
Italy	3.9	4.6	5.7	2.4
Spain	-	6.3	6.3	-
Portugal	-	15.7	15.1	-
Greece	-	5.2	5.1	-

Source: IRRI (1997:40)

9. Rice and the poor

Due to higher demand in rice either from increase population or from dietary diversification, recent advances in rice technology have led to the development of numerous genetically engineered and hybrid varieties of rice. It is claimed these varieties will produce higher yields than traditional methods or rice production, and as such they are being promoted as a way of meeting increased demand and preventing hunger.

There are a huge number of study on green revolution and its effects (for example Balisacan, 1998; Bell, 1972; Byerlee, 1998; Hayami, 1981; Hossain and Pingali, 1998; Ladjinsky, 1978; Mellor, 1976 Osmani, 1998; Pingali, 1998). However, experience with the green revolution has been mixed, with differential growth rates of agriculture in different countries or in agriculture in different regions within the

same country. This has been because of differences in the availability of inputs, the extent of information, and attitudes toward risks.

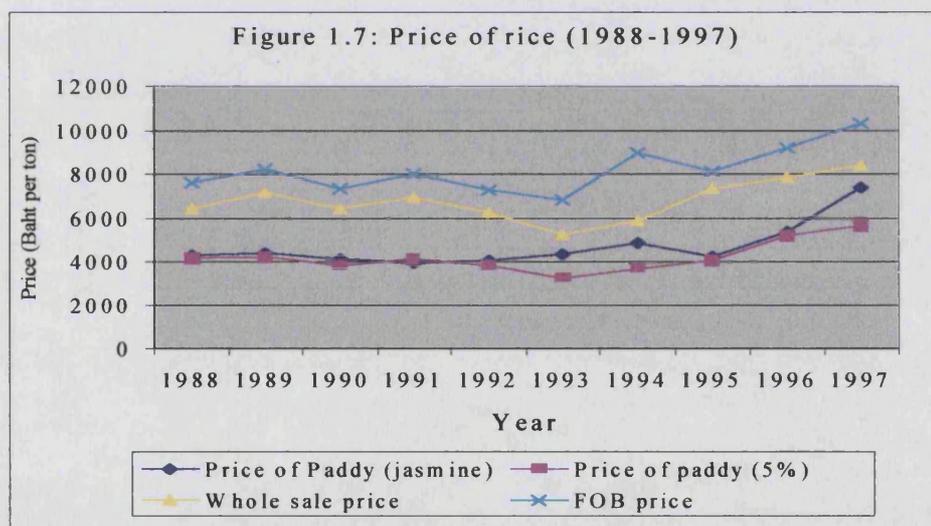
It is still doubtful whether the increased rice demand will result in improve incomes for producers. It has been pointed out that the increased demand for food is also accompanied by increasing competition on the international rice market. Exporting nations are increasing the amount of rice that they export. Increasing volumes traded and increasing price competition has created a general trend towards falling world rice prices. Countries are now having to increase the volume of rice they export and keep costs low to keep their place in the export market. This demand for increased rice production is leading to pressure towards agricultural modernisation.

Radical political economists have argued that the green revolution's technology tends to be monopolised by large commercial farmers who have better access to new information and better financial capacity. A large profit resulting from the exclusive adoption of modern varieties of technology by large farmers stimulates them to enlarge their operational holding by consolidating the farms of small nonadopters through purchase or tenant eviction. As a result, polarisation of rural communities into large commercial farmers and a landless proletariat is promoted (Cleaver, 1972; Fatemi, 1972; Grabowski, 1979; Griffin, 1974). Moreover, Lipton and Longhurst, (1989) show that the impact of the new varieties on the poor is limited and claim that the increases in food supplies have had little impact on the nutrition of the poor and on their real income. Many researchers argue that the relative abundance of food would not help the poor since, if the new technology were introduced without changing the prevailing distribution of the means of production, the poor would not have the means to establish their entitlement to food and might very well lose whatever means of livelihoods they happened to have (Bardhan, 1988; Byres, 1972; Farmer, 1977; Griffin, 1974; Ladjinsky, 1978)

In addition, in relation to the structure of the rice market in the near future, rice output in most producing countries will continue to reflect the vagaries of climatic conditions. UNCTAD (1995b) argues that the inherent vulnerability, together with

the structured ‘thinness’ of the global export market, renders rice prices highly volatile as well as unpredictable. Rice producers and traders have to bear such price risks. It further points out that the ongoing dismantling of government intervention in commodity markets – notably through marketing boards, stabilisation funds, and subsidy/processing arrangements – tends to spill over in its impact onto the poorer segments of the rural economy; landless agricultural workers in particular.

It is pointed out that, in a large number of developing countries, domestic farm-gate prices have frequently been less than 50% of the corresponding border price (OECD, 1993). This is confirmed by Chusakul (1996). He reveals that the price doubles after it leaves the hands of the farmers. He argues that rice trading enriches only the merchants, millers, buyers, exporters, retailers and wholesalers, but not farmers. Figure 1.7 shows price of paddy (Jasmine rice) and ‘paddy 5%’ that farmers received, wholesale price and FOB price from 1988-1997



Source: Office of Agricultural Economics (1999a:10)

Eagleton (2001) states that as poor people in many countries spend half or more of their food budget on rice, volatile international prices can have a significant effect on food security. A 20% rise in rice prices may reduce its consumption by 10% and adversely affect poor people's nutritional status. Conversely, low prices favour food

consumers, but they result in financial hardship for farmers and their families, as well as farm workers. Low prices deplete the assets of producers, depress their long run income and employment prospects, and encourage rural to urban migration.

Information quoted in Eagleton (2001: 5) gives evidence on high rice prices and malnutrition in Indonesia. It states that within two years of Indonesia's economic crisis in 1997, the cost of a kilogram of rice in Jakarta had more than doubled, from 2,000 to 5,000 rupiah (\$0.23 to \$0.58). Many children dropped out of school and more than half of children under two on the island of Java were reported to be malnourished. Some farmers are reduced to only two meals a day: cassava in the morning, and rice in the evening (CGIAR, 'From rice to riches – and back to rice' quoted in Eagleton, 2001:5).

This impression is reinforced by many media reports. For example, Bangkok Post (1999b) reported that even when their crops are good, farmers in the Thung Kula Ronghai plain – Thailand's most important source of naturally fragrant Hom Mali rice – remain fettered with huge debts. It is stated that most farmers sell paddy to rice mills in the evening of the very day they harvest the crop because they cannot bear the heavy burden of loans and interest. Creditors wait before farmers start harvesting. No one can keep rice to sell when prices are better. Every farmer in the village reported owes 50,000 to 100,000 baht to the Bank for Agriculture and Agricultural Co-operatives or some agricultural co-operative. The village has a central rice barn but no one wants to keep rice. Everyone needs money to repay debts as fast as possible. One farmer stated that "it is impossible for farmers to join forces to bargain for better rice prices or even keep rice for sale when the best price is given. We are poor and need money".

Grist (1986) states that the economic position of rice farmers in developing countries profoundly affects rice supply. The most important factor affecting the area cultivated and yield is the unsatisfactory economic position of farmers. He points out the two major factors which may cause unsatisfactory conditions for paddy cultivation in the developing countries: the condition under which the cultivator

holds the land, and his financial instability. In many cases the conditions under which land is held by the cultivator are directly concerned with financing cultivation, but the landlord is not alone in taking advantage of the financial instability of the cultivator. Reports from almost every country in Asia, Africa, and South America provide evidence of the poverty of farmers and their consequent heavy burden of debt, usually contracted at high interest rates. Onto this issue, the thesis will return, using the cases from Thailand in Chapters 2 and 6.

10. Conclusion

Rice is a vital food crop to over half of the world's population. It is a staple food in many developing countries. The structure of the rice market is a problematic one. It is thin and volatile, and subsequently prone to price fluctuations. The structure of rice markets makes it difficult to give farmers a secure income. Because the volume of global rice trade is small compared to the volume of total production, relatively small changes in production greatly affect the supply of rice on the world market, which leads to price instability. As rice is the most important food grain in world consumption, instability in this market can have severe effects on nutrition for poor people across the world even threatening starvation. The geographical concentration of rice production in Asia is another major cause of supply and price instability in the world market. Over 90% of rice is produced in Asia and so production is dependent on the Asian monsoon. This means that poor rice harvests occur at the same time, putting pressure on the world market to cope with rising import demand at the same time as a fall in supply.

Rice is also a political sensitive issues in rice consuming countries. Governments in rice consuming countries spend considerable parts of stabilising the price of rice. The rice sector represents a policy dilemma: how to balance the interests of poor producers with those of poor consumers. A rise in prices will reduce rice consumption and adversely affect poor people's nutrition status. Conversely, low prices favour poor consumers, but result in financial hardship for farmers and their families, as well as farm workers. Low prices deplete the assets of producers, depress

their long-run income and employment prospects, and encourage rural to urban migration.

The next chapter will turn to look specifically at Thailand. More details about local rice trading and farmers livelihoods will be presented. In addition, the government rice intervention policies will be discussed.

Chapter 2

Rice and Thai Economy and Society

1. Introduction

The previous chapter introduced rice and rice markets. In this chapter, attention will focus particularly on the world largest rice exporter, Thailand. Rice is embedded socially and economically within Thai culture. Rice is cultivated on approximately 80% of the country's arable land. Rice farming has been the most important productive activity and way of life for the majority of the Thai people. In the mid 1980s, more than half of Thailand's working population was engaged in agriculture, and most produced rice as a main or subsidiary crop (Kaosa-ard and Pednekar, 1996).

Despite its contribution to the national economy, many researchers have stated that the agriculture sector in Thailand has been systematically neglected, and more emphasis has been put on the industrial sector. The farmers who contribute so much, remain poor and marginalised. Farmers face difficulties in sustaining their livelihoods as rice farming rarely makes a profit. The price of paddy has fluctuated widely, and there is no guarantee that the price farmers receive will cover the cost of production. The future of rice farming is far from optimistic. Rural families now rely heavily on income supplements remitted by those sent off to work in factories, bars, and construction sites of the city.

This chapter will touch upon three issues. First, the role of rice in the Thai economy will be explained. Second, farmers' livelihoods will be examined. Third, different public means to assist farmers, particularly government rice policies, will be explored. Finally, the potential contribution of fair trade may make to rice trade will be analysed.

2. Rice production, consumption, and trade

Thailand has a rice cultivation area of about 60 million rai¹, approximately 80% of the country's arable land. One third of this area is irrigated, the remaining 40 million rai is rain-fed. Thailand's farmers produce approximately 20 million tonnes of rice annually. Two-thirds is consumed by farmers and their families, used as seeds or sold for domestic consumption. The remaining one-third is exported. While the country is not the world's leading rice producer, it has been the most important exporter for the past 20 years. Table 2.1 represents Thai rice production, consumption and stocks for the years 1995/96-1997/98. Table 2.2 presents rice export values, output, volumes of exports, world total exports and the world market share of Thai rice (1993-1997) respectively.

Table 2.1: Thai rice: production, consumption and stocks 1995/96–1997/98 (million tonnes of paddy)

Items	1995/96	1996/97	1997/98
Supply	22.970	24.204	25.046
Production	22.015	22.332	21.427
Previous year's stocks	0.955	1.872	3.619
Demand	12.584	12.699	12.778
Consumption ²	10.004	10.111	10.217
Retained seed	0.980	0.988	0.961
Other	1.600	1.600	1.600
Balance	10.386	11.505	12.268
Exported paddy	8.514	7.886	8.768
(milled rice)	(5.619)	(5.205)	(5.787)
Ending stocks	1.872	3.619	3.500

Source: Office of Agricultural Economics (1999a:14)

¹ 1 rai = 1,600 m² or 0.4 acre.

² Rate of consumption 165 kilogram *per person* (paddy) or 109 kilogram *per person* (milled rice) (data from national statistic office).

Table 2.2: Rice export value, quantity of rice production, volume of rice export, world total exports and world market share of Thai rice (1993-1997)

Year	Total export (million baht)	Total production (million tonnes)	Volume exported (million tonnes)	World total exports (million tonnes)	% of world share
1993	32,946.2	19.92	4.8	13.7	35.04
1994	38,200.5	18.45	4.7	16.47	28.54
1995	46,791.6	22.01	5.9	21.0	28.10
1996	48,782.9	22.33	4.9	19.67	24.91
1997	65,094.4	21.42	5.6	18.79	29.80
1998*	85,019.3	22.80	6.3	27.43	22.98

Source: Office of Agricultural Economics (1999a)

* year 1998 data from USDA (1999a:10)

Rice is produced in every region in Thailand. However, the North East is the main rice growing area. It is worth noting here that the North East is the poorest region of the country. This is due to the poor quality of soils and the arid condition. The area has little potential for irrigation, forcing farmers to remain dependent on monsoon rains. Rice can be grown on some of these sandy, quickly drained, and infertile soils, but with much lower yields than in other parts of the country (see table 2.3).

Table 2.3: Harvested area, production and yield by region (year 1993/94-1995/96)

Region	Harvested area (million rai)			Production (million tonnes)			Yield (kg/rai)		
	93/94	94/95	95/96	93/94	94/95	95/96	93/94	94/95	95/96
North East	30.7	31.0	32.0	7.12	8.01	8.43	262	281	281
North	12.1	12.5	12.7	4.17	4.97	4.58	389	444	453
Central	10.2	9.8	9.7	4.24	4.28	3.79	450	456	465
South	3.0	2.9	2.8	0.94	0.88	0.91	359	331	337
Whole Kingdom	56.1	56.3	57.4	16.4	18.1	17.7	330	350	348

Source: Office of Agricultural Economics (1999a:18-19)

3. Rice and the Thai macro-economy

In the past, agriculture played an even more important role in the Thai economy, and rice was historically the first export product of Thailand. Rice farming has been the most important productive activity and way of life for the majority of the Thai people. In the mid 1980s, more than half of Thailand's working population was engaged in agriculture, and most produced rice as a main or subsidiary crop (Kaosa-ard and Pednekar, 1996; Office of Agricultural Economics, 1999b). In 1997, Thailand was the world's sixth largest rice producer after China, India, Indonesia, Bangladesh and Vietnam. In the mid 1980s Thai exports accounted for 40% of total world trade in rice, although this position was threatened by increased autonomy in rice production among major rice consuming countries (Office of Agricultural Economics, 1998; Turton, 1987). However, during the past three decades, industry has taken as from agriculture as the country's lead sector. It is significant that the contribution of the agricultural sector to the Thai economy has decreased over time. Exports classified by sectors show a similar trend to that of agricultural export value as a percentage of all other exports (table 2.4).

Kaosa-ard *et al.* (1995) explain that agriculture was the main engine of Thailand's economic growth in the 1970s. Its success hinged on buoyant foreign markets and the availability of surplus land for expansion (Siamwalla *et al.*, 1993). Since the 1970s, the contribution of agriculture to the GDP has steadily declined from 27% in 1970 to 10% in 1998. At the same time, the share of industry has increased from 25% of GDP in 1970 to the current figure of 39%. In 1998, Thailand's income mainly came from the sale of automatic data processing machines and parts, garments, and electronic integrated circuits. Rice has now become the fourth largest export product. Nevertheless, agriculture still employs roughly two-thirds of the national workforce (Maneerungsee, 1999).

Table 2.4: Agriculture as a proportion of total output and export value

Year	Percentage of GNP	Percentage of export value
1984	23.84	44.68
1985	18.03	37.96
1986	16.85	34.02
1987	16.36	27.76
1988	17.19	26.37
1989	15.10	22.95
1990	12.70	16.96
1991	12.60	15.06
1992	11.90	15.01
1993	10.60	11.83
1994	10.70	11.39
1995	10.80	11.40
1996	10.70	11.84

Source: Bank of Thailand Monthly Report (1997)

Figures from NESDB (1999) show that in the early 1990s, over 40% of the rural population continued to live below the poverty line (table 2.5). This fact underlines the persistence of highly inequitable access to income (Bello *et al.*, 1998). The statistical trends in table 2.6 reflect the underlying structural dynamics that have changed the face of the Thai countryside. It can be seen that the largest share of the population is still engaged in the agricultural sector, whose share in the economy is declining. Poverty is essentially a rural phenomenon in Thailand, affecting particularly those who have to live off poorly endowed lands. In the less fertile North East, for example, the incidence of poverty is high. Moreover, the labour market in the North East is traditionally tied to the agricultural sector. Statistics classify over 70% of the workforce in the North East as in the agricultural sector (Parnwell, 1996; Phongpaichai and Baker, 2000).

Table 2.5: Poverty incidence 1988-98 (%)

Year	Total	Urban	Semi-urban	Rural	Centre	North	North East	South	Greater Bangkok	<5 rai land
1988	32.6	8.0	21.8	40.3	26.6	32.0	48.4	32.5	6.1	67.7
1990	27.2	6.9	18.2	33.8	22.3	23.2	43.1	27.6	3.5	52.9
1992	23.2	3.6	12.7	29.7	13.3	22.6	39.9	19.7	1.9	41.2
1994	16.3	2.4	9.6	21.2	9.2	13.2	28.6	17.3	0.9	28.9
1996	11.4	1.6	5.8	14.9	6.3	11.2	19.4	11.5	0.6	37.2
1998	12.9	1.5	7.2	17.2	7.7	9.0	23.2	14.8	0.6	41.9

Source: NESDB, Indicators 3(1), January 1999

Table 2.6: GDP and workforce shares of major economic sectors (%)

	Agriculture						Industry						Services					
	1980		1990		2000		1980		1990		2000		1980		1990		2000	
GDP	23.2		12.5		9.1		28.7		37.2		41.7		48.1		50.3		49.2	
Work force	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M
	74	68	65	63	50	52	8	13	12	16	16	19	18	20	23	21	34	29

Source: Asian Development Bank (2001:39).

Bello *et al.* (1998) stress that Thailand's agrarian condition today is a result of government policy, the commercialisation of agricultural production, and social struggle. The central policy factor has been the subordination of agriculture to the interests of the urban-industrial sector. The subordination of agriculture to urban-industrial interests has occurred in a context where agriculture, in particular rice, had already been significantly commercialised and oriented toward supplying both the city and the world market. Bello *et al.* (1998:138) say that "this orientation of agriculture to urban and international markets became a consistent element of Thailand's economic policy. The strategy of squeezing agriculture to serve industry simply accentuated this process, which made Thailand a key exporting country but, as in other cases of the rapid spread of capitalist production relations, also promoted social differentiation and triggered social stress".

4. Rice trade and poor farmers

Despite the very impressive volumes of rice exports and aggregate incomes from rice trade each year, rice producers remain poor. Rice farmers are considered the poorest sector in the country and yet they constitute more than half of the country's total population (Buranakanonda, 1998; Eew-Sriwong, 1996; Hirsch, 1993; Janssen, 1995; Olarikkachat, 1998; Rojanasatien, 2000). Poverty has been the driving force in forcing many farmers to seek better livelihoods at the expense of rice production. Agricultural workers migrate to the cities, where most of the industries are concentrated. A poor future for Thai farmers was predicted:

“Within five to 10 years, Thai farmers will live an even poorer existence. The income gap (between farmers and non-farmers) will widen, a desperate flock of labour migrants to big cities will drastically increase, many farmers will go bankrupt and others will have no alternatives in life after the demise of their cash crops”.

Quoted in Choice (1995:27)

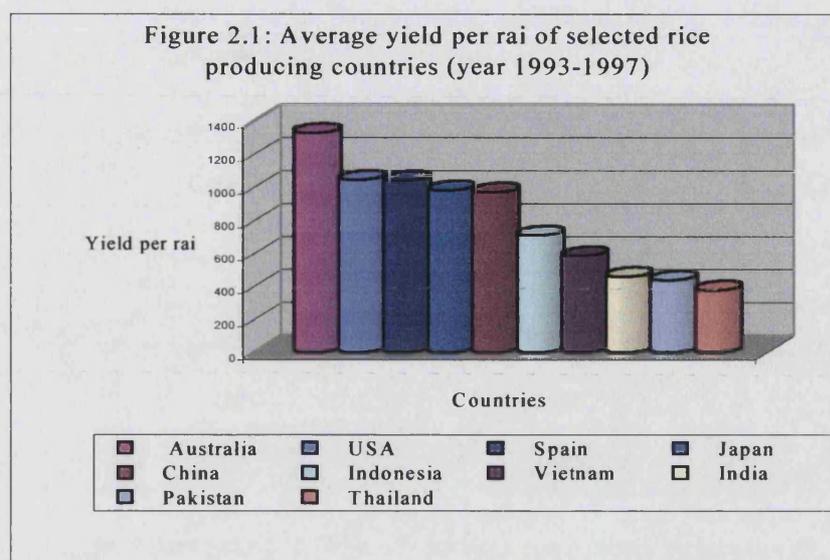
Krisanamis (1967), researching paddy price movements and their effect on the economic situation of farmers in the Central Plain of Thailand, highlights the poor economic condition of paddy farmers in the central plain. He gives a number of reasons to explain the causes of agricultural poverty and poor economic conditions: low agricultural productivity; small land holdings; a poor pattern of land tenure; agricultural indebtedness; lack of storage facilities; exploitation by market organisations; and exploitation by creditor merchants. By and large, farmers lack the capital to make an adequate investment in their farms. They are unable to provide themselves with the necessary agricultural tools for efficient production. Poverty has necessitated borrowing at high rates of interest, thereby depriving them of possible savings. Their inability to provide themselves with their own storage facilities makes it necessary for them to sell their paddy as soon as possible. Their poor economic conditions make them easy prey to exploitation by merchant creditors who demand high rates of interest on loans and repayment of past debts in kind.

Similarly, Sanittanont (1967) explains the reasons that compel the farmers to sell most of the marketable paddy soon after harvest:

1. Most farmers are poor and approximately 68% are indebted. They therefore have an urgent need for money immediately after the harvest in order to pay their rent and debts, as well as to buy certain necessities.
2. Farmers usually do not have the necessary storage facilities to delay the sale of paddy until prices are higher.
3. Most farmers do not have the necessary means of transportation to move their paddy to regional markets whenever they like. They either have to sell locally or sell to the middlemen from the regional markets that come to the farms, usually after harvest when supply is abundant.

The vast majority of Thai rice farmers remain impoverished and perpetually indebted. Farmers get a fraction of the benefit from rice trading relative to other actors in the same process. To understand the poor economic and social conditions of Thai farmers, a number of distinctive features of the rice sector in Thailand need to be highlighted.

1. Despite the volume of the marketed and exported rice surplus, productivity is one of the lowest in the world. Productivity (as measured by yield *per rai*) is about one-fourth of that Australia, one-third that of the U.S., Spain, Japan, and China; and considerably lower than that of Vietnam. Figure 2.1 shows average yield *per rai* of selected rice producing countries for the period 1993-1997.



Source: Office of Agricultural Economics (1999a:7)

2. The amount of fertiliser used has been increasing significantly. Table 2.7 shows that in 1993/94 fertiliser use almost reached 300% of 1983/84. However, fertiliser prices are high and most fertiliser is imported (table 2.8). Moreover, the regional distribution of fertiliser use shows imbalances, with most fertiliser being used in irrigated areas.

Table 2.7: Distribution of chemical fertilisers use (1,000 tonnes)

Types	1983/84		1991/92		1992/93		1993/94	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%
Paddy	669	52.6	988	34.0	1,272	39.8	1,231	36.3
Field crops	275	21.6	610	21.0	588	18.4	660	19.5
Fruit trees and tree crops	170	13.4	770	26.5	924	28.9	1,036	30.6
Vegetables and flowers	158	12.4	538	18.5	411	12.9	461	13.6
Total	1,272	100.0	2,907	100.0	3,195	100.0	3,388	100.0

Source: Office of Agricultural Economics (1996:37)

Table 2.8: Sources of Thailand's chemical fertiliser imports (1,000 tonnes)

Countries	1994		1995	
	Quantity	%	Quantity	%
Korea	822.4	25.6	955.8	25.9
Russia	299.9	9.3	471.5	12.8
Philippines	278.8	8.7	121.5	3.3
Saudi Arabia	275.5	8.6	150.9	4.1
United states	251.4	7.8	322.9	8.7
Japan	247.6	7.7	233.6	6.3
Germany	230.2	7.2	239.6	6.5
Norway	185.0	5.8	281.6	7.6
Malaysia	127.6	4.0	69.9	1.9
Romania	84.9	2.6	96.5	2.6
Denmark	63.5	2.0	91.5	2.5
China	49.7	1.5	25.3	0.7
Canada	49.0	1.5	113.4	3.1
Indonesia	48.8	1.5	82.7	2.2
Israel	33.6	1.0	65.0	1.8
Others	164.8	5.1	374.9	10.1
Total	3,212.7	100.0	3,696.6	100.0

Source: Office of Agricultural Economics (1996:37)

3. There has been a historical reluctance to invest capital in the direct production of rice. As a result of a major change in government policy in 1958, investment in infrastructure began expanding at the end of 1950s, as the government began to launch large irrigation projects. The irrigated area steadily increased from 12.6% of the total cultivated area in 1961 to 21.1% in 1985 (TDRI, 1988).

However, despite increases in irrigation projects, Thailand has one of the lowest levels of irrigation in Asia. More than 60% of paddy is not irrigated and thus the great majority of farmers practice rain-fed agriculture. The area under irrigation is still heavily concentrated in the Central and the Upper Northern regions. For example, the central region (with 25% of all agricultural land) has 68% of the total irrigated area,

and the North East (with over 40% of all agricultural land) has less than 10% (Hart *et al.*, 1989). This is perhaps dictated partly by the topography, the poverty stricken North East being particularly hard to irrigate.

4. With the commercialisation of agriculture and the increase in the capital required to cultivate the high yield variety packages, small farmers have become heavily dependent on traders, money lenders and other informal sources for the capital they need, for which they pay very high rates of interest. Low market prices for agricultural products and high input prices also adversely affects farmers. Hart *et al.* (1989:62) explain that:

“When such inputs are unavailable or unaffordable, this too reinforces the cycles of low and uncertain productivity, the effect of the “simple reproduction squeeze”. Prices to the producer are further depressed by pre-harvest contracted sale of crops or immediate post-harvest sale; by various changing quota and grading systems; and by deductions for storage, transport and other crops; delayed payment; and so on”.

5. Farmers and middlemen

It is very much the case in many developing countries that middlemen play a crucial role in the rice trading process. This is perhaps because each individual farmer cannot perform his own marketing services. It is left for middlemen to provide the marketing functions, which are time, form, and place transformation. Typically this means storage in a merchant’s warehouse, milling at a rice mill, and transportation from farm to retail consumers (Basu *et al.*, 1999; Bell, 1991; Bell *et al.*, 1998; Harriss *et al.*, 1984).

Sanittanont (1967) shows the importance of middlemen in Thai society. He says that regional middlemen are in fact performing multiple functions in paddy trading. In addition to the primary function of buying paddy, they also perform such functions as providing transport, and storage, as well as credit facilities. Moreover, both regional and local middlemen usually operate other business activities in addition to paddy

trading. As well as these various lines of business, some middlemen are engaged in money lending. They thus become what is sometimes known as the 'triple treat' to the farmers, i.e., they are simultaneously middlemen, merchants, and moneylenders. It can be argued that in cases where the middlemen confront farmers in their joint capacities of middlemen merchants and money lenders, they have in fact devised an inescapable trap that puts the farmers in such a helpless situation that they can exploit the farmers at will. It is pointed out that farmers usually enter 'the trap' by buying merchandise from these middlemen on credit or borrowing money from them, and end up being forced to sell their paddy to them at low prices.

The theoretical literature characterises such relationships between farmers and middlemen as the interlinkage of markets. Within this literature, a dichotomy of approach can be identified. On the one hand, some have claimed that such relationships are simply another way for middlemen to exploit farmers. This negative representation of such relations is evident in Bhaduri's (1983, 1986) discussion of what he refers to as 'landlords-cum-moneylenders'. Although the institutional context of Bhaduri's discussion differs from that under consideration here, his remarks are still pertinent. He suggests that the existence of such 'forced' commercialisation may result in a resistance to innovation. That is, as innovation reduce the demand for credit, middlemen will resist technological change as it will upset one of their sources of income. Bhaduri goes on to argue that markets so constituted tend to perpetuate such backward production relations. On the other hand, others have argued that interlinkage emerges for positive reasons; namely, through the desire for economic efficiency rather than being exploitative. Moreover, Braverman and Stiglitz (1982) have shown that there is no presumption that innovation results in a reduced demand for credit. Credit is used to smooth income across periods, and under quite plausible conditions innovation may either increase or decrease the aggregate demand for credit.

Research done by Nakada (1996) entitled "When does a Farmer Sell Rice?: A case study in a village in Yasothon Province, North East Thailand" proves that the need for cash was a important determinant, as the peak in the sale of rice was observed

immediately after the harvest. While the price was lowest, cash was badly needed for fertilisers purchased on credit, hired labour at harvest, and other costs. It is pointed out that approximately 60% of Thai farmers sell their rice on the spot immediately after threshing; 20% sell to go-betweens, and 20% sell their rice at the local central market. Farmers have to sell their rice quickly in order to repay the money borrowed from the very same merchants, go-betweens and millers to whom they sell their rice. Clearly, this arrangement gives the farmers no bargaining power; the luxury of hoarding rice until market prices increase belongs solely to the merchants, go-betweens and millers. Farmers who are forced to sell at low prices must later buy rice for their own consumption at prices twice as high³. A considerable number of farmers have to borrow rice from merchants or wealthy farmers at an interest rate of 50% growing season (a period of six to eight months) (Chusakul, 1996; Rojanasatien, 2000; Tantivitayapitak, 1998).

Because of low incomes from rice farming, many farmers decided to turn to other occupations, and some farmers have sold their land and shifted to other income-generating activities. Some farmers have come to the conclusion that their efforts to obtain some influence over rice price policies are virtually useless. Moreover, many researchers have found that the cycle of poverty and debt for farmers arose when rice became a cash crop (Chusakul, 1996; Ramitanondh, 1996; TDSC, 1997). It is pointed out that 85% of villagers in the North East are already unable to meet their needs from small-scale family farming and about two million of them have to take up non-agricultural employment during the dry season, many migrating to work in and around Bangkok (Ekachai, 1990).

³ Many authors have identified a dichotomy between normal, 'market-incentive' commercialisation resulting from the increased production of goods surplus to domestic consumption needs on the one hand, and involuntary 'forced', 'superficial' or 'distress' commercialisation on the other (for example, Bhaduri, 1983; Guillet, 1981; Harriss and Moore, 1984; Nadkarni, 1979; Olsen, 1993). Distress sales are made by peasants who have no option either over the timing, or the intermediary to whom they have to sell, or the quantity sold, or all three. Typically, part of the consumption stock is sold on a forward contract prior to the harvest or during the post-harvest glut at the lowest prices to need urgent cash needs. Distress purchases or buy-back for consumption at the highest pre-harvest prices complement distress sales. The terms of trade faced by households compulsively involved in such a superficial commercialisation will be disadvantageous relative to those faced by households with market-incentive commercial relations.

There have been several approaches aimed at assisting farmers to escape from the poverty cycle. A government price intervention, and non-government assistance. The following section will examine some forms of assistance that aim to help rice farmers.

6. Government policies towards rice farming

Dawe (1998) states that an important policy for governments of rice-producing countries is the stabilisation of domestic rice prices. There are several benefits to stabilising domestic rice prices in the face of a thin and unstable world rice market. Stable domestic prices can promote farm-level investment, protect poor consumers from sudden large fluctuations in income that might otherwise impair their standard of living and even their survival, and stabilise the macro-economy when rice constitutes a large share of total economic activity.

The government has been required to implement measures to ensure that rice prices do not reach levels that would cause hardship to urban dwellers despite the increasing cost of inputs, but allow farmers to make enough income, and at the same time maintain a competitive position in the world rice market. This is clearly a difficult set of demands to reconcile. This is because staple food items generally serve as a basic wage good in urban areas of most developing economies and subsistence foodstuffs can absorb as much as one-half of the urban poor's household budget.

The need to ensure relative stability in food prices, as well as domestic food security, thus constitutes an important policy objective of great political sensitivity. However, formulating food and agriculture price policies often involves complex interactions and potential conflicts among various policy objectives: economic growth, employment, foreign exchange earnings, public finance, and welfare. The most obvious conflict can be seen from consumers and producers perspectives.

However, rice farming today is not generally a profitable occupation in itself, particularly if expensive commercial inputs are used. Part of the reason is that staple-food cereals, and indeed agricultural products in general, suffer from severe under

pricing relative to industrial goods, including such essential inputs as chemical fertiliser. Governments bent on industrialisation usually subsidise this process by keeping domestic food-prices low (Bray, 1986; Dawe, 2001; Sah and Stiglitz, 1987). Moreover, as is well-known, influential researchers have alleged an 'urban bias' in development policies (see Bates, 1988,1993; Harriss and Moore,1984; Lipton ,1977, 1984). For example, Lipton (1977) pointed out that the disparity between urban and rural welfare is much greater in the poor countries now than it was in rich countries during the early development. This huge welfare gap is claimed to be inefficient, as well as obviously inequitable. As he writes:

“The most important class conflict in the poor countries of the world today is not between labour and capital. Nor is it between foreign and national interests. It is between the rural classes and the urban classes. The rural sector contains most of the poverty, and most of the low-cost sources of potential advance; but the urban sector contains most of the articulateness, organisation and power. So the urban classes have been able to ‘win’ most of the rounds of the struggle with the countryside; but in so doing they have made the development process needlessly slow and unfair. Scarce land, which might grow millets and beansprouts for hungry villagers, instead produces a trickle of costly calories from meat and milk, which few except the urban rich (who have ample protein anyway) can afford. Scarce investment, instead of going into water-pumps to grow rice, is wasted on urban motorways. Scarce human skills design and administer, not clean village wells and agricultural extension services, but world boxing championships in showpiece stadia. Resource allocations, within the city and the village as well as between them, reflects urban priorities rather than equity or efficiency”.

6.1 The Background to rice policies in Thailand

Following the Bowring Treaty, ratified between England and Thailand in 1855, the encouragement of paddy production and export became a major government policy. Policies related to rice prices are especially important in Thailand for a number of reasons. Rice production employs a large part of the country's total labour force. Semi-subsistence farmers and the landless poor make up a major portion of the labour force. Rice is the primary source of calorie intake – and is the major determinant of the real income of the poor. About 20% of the total household consumption expenditures of the poor go to rice (Trairatvorakul, 1984).

During the period 1956-1986, a number of rice policy tools have been used to intervene in domestic trade and the export of rice. These include: a rice premium; rice reserve requirement; quota; export tax; and export licensing. In addition to direct taxation, agricultural exports may be taxed directly by any policy measure that depresses the foreign exchange rate from the rate that would otherwise prevail (for details of each policy see Siamwalla, 1975, 1978, 1987; Siamwalla and Na-Ranong, 1990).

These policies have been severely criticised. Panayotou (1984, quoted in Turton, 1987) criticises the uncoordinated and contradictory nature of rice policies that include:

1. the regulation of rice exports;
2. the maintenance of a supply of low-priced rice for domestic consumption;
3. the accumulation of government revenue from rice export taxes; and
4. the increase of farm gate paddy prices.

The policies have been criticised for turning the terms of trade against the agricultural sector. Taxes served to transfer surplus from the farmer to urban employers and government, serving as an important source of development finance. Subsequently, paddy farmers were squeezed, on the one hand, by the control of rice export prices, which determined a low domestic price, and the export tax on rice which is passed

down the line to the farmers by exporters and millers. On the other hand, farmers are disadvantaged by industrial and trade policies which tax agriculture by increasing the prices of inputs and consumer goods (Hart *et al.*, 1989; O'Mara and Le-Si, 1985)

Phongpaichit and Baker (1993) claim that during the last thirty years the livelihood of the small scale rice farmer has worsened. Initially, the impact was offset by the phased removal of the rice premium. But thereafter, paddy growers faced a trend of declining returns. Farmers' advocates argued that high input prices and low paddy sale prices had removed all profit from rice farming. Paddy growers regularly pressed the government to provide price support schemes in order to subsidise their survival. By the late 1980s, rice price support had become a major political issue. Each year, the government expended large sums on rice price support. For example, credit policies under the paddy mortgage scheme and direct government purchase of paddies were aimed at influencing prices. Under the paddy mortgage scheme, the Bank for Agriculture and Agricultural Cooperatives (BAAC) loaned farmers money at low interest rates to finance the holding of stocks. Farmers receiving the loans were required to pledge stocks of paddy fields as collateral for production credit. The credit enabled farmers to buy seed and fertiliser, and hold the paddy for a few months after harvest when prices normally rise. Although 2.3 million tonnes of rice were pledged under the scheme in 1987, it was not used extensively until 1989 (Childs, 1990).

6.2 Rice policy 1999/2000

Rice policy in Thailand is set yearly by the Rice Policy Committee of the Government of Thailand. The policies for the 1999/2000 crop year were:

1. to promote rice export through the private sector;
2. to stabilise domestic price and quantity through co-operative groups, farmers groups, millers, local markets and local traders;
3. to establish adequate buffer stocks for domestic consumption;
4. to provide credit for farmers through the Bank for Agriculture and Agricultural Co-operatives, the Marketing Organisation for Farmers, and

the Public Warehouse Organisation through the Floor and Mortgage Price Program for paddy

5. to provide credit to rice traders and exporters through the Bank of Thailand and the Thai Export-Import Bank.

Under the government's price intervention measures, as shown above, the Ministry of Commerce aimed to increase state-to-state rice exports to 750,000 tonnes. A quota of 2.5 million tonnes was given for farmers nationwide to pledge with the Bank for Agriculture and Agricultural Co-operatives at an interest rate of 3% and a quota of rice totalling two billion baht with the Agricultural Extension Department, the Interior Ministry and co-operative promotion groups. In addition, rice being kept at the government's central warehouses could be pledged with the Public Warehouse Organisation. The Bank of Thailand was ordered to extend a 20 billion baht loan to each commercial bank and the Export-Import Bank to extend credit to rice exporters.

In theory the rice policies looked promising. However, there has been widespread criticism of the failure to help farmers and of the corruption within the process. For example,

1. Pongpaichit and Baker (1993) notice that there is no guarantee that money would benefit cultivators rather than traders. As a 'trickle down' effect is assumed, the majority of assistance has been given to rice traders not to farmers, with the expectation that benefits will be passed to farmers. For example, the government aims to support rice prices during periods when the rice price is low by buying rice at guaranteed prices in the domestic market. Even though the support is aimed at the farmers who suffer from lower farm gate prices, the government buys milled rice and not paddy, and the residual evaporates before ever reaching the farmer. The effect was indirect support for the rice trader or wholesaler.

2. The paddy price support programme is often released only some time after harvesting. The farmers had already long since sold their paddy to the mills or paddy traders at a price lower than the government guaranteed price (the farmers often do

not have the means to hold off for a better price) (Hutasing, 1999a). The scheme required that millers were to keep a record of who they bought their paddy from and when. The government would then issue the miller or trader the difference between the price the miller paid at the time and the government guaranteed price. However, several reports indicate corruption in such schemes (Bangkok Post, 2001; Thairath, 2001a, Thairath, 2001b). Comtois and Od-Ompanich's detailed study (1999) reveals a strategy that millers use for corruption: they seek the signatures of any farmer for a small price and then take these signatures as 'proof' of buying a certain volume of rice at the guaranteed price. The effect here was an indirect support for the miller with very little of the support money ever reaching the farmers.

3. An indirect support that is still being implemented is the packing credit. This is a low-interest loan for registered exporters. It is guaranteed by the Bank of Thailand and administered by various commercial banks. The commercial banks maintain the right to screen applicants based on their credit history. It is pointed out by Siamwalla and Na-Ranong (1990) that this programme has actually benefited a few big exporters.

4. Another form of aid that could be seen as support was increased access to rural credit. In 1975 the Bank of Thailand instructed all commercial banks to provide a proportion of their available loan supply (ranging from 5% to 13%) for agricultural credit. This was an attempt to reduce the exposure farmers had to informal money lenders. However, this scheme has not reached the poor, as such farmers do not have collateralisable land. In 1998, it was estimated that of the 250 billion in agricultural loans, as much as 20% was in the hands of money-lenders (Comtois and Od-Ompanich, 1999).

7. Other alternatives?

As stated earlier, there has been much research undertaken to study the efficiency of rice price interventions. The findings suggest that farmers rarely benefit from such policies. Non-governmental assistance for farmers is now considered.

Non-governmental assistance mainly comes from NGOs that work hand in hand with local communities. Some NGOs promote income-generating businesses, particularly in the form of small scale community businesses: for example, producing palm or coconut sugar, herbal shampoo, and handcraft, which continue to employ thousands of small farmers and their families during the dry season in non-irrigated zones throughout the country (Petchprasert, 1998, 1999; Social Research Institute, 1997; Supapong, 1999; Trebuil, 1990). Successful experiments in transferring small-scale industries, such as gem cutting or mushroom production, to the countryside do exist (see Parnwell, 1991 and 1994).

Some NGOs focus more on the production process. For example, they introduce integrated systems. These combine small-scale agriculture, aquaculture and livestock rearing, and have proved to be economic, non-polluting and productive (Ruddle, 1991). However, it would appear that the extension of these types of production systems across the country is limited to older farmers at the head of debt-free production units⁴. The linking of almost all Thai villages to the national road and power networks has firmly embedded farmers in the market economy. Radios and television sets, refrigerators, and motor-cycles are becoming essential consumer goods for most young villagers and attaining them necessitates a substantial cash income (Rigg, 1995a, 1995b).

Similarly, some NGOs have introduced 'alternative agriculture', aiming to move away from modern techniques of agricultural production. (Panyakul, 1998; Ramitanondh, 1996; Sangwolee, 1999). There are a number of reasons why farmers move away from modern agriculture, such as: insufficient farm land for the production of single or the limited variety of cash crops required by modern agricultural systems; poor quality of soil; modern agriculture requires substantial financial investment but gives no guarantee of stable prices and frequently leads to

⁴ Researchers find that nowadays most farmers are older. The younger generation tends to work off-farm (Phompakping, 2001; Rigg, 1995b). It is tempting to hypothesise that older farmers are less tempted by the new consumerism while also being more willing to accept (and understand) agricultural systems which are diverse and stable and use relatively small quantities of cash inputs.

chronic indebtedness; good yields but high capital investment; agricultural product prices are unstable and dependent on markets over which farmers have no control; and health problems resulting from the use of pesticides.

Besides alternative agriculture, there has been an attempt to bring an alternative trade or fair trade into practice. This is a very interesting issue and there is a serious lack of research. It is argued that the present international rice trading fails to benefit small rice producers. In response, fair trade movements attempt to establish a system of trade that allows marginalised producers in the South to gain access to Northern markets. It attempts to break the cycle of producer exploitation and consumer alienation by bringing knowledge of the market to the former and the conditions of production to the latter so that they can both interact within a fairer system.

Fair trade tries to cut out the middleman by encouraging overseas buyers to deal directly with producers and to try to shorten the chain between producers and consumers. Furthermore, the fair price – a price that provides enough for producers and their families to attain a reasonable or remunerative living standard, or that which provides all those involved in the trading chain with comparable returns, reflecting their input, skill and risk – not only covers the farmers' expenses but also allows them to make group investments in production and processing.

Local processing and packaging generates a maximum of added value that benefits the producers directly. The founding of alternative marketing and export organisations also serves the same purpose. The establishment of a marketing network, that assures the small-farm families of purchase guarantees and better prices, makes it possible for them to remain in their villages, and to better meet their own needs for agricultural products. In this way, they are also able to free themselves, through their own efforts, from the cycle of indebtedness that burden – and threaten the existence of – most farm families.

8. Conclusion

Rice is a politically sensitive issue in rice consuming countries. Governments in rice consuming countries spend a considerable sums stabilising the price of rice and use other means to assist farmers. However, in the case of Thailand, it is clear that government rice policy does not in fact much help farmers. Rice producers remain poor. They face many problems, such as high costs of inputs (i.e. seeds, fertilisers, pesticides), low market prices, low productivity, and indebtedness. These farmers do not get any obvious benefits from rice trading, rather it brings considerable profits to rice exporters, traders, and intermediaries. It is argued in this research that 'fairer trade' is required in order to ensure that producers receive their fair share of profits, at least to get a price that reflects the costs of production and the quality of the product plus a reasonable margin for investment and development in order to cover future production uncertainties and the to develop their community.

The next chapter will deal with the most recent approach that has gained momentum to assist farmers to sustain their livelihoods: fair trade. It will clarify the concept of alternative trade (or fair trade). It will deal with the objectives and aims of fair trade. Some distinctive characteristic of fair trade will be discussed. It will look specifically at a Thai fair trade project that also engaged in organic farming.

Chapter 3

An Overview of Fair Trade

1. Introduction

The previous chapter outlined the problematic issues in conventional trade in rice. It has shown that producers struggle to make a living from rice farming. This could be the result of the structure of the international rice market, viewed as 'thin' and 'volatile'. Also, it could be because of local long supply chains that do not provide equal shares in income and give unequal bargaining power to farmers. Fair trade, subsequently, attempts to bring more benefits to producers by shortening the trading chain, and to create trade based on equal partnerships that give a fair price to producers.

There is a wide range of fair trade initiatives. However, there seems to be little clarity on what fair trade is about and what fair trade involves. Thus, this chapter will begin by exploring the concept of fair trade in relation to ethical trade. A number of fair trade schemes will be outlined. The principle of fair trade will be clarified. It will then discuss the distinctive characteristics of fair trade. Fair trade in organic produce will be discussed. It will move onto explain the mechanics of the fair trade network, and will explain the functions of actors involved in fair trade. This includes the fair trade network and umbrella organisations, fair trade labelling organisations, producers and fair trade organisations, and the business sector. Finally, it will move on to deal with the market for fair trade products.

2. From ethical trade to fair trade

Recent years have seen a dramatic growth in the number of ethical trade initiatives. The initiatives involve a wide variety of activities, such as promoting social responsible business, implementing a code of conducts, ethical sourcing, organic farming, and fair trade aiming to trade equally with producers (Commission of the European Communities, 1999; DFID, 1997,1998a, 1998b; Lewis, 1999; Walker, 1998). However, evidence shows that 'ethical trade' and 'fair trade' have become jargon words and have been used in many different contexts. In fact, although each

ethical trade initiative shares a common concern with economic, social, and environmental responsibilities, the emphasis and focus vary considerably between initiatives. Without clarification, this will lead to confusion in analysis. Thus, this section aims to clarify the concept of fair trade in relation to other ethical trade initiatives. It perceives fair trade as a sub-set of ethical trade. They both share some fundamental objectives but differ in terms of the means and aims adopted.

The concepts of ethical trade and fair trade represent a change in emphasis in developmental work and have become one of the fastest growing areas of development research. The issue has gained considerable attention and has received support from governments, donors, the business sector, NGOs, and the media. Although the concept is still in the early stage of development, much of evidence points to significant growth and potential for development.

An important stage in the development of the concept of ethical trade occurred when the Department for International Development (DFID) committed itself to 'promoting socially responsible business'. In its White Paper on international development (DFID, 1997), DFID offered support to a number of ethical trade schemes. For example, the Ethical Trading Initiative was supported by DFID with the aim of improving the lives of poor working people around the world by 'encouraging companies to adopt codes of conduct laying out the minimum labour standards for their overseas suppliers' (ETI, 1999). Fair trade projects receive support in the expectation that producers are paid a fair price for their products. Yet again, in 1998, DFID promoted a 'sustainable livelihoods' approach in which ethical trading was seen as an important component in building sustainable livelihoods (Carney, 1998).

The concept of ethical trade is, in fact, highly complex. There is a wide range of new terms used in relation to ethical trade. For example, 'ethical trade', 'social responsible business', 'sustainable trade', 'fair trade', 'community trade', and 'ethical sourcing' are all commonly used. These terms are often used interchangeably and this frustrates attempts towards conceptual clarity and definition.

Recently, the Natural Resources and Ethical Trade Programme (NRET) has defined ethical trade in a broad sense to refer to 'a trade in goods produced under conditions that are socially and/or environmentally as well as economically responsible' (NRET, 1998). Ethical trade is therefore used as an umbrella term for these types of trading relationships. Within the ethical trade umbrella, there are a number of ethical trade schemes. NRET (1998) gives examples of four main functioning ethical initiatives relevant to rural areas: forest certification, fair trade, organic agriculture, and cut flowers. Although the different approaches in ethical trade are similar since they all share a common principle, their particular concerns may be different and various. (see details in table 3.1).

Table 3.1: Divergent elements of ethical trade initiatives

Description	Comment
Focus	Fair trade has a primarily social emphasis; some schemes include environmental responsibility criteria. Forest certification with mixed social and environmental emphasis. Organic has a primarily environmental emphasis but some social criteria depending on scheme.
End product	Only organic agriculture has a distinguishable end product (i.e. without chemical residues). The physical end products of forest certification and fair trade are not distinguishable from their conventionally produced equivalents.
Ethical premiums	Organic products currently sell at a premium price. Products sold on the fair trade market have a social premium. Little evidence except in niche markets of a green premium for certified forest products.
Access to markets	Marketing is integral to fair trade; but incidental to organic and forest certification.
Capacity building	Involvement in capacity building for producers is integral to fair trade. Not part of forest certification. Part of organic certification depending on the certification body (e.g. Soil Association).
Different certification periods	Organic and fair trade annual. Forest certification 5-yearly with 3 intermediate audits.
Certifiers	International Federation of Organic Agricultural Movement (IFOAM) requires a change in individual certifiers after a given period. Forest certification and fair trade encourages use of the same certifiers.

Source: NRET (1998:109).

A clearer perspective is offered by Lewis (1998). He purposes that there are three related types of social development engagement with the private sector: 'socially responsible business', 'legally responsible business', and 'fair trade' (see details in table 3.2). However, recent literature tends to combine 'socially responsible business' and 'legally responsible business' under the heading of 'ethical trade'. 'Fair trade' is deemed to have a different emphasis in its objective and carries a distinctive set of characteristics.

To put it in broad terms, ethical trade is an approach to supply chain management¹, most usually undertaken by multinational brands or retailers, that involves the use of codes of conduct to ensure that suppliers meet 'minimum standards of employment, worker welfare and aspects of human rights standards' (Barrientos and Blowfield, 2001). In the UK this approach is best known through the activities of the Ethical Trading Initiative (ETI). This aims to identify and promote good practice in the implementation of codes of labour practice, including the monitoring and independent verification of the observance of code provisions' (ETI, undated).

¹ In management, supply chains loosely describe the links in the chain of production of a product or service. Usually, the supply chain (which is increasingly referred to as the 'value chain') involves backward linkages in the supply of inputs by: first-tier suppliers directly to the 'OEM' (original equipment manufacturer) such as a vehicle assembler, or the retail buyer such as a clothing retailer, second tier suppliers to first tier suppliers, and so on up the production chain. This chain linkages are not only important up the chain to suppliers, but also down the chain to customers (and customers of customers) (SoDS, 2000).

Table 3.2: Three related types of social development engagement with the private sector

Types of schemes	Objectives	Sample approaches	Possible indicators
Socially responsible business	Promoting voluntary participation by the private sector in developing and maintaining guidelines relating to social development issues such as child labour, work conditions; promoting dialogue designed to strengthen the social aspects of laws and frameworks (which may eventually become legally enshrined)	Engaging business in development dialogue, building partnerships with NGOs; supporting business statements about mission and values	Social audit materials, guidelines implemented and monitored
Legally accountable business	Keeping the private sector within the framework of local, national and international laws which impact upon social development (e.g. labour standards, environmental requirements, minimum wages etc.)	Raising awareness about laws on child labour and trafficking, sharpening existing legislation, supporting watchdogs, strengthening implementation of laws	Watchdog and consumer organisations strengthened; successful prosecutions of companies contravening laws
Fair trade	Ensuring that producers in vulnerable communities are paid higher prices for their products by companies selling them on international markets, and the education of consumers in rich countries about product sources and worker conditions	Linking low income producers with new markets, building capacity in producer groups and ATOs to deal with changing international markets, design and production input	Rising profitability of producer groups and ATOs, measurable improvements in wages and conditions of employees, indirect benefits to worker households and wider community

Source: Adapted from Lewis (1998)

Fair trade complements yet is distinct from ethical trade. Fair trade highlights the alleged fact that poor producers are not guaranteed a fair price for their products either on local or international markets. Producers are kept in a disadvantaged position on account of economic or geographic factors, lack of experience, availability of resources, the small scale of production, and limited bargaining power. Fair trade movements seek to redress trade imbalances by promoting a trading system based on equal partnership, which ensures producers are guaranteed a fair price and a margin for investment in order to sustain their business and livelihoods.

The fair trade system aims to allow marginalised producers in the South to gain access to Northern markets. It builds on producers' skills and enables communities to play an active part in their own development, while at the same time satisfying consumer demand in the North. It has been described as an attempt to break the cycle of producer exploitation and consumer alienation by bringing knowledge of the market to the former and the conditions of production to the latter so that they both interact within a fairer system (Bird and Hughes, 1997; Coote, 1992; EFTA, 1998; NRET, 1998; Strong, 1997b).

To put it simply, ethical trade is more concerned with the conditions under which traded items are produced (i.e. a work place focus), while fair trade emphasises trading terms and small producers. Also, while ethical trade is largely focused on the welfare of producers, fair trade addresses trading relations *per se* and seeks to change unequal relationships between producers and consumers, to the betterment of the former (Tallontire, 2001). Finally, ethical trade places the emphasis on the business sector and its social responsibilities, while fair trade is concerned with producers and offers them support in international markets. Having said this, the boundaries are somewhat difficult to define as there are several overlapping areas where ethical trade and fair trade are inter-related.

3. History of fair trade

Fair trade movements emerged in the 1960s, aiming to trade more fairly with Southern producers, particularly co-operatives and community enterprises (Zadek and Tiffen, 1996). Initially, fair trade was very much based upon charitable and

solidarity initiatives². In the free trade era³, there was debate about the morals and ethics of international trade. The majority of fair trade movements maintain that international trade fails to benefit small producers. These producers are viewed as being unable to benefit from both a global economy, which blocks market entry in many sub-sectors, and a trade regime that contains information and negotiation asymmetries. As discussed in the previous chapter, small scale producers face many problems such as low prices, inefficient marketing structures, lack of credit, inadequate transport or storage facility, harmful legislation and development policies that lead to environmental degradation. In addition, developing countries face added parallel difficulties such as the lack of control over international market prices for their exports, price swings in agricultural commodities and so forth. However, even when prices are high, producers receive only a fraction of the amount paid for the end-product by consumers in the North. Moreover, there are also problems of tariff structures in 'Northern' markets. These create difficulties for developing countries wishing to diversify their primary production. Competition from cheaper mass-produced substitutes, the role of the middleman in the trading chain and high barriers to entry to foreign markets, constitute some of the underlying causes of 'unfair' trade (Barratt Brown, 1993; Coote, 1992; Madeley, 1992; Watkins, 1995).

It is also argued that the free trade approach undermines social responsibility. Trade liberalisation brings a number of problems: either environment degradation, uneven spread of employment, or widening gaps between rich and poor, both within societies and between societies (Lang and Hines, 1993). It is also pointed out that international trade could breed inequality and could do so more strongly when substantial inequalities are already established (Madeley, 1992). However, it is suggested that people in the South will gain more from trade when the international

² The concept of fair trade in fact appears in the work of many philosophers. For example, Aristotle speak of justice as equality in trade and justice as equality in distribution. Equality in trade exists on the economic level though the market. A fair trade is a trade whereby one receives just as much as one gives (Skirbekk and Gilje, 2001).

³ Free trade theory dates back to the writings of classical eighteenth century economists such as Adam Smith and David Ricardo. The theory of free markets describes how trade occurs under conditions of perfect competition and full information. Individuals choose what to buy and through the price mechanism supply and demand are balanced, leading to an efficient allocation of resources. The more free trade principles are applied, it is asserted, and the fewer the barriers to trade, the economic activity between nations will increase and therefore more wealth will be generated (Lang and Hines, 1993).

terms of trade improve and when domestic arrangements ensure a fairer distribution of income (Madeley, 1992:12).

4. The objectives of fair trade

The aim of fair trade is significantly different from traditional economic objectives. It intends to bring together the non-economic criteria of equity and the distribution of profits and benefits of trading. Fair trade represents a blend of market-based economy, social justice and environmental interests. It moves away from purely financial goals to the incorporation of non-economic trading criteria such as an ethical dimension (a fair price for raw materials), environmental criteria (the sustainable use of natural resources), and quality of life issues (the reinvestment of profits in the community to provide education and health care) (Zadek and Tiffen, 1996:49).

Fair trade is officially defined by FINE⁴ as ‘an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning’. According to FINE, the goals of fair trade are:

- To improve the livelihoods and well-being of producers by improving market access, strengthening producer organisations, paying a better price and providing continuity in the trading relationship.
- To promote development opportunities for disadvantaged producers, especially women and indigenous people, and to protect children from exploitation in the production process.
- To raise awareness among consumers of the negative effects on producers of international trade so that they can exercise their purchasing power positively.

⁴ FINE is an umbrella group representing all sectors of the fair trade movement which comprises 4 groups: a) Fair Trade Labelling Organisations (FLO), b) the International Federation of Alternative Traders (IFAT), c) the European Network of World Shops (NEWS), and d) the European Fair Trade Association (EFTA). For more details, see www.ifat.org.dwr.resource3.html.

- To set an example of partnership in trade through dialogue, transparency and respect.
- To campaign for changes in the rules and practice of conventional international trade.
- To protect human rights by promoting social justice, sound environmental practices and economic security.

5. Distinctive characteristics of fair trade

As shown in the definition of fair trade, fair trade is an alternative approach to conventional international trade. Fair trade identifies some 'unfair' circumstances in conventional trade consequent on two major roots; a) structure of the international trade, and b) structure of the local supply chain. In relation to problems of structure of the international trade, it is stated that world price of agricultural commodities is low and fluctuate.

Moreover, international trade has systematically disadvantaged producers in the South as producers are faced with agricultural protectionism from the North e.g. entry barriers and excess production. In relation to the structure of the supply chain, fair trade generally raises the issues of exploitation, particularly by middlemen, within trade networks. Also, fair trade states that the supply chain is over-extended, and benefits accrue before pay-off to producers. Fair trade aims to overcome such problems by promoting better terms of trade. There are a number of features that are considered to be distinctive of fair trade.

1. A short and transparent trading system

The overall aim of fair trade is to shorten the chain between producers and consumers, and to maximise the returns to the former (Bird and Hughes, 1997; Watkins, 1995). Fair trade tries to cut out middlemen by encouraging overseas buyers to deal directly with producers or co-operatives. Hence, it can be seen that fair trade organisations are a new form of middleman. Besides, fair trade is different from normal conventional trade as it aims to promote transparency in trade. In order to do

that the fair trade supply chain is often more vertically integrated than those in conventional trade (NRET, 1998).

2. Exclusive contracts

Exclusive contracts are one of the crucial ingredients in fair trade. 'Fairly traded products' have to be purchased under equitable trading agreements. It is suggested that this can be achieved where commercial interactions are based on respect and result in the empowerment rather than the exploitation of producers (Burns, 1995). The contract should be a long term purchasing agreement so that producers can gain benefits from fair trade and in the meantime diversify their markets (Bird and Hughes, 1997). All of this presumes close relationships between buyers and suppliers. However, this is, potentially a source of weakness: it depends on a high levels of trust (this issue will be raised again in chapter 6 and 9).

3. Equal partnership

The relationship between producers and traders in conventional trade is often viewed as an exploitative relation (Choice, 1995; Chusakul, 1998; Coote, 1992; EFTA, 1998). Producers in conventional trade have relatively little bargaining power in price setting and middlemen often take advantage of them. NRET (1998) asserts that traditional traders have often restricted producers' marketing options through the use of tied loans. Fair trade, on the other hand, aims to break that exploitative cycle by promoting an equal partnership relation between producers, fair trade organisations and consumers. It involves co-operative rather than competitive trading principles, which allegedly benefit all parties. Fair trade is more 'producer focused'. Producer-buyer relations are strongest when the buyers also provide access to credit, technical support and assistance with institution building. Relationships and trust are also strengthened when the buyer operates a policy of transparency on prices and market conditions.

4. Fair price

'Fair price' is perhaps the best known aspect of fair trade. This is partly because of its prominence in advertising and promotion. For instance, Cafédirect's packaging stresses that 'this coffee is bought directly from growers' cooperatives, not from middlemen. The price is never less than an agreed minimum – however low the world price. If prices go above this, Cafédirect pays an extra 10% social premium. The deal includes pre-payment, market price updates and a business development programme'.

Bird and Hughes (1997) explain that fair trade is about taking products from producers on terms that are favourable relative to pure commercial terms and merchandising them in developed countries at an 'ethical premium'. On this point, NRET (1998) sees the premium price that ethical products can command as an important attraction of ethical trade. In principle, the social premium paid by consumers (for example 3% *per* kilogram for bananas from Latin America and Ghana) is passed on to producer organisations and allocated for social development activities for their members. She suggests that in order to stabilise prices, fair trade has to move into markets in which consumers are willing to pay this ethical premium.

What constitutes a fair price? Zadek and Tiffen (1996:49) assert that what constitutes a fair price can be understood in many different ways. They raise many possibilities of interpretation as: (a) more than the local price; (b) more than the price available from other international traders; (c) enough for producers and their families to attain a reasonable or remunerative living standard; (d) a price that enables the Northern partner to be no more than barely viable; (e) at the very extreme, it could mean a universal value, which would recognise a trading regime that allows Southern producers to earn the same as their Northern trading partners; and (f) it could mean that all parties involved directly in the chain receive comparable returns, reflecting not only bargaining positions, but input, skills and risk, thus introducing a sense of mutual benefit.

In a general sense, a fair price is ‘a price that provides enough for producers and their families to attain a reasonable or remunerative living standard, or that which provides all those involved in the trading chain with comparable returns, reflecting their input, skill and risk’ (Zadek and Tiffen, 1996). However, this definition fails to pin-point what price is fair and what price is unfair. The failure perhaps reflects the ambiguity of the word ‘fair’. Fair is a highly normative word. According to the Oxford dictionary, ‘fair’ means ‘reasonable and just or appropriate in the circumstances’. But this raises the further question of how much is ‘reasonable’, ‘just’, or ‘appropriate’? People have different ideas about fairness and fairness may change to reflect the position that people occupy.

Generally, there are three approaches to analyse fairness; a) economic, b) psychological, and c) sociological. From economic point of view, economists tend to have a clear cut of definition of ‘unfair’ or in other words ‘exploitation’. It is when one does not get a competitive price, and when there is monopoly or monopsony involved⁵. While economists tend to have set of indicators for analysis, psychology, on the other hand, looks centrally on how people view ‘fair’ and ‘unfair’⁶. Lastly, the sociological approach emphasises on a process base by looking at the relationship, interaction, and bargaining power between actors.

⁵ Monopoly is a type of market structure characterised by: a) one firm and many buyers, that is, a market comprised of a single supplier selling to a multitude of small, independently-acting buyers; b) a lack of substitute products, that is, there are no close substitutes for the monopolist’s product; c) blockaded entry, that is, barriers to entry are so severe that is impossible for new firms to enter the market.

Monopsony is a type of market structure when there is a form of buyer concentration, that is, a market situation in which a single buyer confronts many small suppliers. Monopsonists are often able to secure advantageous terms from suppliers in the form of ‘bulk buying’ price discounts and extended credit terms.

⁶ Most social psychological theory and research that has examined fairness and equity has addressed one of the following issues: a) How do two or more persons who are in an allocation relationship with a third party evaluate or judge the comparative fairness of the outcomes they receive?; b) What kinds of cognitive and behavioural adjustments do such individuals make if they judge that their own or other’s outcomes are unfair?; c) What allocations do actors actually make to themselves and other and how do they rationalise these when they are charged with the responsibility of distributing a fixed set of resources given variations in their own and other’s inputs?; d) What factors influence the fairness judgements third parties make when they observe the resource allocations of others? (Beauchamp and Bowie, 1983; Kahneman *et al.*, 1986a, 1986b; McClintock and Keil, 1982).

Which approach is best for analysis is open for debate. There is no clear cut what 'fair price' involved. It is perhaps involves all three aspects. The underlying principle bottom line of fair price is to cover cost of production plus a 'reasonable' margin to sustain producers livelihoods (the economic dimension). Fair price is also determined or partly determined by farmers under equal partnership trade relations. This could imply that farmers are satisfied with the price and have bargaining power to some extent (the psychological and sociological dimensions). There is clearly much ambiguity: here we take at more-or-less at face values the self-definition of the fair trade agents.

6. Fair trade in organic produce and livelihoods sustainability

Many reports indicate that in comparison with traditional conventional trade, fair trade schemes are broadly successful in enhancing the livelihood sustainability of producers. Besides enhanced prices, fair trade also brings other benefits to small-scale producers such as institutional capacity building of producer marketing organisations, technical assistance to redress product and marketing problems and access to mainstream markets, enhancing the position of disadvantaged sections of the community, the promotion of gender equality, generation of resources to fund health or educational initiatives, promoting more sustainable forms of natural resource management, building local organisational capacity and seeking to improve the performance of local producer and marketing groups (Lewis, 1998; NRET, 1998; Oxfam, 2000; Oxford Policy Management, 2000; Tallontire, 2000; Zadek and Tiffen, 1996).

Over the years, there have developed a large number of fair trade schemes. One of the fastest growing fair trade schemes is fair trade in organic produce⁷. Most

⁷ Organic agriculture has been developed in the UK since the 1930s and certified organic produce has been available since the early 1970s. What is not clear, however, is how the trend in combining fair trade and organic farming emerged. Some author argue that, principally, fair trade and organic farming share the same broad goal – that is sustainable development (Browne *et al*, 2000; Oxfam, 1999). However, some authors reveal a critical tension in combining social and environmental concerns in shaping alternative trade, given the historical divergence and even antagonism between these two oppositional movements (Murray and Raynolds, 2000; Rice, 2001). However, the growth in such schemes could simply be because a number of NGOs (which are within the fair trade network) are engaged in organic agriculture. They can therefore use the

European Fair Trade groups have expanded their focus to embrace growing environmental concerns. As one organisation reports: “we need to set minimum environmental standards (as opposed to organic/bio) in order to promote our social aims, but also in order to fulfill a stewardship role towards the ecosystem earth” (TransFair, 1996:4). There is certainly evidence to indicate that in the UK the fair trade and organic movements are moving closer together. There is an increasing social dimension to organic agriculture and a greater focus on environmental standards in fair trade (Quested, 1998). In a 1998 report on the development of ethical trading and organic agriculture, the Henry Doubleday Research Association predicted that fair trade and organic production will combine standards, possibly in a relatively short time. They also consider that organic production is a more sustainable form of agriculture, that it is highly relevant to marginalised farmers and could be used as a development tool (Oxfam Fair Trade, 1999).

Although fair trade is concerned more with trade relationships than environmental issues, fair trade can be used as a tool to support organic farming and hence stimulate environmental benefits. Examples include ensuring that traded products are produced using environmentally sustainable techniques, a commitment to sustainable use of natural resources and minimal use of chemical inputs, and using the extra income to invest in environmental improvements. This will protect producers from the adverse effects of chemical inputs, promote environmental sustainability and guarantee health and safety standards for consumers (Oxfam Fair Trade, 1999).

The growing interest in organic and fair trade production has been both market and ideologically driven. There is a considerable overlap of issues and attitudes between different types of alternative trade. Individuals and organisations sensitive to environmental issues are also likely to be concerned about social justice. Although it can be argued that the concept of organic agriculture has different origins from fair trade, both are closely linked and share broad objectives, that is: both aim towards sustainability in the extended sense that is now prevalent. It is suggested that potentially the improvements in trading relationships through fair trade, reinforced by organic concepts of production, contributes to the accumulation of both natural and

fair trade market as a way to generate more income. Moreover, there is high demand for organic produce in developed countries: this may be the most important aspect.

social capital, though greater sustainability of natural resources and increased access by producer groups to networks of production and trade (Pretty, 1995). Livelihoods are considerably improved in communities growing fairly traded and/or organic produce and there is evidence that this is translated into the enhancement of human capital (Browne *et al.*, 2000; Pretty, 1998; Robins and Roberts, 1997, 1998, 1999).

NRET (1998:110) identifies the potential benefits of practicing organic agriculture as:

Table 3.3: Potential benefits of organic agriculture

Parameter	Potential Benefits
Agriculture	Increased diversity, long term soil fertility, high food quality, reduced pest/disease, self-reliant production system, stable production
Environment	Reduced pollution, reduced dependence on non-renewable resources, negligible soil erosion, wide life protection, resilient agro-ecosystem, compatibility of production with environment
Social conditions	Improved health, better education, stronger community, reduced rural migration, gender equality, increased employment, good quality work
Economic conditions	Stronger local economy, self-reliant economy, income security, increased return, reduced cash investment, low risk
Organisational/institutional	Cohesiveness, stability, democratic organisations, enhanced capacity

However, whether or not fair trade in organic produce contribute more benefits to producers is debatable. It is argued in a recent study that although livelihoods are considerably improved in communities growing fair-traded and/or organic produce, particularly in the enhancement of human capital, participation by producers in ethical and organic production may be limited by the low availability of skills, labour and time (human capital), and land tenure (social capital). Moreover, many farmers feel that the process is too risky, especially in terms of the costs involved and the risk of crop failure during transition periods (Mallins and Nelson, 1998)⁸. One might

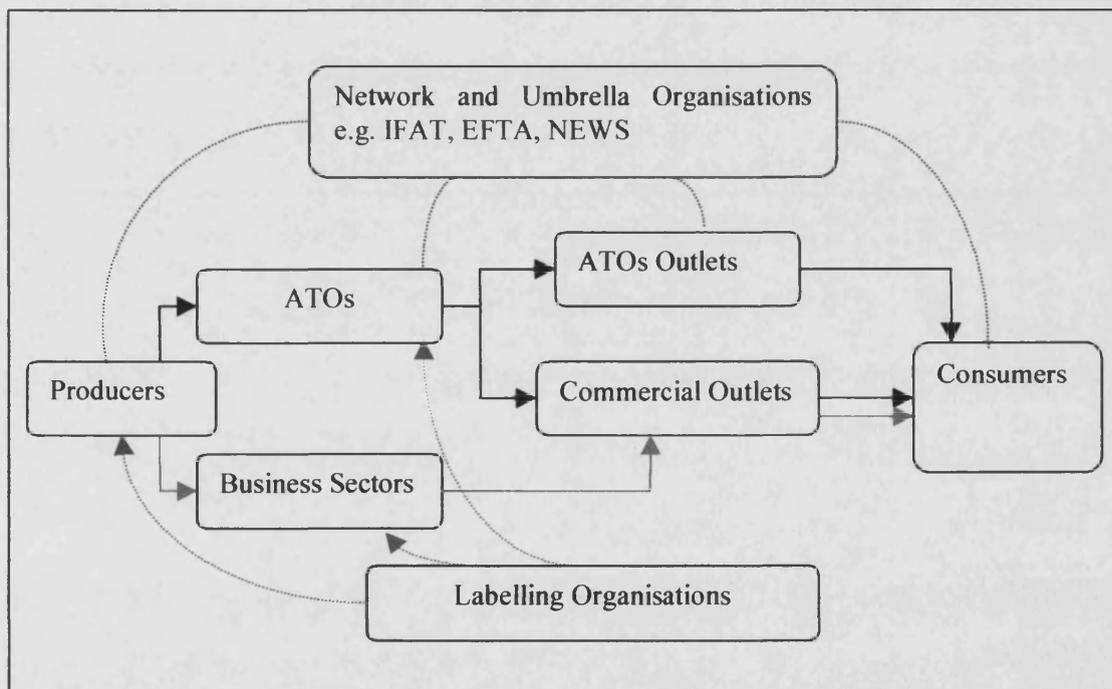
⁸ Mallins and Nelson (1998) note that the costs of converting to organic produce, particularly in small-scale systems where low input agriculture has been practiced, can be relatively cheap in some areas. For example, they report that conversion to organic produce by horticultural producers in Uganda has been relatively easy because years of domestic conflict meant that farmers had little access to high input agriculture. Many organic products coming from Africa are being produced in farming systems that were 'organic by neglect', making the transition to organic by accreditation relatively quick (Browne *et al.*, 2000:86). However, the circumstances in

question whether it is necessary that fair trade produce should be or has to be organic and whether it is necessary that organic produce has to be fairly traded. This issue will be examined in chapter 7.

7. The mechanics of the fair trade network

This section attempts to explain, in a broad way, how the fair trade network functions. As mentioned earlier, there is a wide range of fair trade initiatives. However, the way that fair trade network operates generally involves: a) a fair trade network and umbrella organisation; b) a fair trade labelling organisation; c) producers and fair trade organisations; d) the business sector; e) consumers (see figure 3.1).

Figure 3.1: Map of fair trade networks



the area where farmers have implemented high input farming practice can be different, and the cost of conversion is relatively higher than that entailed in converting from low external input farming.

7.1 Fair trade networks and umbrella organisations

Fair trade networks and umbrella organisations work with fair trade organisations in developed countries on campaigning and fair trade advocacy. There are now 3 main interlinked groups actively at work in fair trade: the International Federation of Alternative Trade (IFAT), the European Federation of Trading Associations (EFTA), and the Network of European World Shops (NEWS). These organisations aim to facilitate cooperation and information flows between organisations involved in fair trade. Co-operation may take place in campaigning and awareness raising, the lobbying of national governments and multilateral organisations such as the European Union, and in monitoring the activities of multinational business.

7.2 Fair trade labelling organisations

Fair trade can be self assessed or verified by third parties. However, in terms of brands, fair trade products can be categorised into two main groups. Firstly, commercially imported and sold goods which are self validated by traders as being fairly traded e.g. Body Shop Trade Not Aid products; Premier Brand Teas - Typhoo; and Nestle coffee products. Secondly, goods with third party verification in the form of the Fairtrade Foundation's (FTF) quality mark e.g. Clipper Teas, Green and Black's Maya Gold Chocolate, Cafedirect's Roast, Ground and Freeze Dried Coffees, and Seyte Organic Tea (Bird and Hughes, 1997).

Fair trade labelling organisations manage registers of fair trade products and producer organisations in the South that meet labelling organisations' commodity specific criteria for being sources of fair trade products. The first fair trade label to be established was the Max Havelaar in the Netherlands in 1988, and the most well known and successful fair trade product remains its fair trade coffee. The Max Havelaar Foundation established agreed baseline trading standards for coffee that covered a guaranteed price and direct trading with producer organisations.

Following the Max Haverlaar experience, there was an emergence of other fair trademarks e.g. Transfair in Europe, and the Fair Trade Foundation standard (FTF) in the United Kingdom. The Fair Trade Foundation (FTF) was established in 1992 by

Traidcraft, Oxfam, Christian Aid, CAFOD, World Development Movement and the New Consumer, and the National Federation of Women's Institutes. Licences pay 2% of retail value to FTF for use of the mark. In 1997, an international umbrella organisation, FairTrade Labelling Organisations International (FLO) was established.

The trademarks launched in Europe share many of the same criteria and do not attempt to enter the national market covered by another mark. They indicate that the product bearing the fair trade mark has met strict third party verification, which aims to assure consumers that the product fulfils its marketing claims (table 3.4). Coote (1992) says that the Fairtrade Mark seeks to ensure a fairer deal for Third World producers in international trade by influencing changes in mainstream commercial practices and in consumer attitudes, so that consumer demand in the UK for a greater availability of more equitably traded products can be both stimulated and met. It is hoped that resources may be available to fulfil a contingent objective, which is to encourage discussion and action on fair trade issues among manufacturers, retailers and the public.

Table 3.4: The main European groups allocating fair trade marks

Name	Country	Date launched
Max Havelaar Foundation	Netherlands	1988
	Belgium	1991
	Switzerland	1993
	France (Brittany and Alsace-Lorraine)	1993
	Luxembourg	1993
	Denmark	1994
Transfair	Germany	1993
International	Luxembourg	1994
	Japan	
	Austria	
Fairtrade Foundation	UK	1992

Source: Bird and Hughes (1997:163)

However, there are problems with the way ethical auditing has developed. Firstly, ethical criteria tend not to be the result of stakeholder consultation, but rather of Western consumer concerns. As a consequence, the resulting values may not reflect

either producer concerns and priorities, or the practical problems encountered in the production-marketing chain. Secondly, the standard bodies are run by fair trade organisations which themselves have interests in licensing labels, verification, production and buying. This situation might have been justified when the movement was new, but if such vertical integration was found in, for instance, a multinational company, it would lessen the credibility of the auditing system (NRET, 1998). Finally, there is a significant level of overlap between standards which different parts of the alternative movement. In particular, fair trade labelling criteria relating to agricultural commodities produced on plantations (particularly tea) include stipulations regarding labour standards (Oxford Policy Management, 2000:7).

7.3 Producers and fair trade organisations

More direct links with producers are evident at the local level. Producers, community-based organisations (CBOs), and local fair trade organisations are related mainly through local NGOs. As the ultimate aim of fair trade is to help producers in the South gain access on better terms to the international market, fair trade organisations attempt to trade directly with producers, or producer groups in the South. It is hoped that this will bring more benefit to farmers either by providing fair prices to producers, or empowering and building the capacity of producers.

Normally fair trade organisations (FTOs) or alternative trade organisations (ATOs)⁹ are development, political, or charitably based NGOs which have their origins in the North and have established a reputation for being pro-poor and pro-development. The nature of FTOs work extends from traditional NGOs' activities. They now engage actively in trading and some have their own outlets in the North (e.g. Oxfam) while undertaking other developmental activities in varying degrees.

The relationship between ATOs is complex. The majority of advocated ATOs are in the North. They support and facilitate fair trade by trading through local ATOs in the South. Although ATOs emphasise their close links with Southern producers at grass

⁹ The word 'ATOs' was used widely before 'FTOs'. In the same vein, the word 'alternative trade' was used before 'fair trade' However, there is no difference in their meaning.

roots level, in fact ATOs in the North rarely work directly in the South themselves but rather worked through umbrella local ATOs as trading partners.

In the United Kingdom fair trade organisations do not always use available fair trade labels. They often market fair trade products on the back of their own reputation and track record, and use their name to give customers a guarantee of fair trade. All of the retail organisations in this sector sell accredited fair trade and organic produce, if it exists, but otherwise buy from wholesalers in the chain with a reputation for trading fairly. However, in other countries (such as Holland) ATOs tend to use available fair trade labels whenever possible (Oxford Policy Management, 2000). ATOs source products mainly come from small producers who would not otherwise have access to the UK market. However, some ATOs may also source from larger, more established producer groups who also export through conventional trading companies (Bird and Hughes, 1997). Nonetheless, it can be argued that while Northern ATOs all differ in the way they operate and the goods that they trade, they basically share three core aims: co-operate with small-scale producers to help improve their living conditions through fairer trade; educate consumers about the problems that small-scale producers face as a result of unfair trading practices; and campaign for fairer trading conditions in the world.

The major UK based ATOs' activities have been shown in table 3.5.

Table 3.5: Activities of key UK-based ATOs

ATO	Importer	Wholesaler	Retailer
Traidcraft	X	X	X
Oxfam Trading	X	X	X
Twin Trading	X	X	
Equal Exchange	X	X	
Tearcraft	X	X	
Share Earth	X	X	
Bishopston Trading	X	x	

Source: Bird and Hughes (1997:162)

Consider, for example Oxfam Trading, this began in the 1960s and is the largest ATO in Britain, with retail sales of over £16 million in 1991, the majority of which comes from handicrafts and textiles (Madeley, 1992). The Oxfam Fair Trade Company buys crafts and some foodstuffs from small producer groups in developing countries. It also helps the groups to improve their export and marketing skills, so that they can find new markets for their products. The Oxfam Fair Trade Company accounted for approximately £7.85 million in sales turnover in 1996/97. 93% of its products are handicrafts and 7% are food products such as coffee, tea, nuts, honey, spices and cocoa (Oxfam, undated 1).

While there is considerable consensus on the principles of fair trade within the movement, the diversity of organisations, each with their own development perspectives, is reflected in diverse definitions of what fair trade actually entails. For example, while Oxfam's definition of fair trade is similar to that used by FINE¹⁰, it also reflects more precisely its own vision of how fair trade functions as a tool for development. Fair trade, for Oxfam, is 'trade which promotes sustainable development by improving market access for disadvantaged producers. It seeks to overcome poverty through a partnership between all those involved in the trading process: producers/workers, traders and consumers' (Oxfam, 1999).

For over 30 years, Oxfam Fair Trade has provided a special program of support for some of the most vulnerable craft and food producers in developing countries. While making sure that local producers receive the best deal possible in terms of wages and conditions, it also seeks to demonstrate that fair trade can be part of a commercially viable business. These two elements allegedly constitute a unique combination of development and trade.

Oxfam Fair Trade works with producers in the South by providing an export outlet for their crafts and foods, and helping to improve their access to markets. Oxfam Fair Trade has adopted the following principles to try to make sure that its trade is really fair for producers:

¹⁰ Refer back to section 4.

1. Buying directly from the producers or through specialist agencies which make sure the producers get the full benefit of their hard work;
2. Helping producers to assess all their costs and reach an acceptable price for their products;
3. Paying an advance on the value of their goods, so that producers can buy raw materials and pay wages without getting into debt;
4. Giving grants so that groups can develop and expand;
5. Providing support for product development, for instance by giving advice and information on design and product quality;
6. Giving training and specialist advice to enable producers to improve their businesses and to become self-sufficient.

Oxfam believes that by providing a market for Third World products, paying prices judged to be fair in the local economy, and buying through organisations which ensures that the bulk of the price reaches the actual producers, it can attack one root cause of poverty: the dependence of small-scale producers on exploitative local traders. Oxfam believes that fair trade enables disadvantaged and marginalised Third World producers to gain access to international markets, including the UK market. Fair trade recognises that marginalised producers find it difficult to secure a fair deal from international trade. By working with these producers and helping them get fair remuneration for their goods, fair trade enables them to sustain their livelihoods and strengthen their communities (Oxfam, undated 2).

However, due to its broad and multiple objectives covering a wide area of development, this can be viewed as a strength and weaknesses of fair trade. On the positive side, fair trade can capture more consumers with such harmonious messages. However, the breadth and possible ambiguity of these directives suggests the deep problems which fair trade poses. For example, it raises difficulties in monitoring and evaluating the effects of fair trade. What does Oxfam really mean by 'full benefit of their hardship' or what is 'an acceptable price for their product'?

7.4 Business sector

The business sector has become increasingly involved in fair trade initiatives¹¹. Here too, there are various ways in which business engages with fair trade. Most of the business sector does not really engage in fair trade development initiatives, nor engage directly with producers. Instead, they implement fair trade by using their purchasing power to source 'fair trade sound' products. For example, supermarkets are now applying 'ethical sourcing' in their work (e.g. Marks and Spencer, Sainsbury, Waitrose), and more fair trade products are readily available on their shelves (e.g. tea, coffee, chocolate, and bananas). The Body Shop 'Community Trade Program' is perhaps the best known example of a business enterprise involved in fair trade initiatives.

Body Shop has been exploring the idea of fair trade since the 1980s (Body Shop, 1996a, 1996b, 1998). The company states that fair trade is an essential part of its business philosophy. It has attempted to build links with local businesses and 'communities in need' under an initiative named 'Trade Not Aid', and later renamed 'Community Trade'. The Community Trade Program is a special purchasing program that takes raw materials and accessory items from community-based enterprises around the world. The goal is to help create livelihoods by using ingredients and accessories directly from socially and economically marginalised producer communities, to explore a trade-based approach to supporting sustainable development, and to provide a mechanism for communities to benefit through employment, income, skill development, and social initiatives.

The principles behind Community Trade have been outlined in various Body Shop publications, and include: a) respect for all environments, cultures, and religions; b)

¹¹ Murray and Reynolds (2000) are sceptical about role of some businesses involved in fair trade. They point out that there is a risk that the space that exists for alternative trade will be subverted by profit seeking corporations able to transform this progressive initiative into a niche marketing scheme for products re-packaged under 'green' and/or 'ethical' symbols. Research suggests that many corporations are trying to bolster their legitimacy by adopting the rhetoric of environmental and/or social responsibility, though typically this proves to be little more than a corporate face lift (Bonanno and Constance, 1996; Humphreys, 2001; Lawrence *et al.*, 1998; Murray and Reynolds, 2000). Where progressive movements have created viable niche markets for alternative products, large corporations may capture the most lucrative share, threatening the sector's progressive social and environmental foundations (Blythman and Phipps, 2000; Buck *et al.*, 1997).

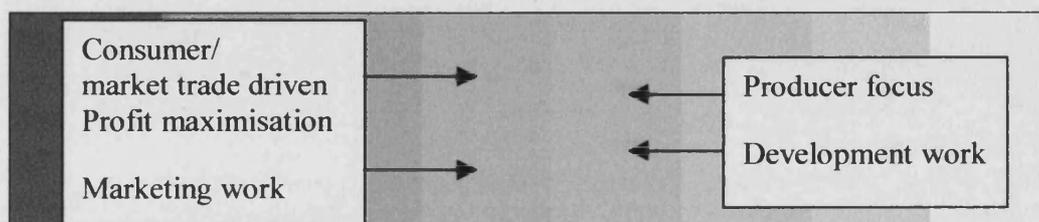
utilisation of traditional skills and materials; c) creation of trade links that are not only profitable but sustainable; d) use of replenishable natural materials; e) promotion of small-scale projects that can easily be duplicated; f) a long-term commitment. In 1994-95 the value of 'fairly traded' products represented 17.8% of all accessories purchased by The Body Shop (Strong, 1996).

8. The heterogeneity and the 'fairness' of fair trade

Fair trade involves several parties, including producers, fair trade organisations, wholesalers, retailers and consumers. As fair trade can include those whose activities in trade have grown out of NGO-based work with peasant communities in developing countries, as well as those whose business activities form a part of the wholefood and/or independent retailers network (albeit with links with the development-based ATOs), it is difficult to identify an overarching institutional philosophy and methodology between the two groups. Its ideologies or philosophies vary from the 'producer focus' of not for profit organisations to 'profit maximisation' for the business sector (figure 3.2).

Zadek and Tiffen (1996:49) comment that "the heterogeneity of the fair trade movement makes it difficult to reach general conclusions about its effectiveness in offering a good deal to Southern producers. There is no single or commonly agreed set of criteria against which the quality of all trade can be measured, although the effectiveness of particular traders can be assessed against criteria specific to particular trading relationships and the specifics of the market that is being entered or tackled"

Figure 3.2: The market-based to producer-based spectrum in fair trade



Fair trade comprises both development-focused and business-focused initiatives. Schemes like fair trade or organic farming put more emphasis on producers and on the potential positive benefits they can acquire. Schemes like ethical sources are also concerned with workers, but they put more emphasis on the role of retailers in choosing 'good' suppliers or producers.

Generally speaking, these two movements are located at different ends of the supply chain: one at the demand side and the other at the supply side. The degree of 'ethics' or 'altruism' in fair trade schemes also varies, with profit maximisation at one end of the continuum and social responsibility at the other, or in other words from 'pro-market' to 'pro-producers'. How far the business sector can integrate social responsibility and how far ATOs can incorporate market principles and be financially viable is still open to debate. There is doubt as to whether business can incorporate social responsibility, and when it attempts to do so, there is doubt as to whether it does so through a genuine intention to contribute to society or the desire to maximise profit. Correspondingly, for ATOs to prove themselves financially viable tends to require that they change their emphasis from 'pro-producers' to 'pro-market'. However, it is not clear exactly where on this spectrum a 'good' fair trade project should be located – should it be 'pro-market' to serve demand or should it be 'pro-producers' to serve supply of fair trade produce?

Oxford Policy Management (2000) proposes that there are four types of agents embedded in fair trade work: 1) market participants; 2) agents of advocacy and awareness raising; 3) agents of redistribution; and 4) agents of empowerment. Generally speaking, it can be seen that fair trade has two main objectives: business and development. What makes fair trade different from conventional trade is that it incorporates social dimensions into trade. However, in practice there is both complementarily and tension arising from these objectives.

9. Fair trade consumers

Ethical consumerism is a growing phenomenon that underpins ethical trade activities. Several research projects have been undertaken to determine the size and scope of the ethical consumer market (Bird and Hughes, 1997; Mintel, 1994, 1997,

1999; Nicholls, 2002; Strong, 1996). Punter and Gangneux (1998) note that customers are changing their attitudes to consumption: from a mass consumerism attitude in the 1960s, they evolved in the late 1970s by requiring that purchased products complied with quality standards, in the 1980s by asking for environmentally friendly products, and today by demanding that producers become socially responsible. Consumers are concerned not just about the quality of products they buy, but where, and how they are produced and who benefits from their purchase. Consumer actions illustrate their support for the concept of fair trade, with Traidcraft reporting a sales growth of 13% and a recorded profit of £83,000 in 1994, compared with £74,000 in 1993 (Strong, 1996). Overall, it is estimated that the fair trade market for products from developing countries accounts for US\$300-500 million of retail sales each year in Europe and the USA (NRET, 1998).

Several pieces of research have pointed to a positive consumer attitude to fair trade products. For example, Bird and Hughes (1997) observe the following:

1. Approximately 40% of respondents said that they were aware of fair trade products on sale in supermarkets, and that one in four had bought a fair trade product within the previous month.
2. Over 50% of those surveyed expected fair trade products to be of the same quality as similar products from non-fair trade sources.
3. Over half of AB consumers surveyed stated that they would prefer to buy fair trade products than give money to charity.
4. 44% of respondents would rather buy fairly-traded products and 68% would pay more for them if they could be sure producers were getting a fair return.

Results from a survey conducted on behalf of Oxfam in September 1994 indicate that 81% of people would buy products that were identified as giving a better deal to Third World producers. 60% also claimed they would make every effort to buy fairly-traded products.

Research carried out by Strong (1996) aims to explore the idea that grocery product shoppers are interested in purchasing fair trade products and that consumers are

increasingly becoming concerned about the ethics of ensuring fair prices and a steady income for growers and producers in the Third World. Her results concur with Wehrmeyer (1992) who states that the new consumer is typically well-educated, urban, part of the AB social group, often married with a double income, and generally he or she is in a financially better position to afford premium priced products. Strong also hypothesises that these new consumers are broadening their concern from green consumerism towards ethical consumerism.

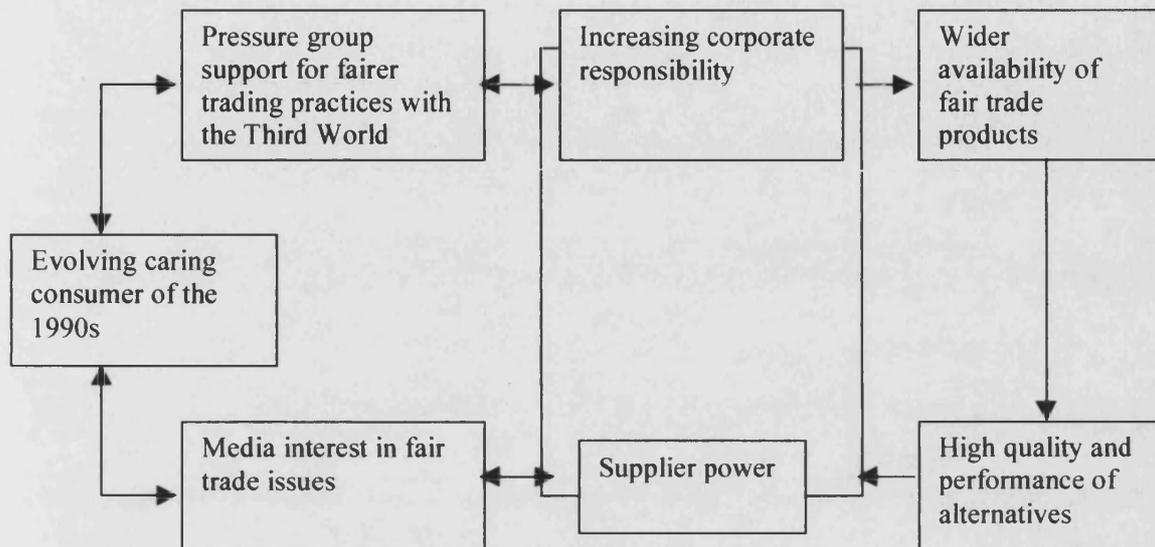
Strong illustrates that the consumer of the 1990s is not solely concerned with price, quality, delivery, environmental issues and so forth; but is increasingly concerned about the ethical dimension of market exchange. The consumer survey revealed that one-quarter of respondents purchase fairly traded products on a regular basis. Moreover, it was found that 24% of respondents make every effort to buy ethical products, and 11% always do so, with the remainder occasionally or very occasionally buying such products. This last group only buys fair trade products when presented with them at church fairs and charity events. In addition, if fair trade products were widely available in supermarkets, 39% of respondents would make a trial purchase regardless of the price of the product. A further 16% would make a purchase if the product was the same price as other brands (Strong, 1996).

A recent survey on ethical consumerism reports an increased willingness by respondents to shop 'ethically', with 7% now claiming to buy or use ethical products always or nearly always (Mintel, 1999). This is almost double the figure for 1990. Correspondingly, it is pointed out that the number of consumers 'unconcerned' about ethical issues has fallen from 22% to 15% over the same time period (Mintel, 1999). Two reasons could explain this shift. First, there is a wider range of fair trade products e.g. tea and coffee available in either fair trade shops, or in major supermarkets. Secondly, there is an increased awareness of ethical issues such as child labour, and conditions of work.

Strong (1996) states that consumers have become more aware of the issues surrounding fairer trade, and the influence of western consumers on the expectations and aspirations of Third World producers. She gives a number of features by which ethical consumerism is manifest (figure 3.3). She asserts that all of these features

have contributed to the wider availability of fair trade products and the high quality and performance of alternative products.

Figure 3.3: Features contributing to the growth of fair trade



Source: Strong (1997a:33)

9.1 Types of consumers

Browne *et al.* (2000:79) argues that consumers, in fact, have different degrees or 'hierarchies' of 'ethicalness'. They classify ethical consumers into three categories:

1. 'True' ethical consumers: This group of consumers is estimated to be about 2% of the population. They will go out of their way to buy in accordance with a particular 'cause' or 'issue'.
2. Semi-ethical, or 'armchair' ethical consumers. It is estimated around 20-30% of consumers fall in this category. They buy fair trade coffee or organic produce sometimes because they are convinced of the claims being made and are prepared to pay a modest premium.
3. 'Would be' ethical consumers. This group refers to those who would buy ethically if there was no price premium and no special effort required. Around 80% of consumers belong to this category.

The ethical concerns of consumers can be classified as follows (Mintel, 1999).

- Their own and their families' health i.e. what is in the food.
- The environment i.e. how is the food produced, is it environmentally friendly?
- Animal welfare i.e. humane treatment of animals.
- Helping people in the developing world i.e. not exploiting producer

From these points, it can be seen that fair trade which aims to help producers in the developing world may not be the main concern of ethical consumers. Consumers are more concerned about health rather than environment or other issues. High profile news stories of contaminated or unsafe conventional food, and worries over the use of genetically-modified foods or ingredients, are encouraging more people to turn to organic foods. Regarding this fact, fair trade in organic products can attract more ethical consumers, as they can draw on purchasers in the areas of 'people concern', 'environmental concern', and 'health concern'.

9.2 Marketing channels

There are now more than 80 products carrying the Fairtrade Mark¹². Roughly 75% of the fair trade market is comprised of food products, including coffee, tea, cocoa, sugar, rice, honey, orange concentrates, bananas (Murray, and Reynolds, 2000). Collectively they account for about 1% of their respective markets, although ground coffee, the best-known and best-established fair trade product, has captured about 5% of its market and is carried by major supermarket chains in a number of countries. Sales of fair trade coffee are also growing at about 9% a year in a fairly static market, so its share will probably continue to grow. Newer products such as fair trade tea and chocolate are also growing very rapidly, even if they only account for around 1% of the market share at the moment (Cowe and Williams, 2000).

Cowe and Williams (2000) indicate that demand in the UK easily outstrips supply and the government has sought to encourage farmers to convert to organic

¹² The 'FairTrade Mark' is a fair trade mark verified by the Fair Trade Foundation. Examples of products that carry the 'FairTrade Mark' are Clipper teas, Green and Black's Maya Gold chocolate, Cafedirect's roast, ground, and freeze dried coffees, and Seyte organic tea.

agriculture. Already 3% of farm land is organic or undergoing conversion, double the level of just a year ago. Price remains a deterrent for many shoppers, but this could become less of a factor if greater production results in economies of scale, keeping costs down. It is reported that about two-thirds of fair trade product lines are also certified as organic (Oxford Policy Management, 2000:7)

The majority of fair trade products are sold through fair trade or alternative trading shops, and a variety of other distribution channels, such as small stores, wholesale, catalogues, consignment sales, and so on. This gives ATOs the flexibility to deal with poorer-quality goods, higher prices, lower quantities and irregular supplies, while producers develop and improve their capacity to cope with commercial trade operations (Beardsley and Parker, 1981; Thomson, 1999). All of the retail organisations in this sector sell accredited fair trade and organic produce, if it exists, or otherwise buy from wholesalers in the chain with a reputation for trading fairly. Those that sell processed or fresh food also try to buy organic wherever possible. At present there are a number of fair trade products e.g. coffee, tea, and chocolate that can be found in major supermarket shelves.

Browne *et al.* (2000:79) explain that organic produce, in contrast to 'ethical' produce, occupies a somewhat different market niche from conventional produce. A significant proportion is sold in organic shops and ATOs, but multiple retailers are increasingly introducing organic produce into their stores. It is reported that one major supermarket estimated its organic food sales to be about 1% of total food sales, and that it was stocking almost 200 different organic lines. All of those interviewed reported a rapidly growing demand for organic produce. Organic sales in the UK are estimated to have doubled from 1995 to 1997, and are predicted to rise from £260 million in 1997 to £490 million by 2001 (Mintel, 1997).

There is still concern with regard the quality and price of fair trade products. Fair trade products are said to be considerably more expensive than conventional products. There are many factors contributing to the higher than usual price which are discussed in chapter 9. For 'true' ethical consumers, the issue of 'quality and price' might not be obvious. They are prompted to pay more so as to contribute more to producers. They believe in alternative trading and are satisfied that the trade is

carried out ethically. However, for the armchair ethical consumers, 'quality and price' are more important, and comparisons with similar types of products are carried out. Research suggests that consumers are ready to pay approximately 15% more for fair trade products (Galarraga, 2000). Moreover, Tallontire *et al.* (2001) pointed out that relatively little is known empirically about the ethical consumer¹³. Surveys suggest that people apply certain values when they are shopping, but there appears to be some disparity between what people say in questionnaires and their actual purchases. Evidence suggests that ethical consumption is more celebrated than practised. There appears to be a divergence between opinion polls on green and ethical consumer values, and the actual volume of sales of 'ethical' products.

10. Conclusion

The ideology of fair trade, in contrast to free trade, aims for social justice in trade and the distribution of income. Fair trade principles contain at least three dimensions. The financial dimension is the first and core dimension of 'trade'. Fair trade projects can only be sustained if their financial performance is viable: this is a pre-requisite for other benefits going to producers. Second, the environmental dimension has become increasingly important in fair trade movements particularly in the case of organic farming. Finally, the social dimension is the core of 'fair' trade.

Fair trade is at the very beginning of its development, yet the evidence suggests that fair trade enhances the benefits to and the livelihoods sustainability of producers. Although the volume of trade relative to conventional trade is still small, its growth rate is very impressive.

The rest of the thesis will examine if fair trade is an alternative for farmers. It will seek to answer the question of whether or not fair trade has overcome problems of conventional trade. We will start with the research methodology to explain how the

¹³ In their research Tallontire *et al.* (2001) use a wide definition of 'ethical consumer' based on the Natural Resources and Ethical Trade Programme (NRET) definition of the scope of ethical trade. NRET defines ethical trade as any form of trade that consciously seeks to be socially and environmentally, as well as economically, responsible. Ethical consumers would, therefore, seek to purchase or use goods and services that can demonstrate social and/or environmental responsibility. In the natural resources sector, ethical trade includes fair trade, trade in organic

research was conducted, and fieldwork will be explained (chapter 4). By doing so, chapter 5 will present socio-economic data of Surin farmers. Chapter 6 will compare physical, social, and financial aspects of conventional trade and fair trade. The activities and actors involved in conventional trade and fair trade will be discussed. It also compares the length, complication, and intermediaries between the two trade networks. Chapter 7 and 8 look more specifically at the effects of fair trade to producers. Chapter 7 focuses on the financial aspects of the two trade networks. Whether or not it financially benefits producers will be examined. Chapter 8 looks at other benefits of fair trade, if there is any. Chapter 9 deals with problematic issues in fair trade development.

Part 2

The Research and its Findings

Chapter 4

Research Methods and Frameworks

“while efficient markets may prompt firms to act smartly, they do not induce them to act ethically, and, ‘perfect’ markets are highly imperfect in their enforcement of businesses morality”.

Baumol (1991:24)

1. Introduction

Chapter one explained the structure of rice trading and outlined various problematic issues. Chapter two has shown that rice trading does not give much benefits to producers. This is because of the structure of the trade itself as well as other factors which contribute to the disadvantaged position of producers. For example, it is argued that the ongoing dismantling of government intervention in commodity markets tends to spill over in its impact on the poorer segments of the rural economy, especially landless agricultural workers (UNCTAD, 1995b). In addition, the agricultural sector has been systematically neglected. While more emphasis has been put on the industrial sector in development strategies. Farmers who contribute to the national economy have remained poor and marginalised. Farmers faced with difficulties in sustaining their livelihoods as rice farmers rarely make profits. The price of paddy is highly unstable and there is no guarantee that the price that they get will cover the cost of production. It is pointed out that in a large number of developing countries, domestic farm-gate prices have frequently been less than 50% of the corresponding border price (OECD, 1993).

Chapter three explained the objectives and aims of fair trade. Fair trade aims to promote a trading system based on equal partnership, ensuring producers a fair price and a margin for investment in order to sustain their livelihoods. Fair trade primarily emphasises social aspects with some schemes also having environmental responsibility criteria. The uniqueness of fair trade represents “a reasonable blend of market-based economy and social justice and environmental interests” (Zadek and

Tiffen, 1996:49). It can be seen that fair trade principles bring together non-economic criteria of equity in the distribution of profits and the benefits of trading. It moves away from purely financial goals to incorporate non-economic trading criteria such as ethical dimensions (a fair price for raw materials), environmental criteria (the sustainable use of natural resources) and quality of life issues (the reinvestment of profits in the community to provide education and health care).

The remaining chapters question if fair trade can be an alternative for farmers. As fair trade claims to overcome the failure of conventional trade, does fair trade succeed? And if fair trade succeeds, why? If not, what are the constraints? This chapter will explain the research methods and framework used. There are three parts. First, it will explain how the research was undertaken, the fieldwork process, timetables, and the pilot study. This part will contain a personal account of how the topic was approached, and how the research was carried out. Second, it will look at the possible frameworks I developed to understand trade networks and the effects of fair trade on producers. Third, the methods using in this research will be discussed.

2. Approaching the topic, timetable, and fieldwork

There are two kinds of products currently traded in fair trade channels – crafts (e.g. fabrics, accessories, souvenirs, and wood crafts) and commodity products (e.g. rice, coffee, tea, honey, dried bananas). As stated earlier, this research is more concerned about commodity products as they are more basic to the livelihoods of farmers. Also there is considerable potential for the further expansion of the volume of fair trade of commodity products. As a consequence, more poor farmers could benefit from fair trade.

The first and the only rice fair trade project under the collaboration of the European Fair Trade Association (EFTA) actually started 10 years ago in Surin province, Northeastern Thailand. This initiative involved collaboration between OS3 (now called Claro) and local NGOs in Surin province. It is claimed that fair trade offers a better deal for farmers, and that farmers have also been helped to set up communal rice banks and promote traditional, sustainable forms of agriculture (Piras, 1998). In

December 1998, we contacted EFTA for further information about rice fair trade projects. A further contact was made with Green Net, an NGO that works on fair trade and sustainable agriculture in Thailand to seek permission to research on the fair trade rice project.

2.1 Pre-fieldwork

I spent approximately one year (September 1998 to August 1999) in Bath carrying out a literature review on conventional trade and fair trade by using secondary data available from the library, interlibrary loans, web sites and so forth. In addition, I attended research training courses provided by the department and engaged with other researchers carrying out their own research activities.

Then I carried out some more research into rice. For example, I looked at the structure of the rice market internationally and domestically, and explored issues around the export and import of rice. There is plenty of data available at both macro and micro levels. At the international level, there is a range of published literature, research, studies, and official documents on rice and its market. Sources that proved to be very useful included the United State Department of Agriculture (USDA), the International Rice Research Institute (IRRI), the Food and Agriculture Organization (FAO) and others.

At the Thai national level, there was significant research on rice during the 1960-1980 period. This is because rice was the leading export product and it brought the country the highest income for many decades. However, from the 1980s rice seems to have been a less attractive research topic than other issues. In terms of data, there are at least two sources in Thailand that regularly keep data on rice – the Ministry of Agriculture and Cooperatives and the Ministry of Commerce. There are also some specific official data collected regularly for policy makers e.g. on rice prices, yields, and costs of production. Most of this data reflects regional or national averages and ignores the fact that rice production costs and yields vary drastically from farm to farm, and region to region. This data is very crucial in term of its validity and reliability, which can then affect policymaking. In this study, I rely on primary data

generated through my research, and cross check this with the official data sources.

2.2 Fieldwork

My fieldwork was undertaken in Thailand from August 1999 to April 2000. It comprised two main phases of study. The first phase was spent with Green Net, an NGO and fair trade organisation in Bangkok. Here I examined fair trade policy, management, and the trade market, as well as Green Net's work and its role in fair trade projects. The second phase focused on the producers to examine the effects of fair trade were on them.

The fieldwork site was an area where farmers are engaged in both conventional rice trade and fair trade in rice. There are four farmer groups engaged in the fair trade rice project. Three of them (Sahatam Group, Tatoon Group, and Natural Agriculture Group) are in Surin province and the other (Nature Care Rice Mill Group) is in Yasotorn province.

I decided to focus on the Natural Agricultural Group (NAG) in Surin Province (see map 4.1 and 4.2) because first of all, the NAG and its umbrella NGO, Surin Farmer Support (SFS) have been involved in the fair trade project since the beginning of the project 10 years ago. The NAG is also the largest supplier of fair trade rice. Moreover, in terms of location, rice is the most important agriculture in Surin province. Surin's rice is well known for its quality and is always in high demand.

In term of the necessity to develop fair trade, it can be seen that Surin farmers are faced with many difficulties. The 1999 Surin provincial census identified five major problems: the low price of agricultural products, lack of capital, drought, the high price of chemical fertilisers, herbicides and pesticides, and unemployment. On the basis of the Gross Provincial Product (GPP) *per capita* at 1996 market prices, Surin is the second poorest province in Thailand with a *per capita* GPP of 19,719 baht (approximately £320 *per year*) (National Statistical Office, 1999: 84).

2.2.1 Fieldwork at Green Net

I started my fieldwork with Green Net. This provided me with an opportunity to learn more about fair trade projects, particularly from the point of view of the exporter and the project's co-ordinator. The director of Green Net organised access to reports on producer groups, internal documents, and correspondence from importers and fair trade partners to facilitate my study.

Apart from doing my research, I also volunteered to help with Green Net's work. I was assigned to do some work mostly focusing on rice projects. During this period, I had regular discussions about fair trade with the Director and his staff. I was very impressed by the people because they were highly devoted and committed to their work. While working with Green Net, I had my first chance to visit local producers. Green Net had organised a project entitled 'consumers meet producers' and I joined some of the staff attending the meeting. I used this opportunity to introduce myself to local NGOs working directly with farmers and explored the possibility of conducting fieldwork there. After this trip I had many chances to re-visit producer groups as I decided to volunteer as an interpretator for Green Net when foreign visitors came to visit local producers. Being an interpretator, I had a good opportunity to observe the relationships among NGOs and also had the chance to discuss fair trade issues with many European NGO representatives.

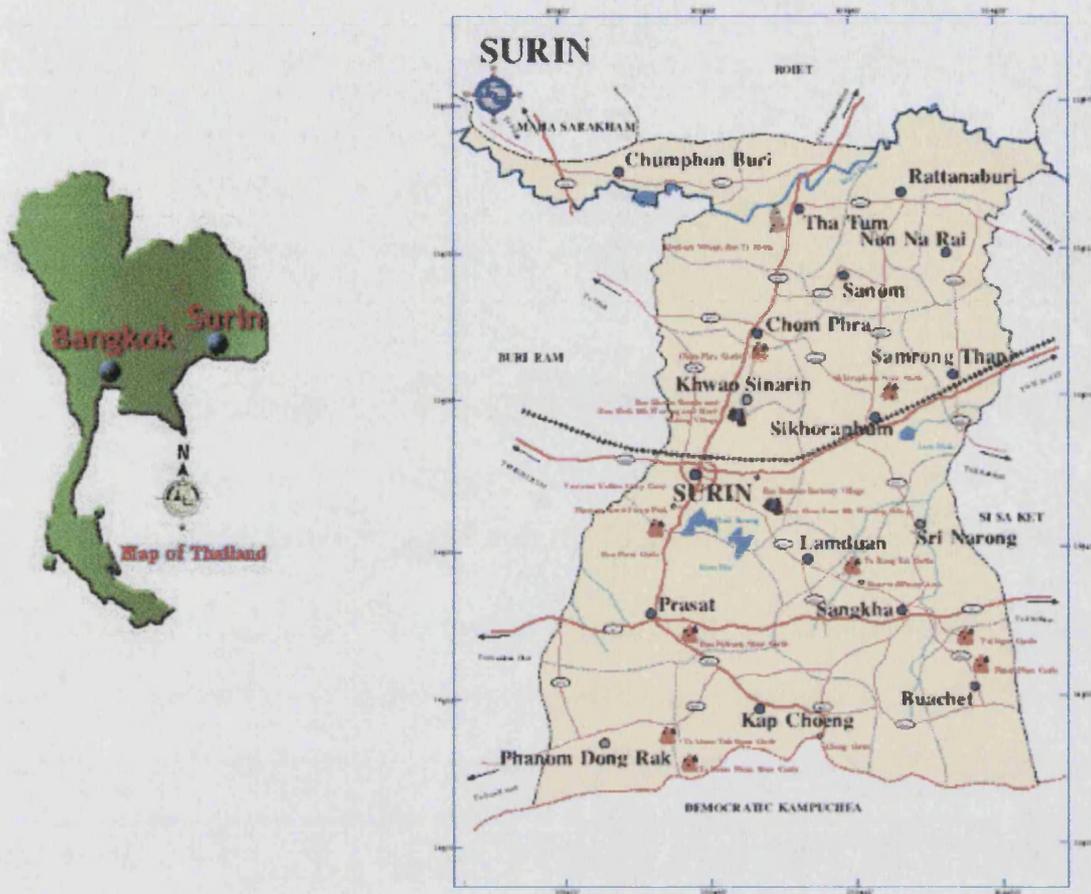
2.2.2 Fieldwork in Surin Province

From January to March 2000, I spent my time in Surin province aiming to learn more about the project in detail. I expected to explore the perception of local NGOs and farmers regarding fair trade.

Map 4.1: Map of Thailand



Map 4.2: Map of Surin Province



Surin province, 450 kilometres away from Bangkok, is located in Northeastern Thailand¹. It covers an area of 8,124,056 square kilometers (5,077,535 rai). The northern border connects to Mahasarakham and Roi-Et Provinces, the eastern border to Srisaket Province, the southern border to Cambodia, and the western border to Buriram Province. 92% of the Surin population live in rural areas. 71.52% of Surin area (3,126,747 rai) is utilised for agriculture. Of this, 92% (2,860,036 rai) is used for rice farming. However, only 9.75% of arable land is in irrigated areas. As a consequence, the majority of farmers can farm just one time *per* year, and practise

¹ The North East of Thailand covers an area of 105.533 million rai, and comprises of 19 Provinces. 76.02% of its population is engaged in agriculture. It is the biggest area of rice farming in Thailand, and covers 51.19% of the country's arable land. It produces 38.23% paddy (approximately 8.136 million tonnes) of the whole kingdom. It can be seen that its productivity is less than the ratio of land use. The yield of rice production is the lowest among the regions. This is because just 16% of its land is in the irrigated area. Also the quality of land is very poor due to the acidity. The North East is the poorest region in Thailand (Sakul-ae, 1998).

mostly rain-fed agriculture. There are approximately 161,379 households (827,465 people) engaging in agriculture (Surin Provincial Statistic Office, 1999).

Rice is the most important product of Surin province. The majority of farmers grow Jasmine rice; while some grow Jasmine rice for sale and local indigenous rice (e.g. Laeng On, La-ong Kasat and sticky rice) for household consumption. The planting season starts between April and August depending on when the rainy season starts, and the harvesting season falls between November and January.

2.3 Experiences from fieldwork

My first month in Surin was very hectic. As this was my first piece of research, I found that the lack of research experience lead to some difficulties in terms of planning and timing my work. Also, both the people and places were very new to me. As the rice fair trade project covered a large area of Surin province, I decided to stay in Muang District where the offices of local NGOs are situated. This made it easier for me to visit them.

As the province lies on the border between Thailand and Cambodia, local people normally speak a dialect called 'Khmer' which is similar to the Cambodian language but quite different from the Northeastern Thai dialect. I therefore had to recruit two research assistants. My criterion was to get local assistants who knew about the local area, and could speak Khmer. Both my research assistants had considerable experience in data collection. They had worked for the Surin Provincial Statistical Office for its 1999 provincial survey. However, I had to introduce them to the concept of fair trade and train them on qualitative research skills. At the beginning we carried out interviews together. At night, we normally discussed the day's work, problems, and planned the following day's interviews.

In 1999, the Province launched the 'Organic City Project (1999-2006)' aiming to promote its jasmine rice trade and to support organic agriculture. This seven year project is one of the major projects initiated in Surin province and follows the King's initiative of 'self sufficient agriculture'. It emphasises the need to move from chemical agriculture to organic agriculture in order to reduce the cost of production

and also benefit the people and the environment. This project involves collaboration between local NGOs, local leaders and Government; and actively promotes the organic movement in the province. My everyday activities during the first month entailed going out and talking with local NGO workers and government officers at the provincial office in order to make myself more familiar with the area and the people.

During this first month, my research assistants and I visited farmers with the field staff of the Surin Farmer Support. We were introduced to the member farmers so that we could come back there by ourselves subsequently. I also joined the NGO meetings regularly. Apart from learning about their work, I used these opportunities to observe the atmosphere in the meetings, evaluate the extent of co-operation between members, gauge the reactions of participants, and explore issues raised in the meeting.

2.4 Redefining the scope of the study

After spending sometime familiarising myself with people and places in the field, I learnt more about fair trade in practice. One of the characteristics of social science research is that while researchers carry expectations derived either from literature reviews or their own previous research, it is inevitable that unexpected issues emerge during fieldwork. Harriss-White (1999b:4) explains this process well when she writes:

“[While] a theoretical framework is necessary prior to field research (if only to enable boundaries to be defined), by imposing a structure and by driving empirical research it necessarily confines, and can over-determine, the results [...] A choice of theoretical framework will indicate acceptable approaches to field enquiry and will lead to the veto of others. Yet field experience has sometimes resulted in a switch of discipline, paradigm or theoretical referent. Even when such an intellectually radical course is not followed, a field researcher’s reflective contact with the categories and institutions through which those studied make sense of their own experience frequently leads to criticism and refinement of the theoretical issues and conceptual frameworks that motivated and shaped that contact. Good fieldwork is profoundly

disturbing”.

From the pilot interviews, I was surprised by the preliminary findings. I discovered a number of problematic issues around fair trade in practice. For example, one of the farmers said: “I cannot join fair trade because I have no land. I share crop with a landlord. He will not let me do organic farming because it is too risky”. Also from the pilot interviews, I found that the questionnaire contained many issues that seem relevant in theory but may not be understood in practice. For example, farmers do not know much about fair trade and farmers know little about the fair trade premium that they get.

The most important message from the pilot work was that fair trade may not give financial benefits to farmers as some farmers cannot meet the requirements of the fair trade project, and eventually become excluded from the group. The second unexpected message to emerge from the pilot phase of my fieldwork was that within farming communities, not all farmers wanted or were in a position to participate in fair trade activities. Indeed, as the response of the fairer alluded to above indicates, some farmers were excluded from activities. Fair trade therefore potentially contributes to social differentiation within communities.

I found that such issues needed further investigation and it is important to spell out the issues. Seale (1999:74) explains this situation that:

“The moral imperative felt by some to seek out the views and experiences of oppressed members is also enhanced if this activity is understood as a searching for instances that tend to contradict the researcher’s assumptions, which are likely to emanate from a position of relative social advantage. The search for negative instances reflects an ongoing scepticism about truth claims that should be a part of all good research work”.

Thus the most important methodological change to my research was the decision to bring producers who quitted the fair trade group into my analysis, so that there were three sample groups: fair trade producers, conventional producers, and ex-fair trade

producers. The inclusion of the third group is important because there has been no research focusing on those excluded from fair trade initiatives.

The other thing that needed to be re-adjusted in my research was that Green Net and SFS were more active in organic and sustainable agriculture than fair trade². In fact there are two concepts integrated in the work of the organisations: fair trade and organic farming. Moreover, preliminary study indicated that organic farmers are in an advantageous position to secure benefits from fair trade projects compared to partly organic farmers. Moreover, not all farmers could afford to convert their farms to organic. The importance of organic farming in fair trade initiatives required me to adjust the framework.

Many issues emerged during my fieldwork period and forced me to re-adjust my research scope and research tool. This in turn directed me to new literature. My research agenda therefore developed iteratively. Although this may appear ‘frustrating’, on the whole the ability to adapt my research plan was an enriching one. I agree with Olsen (1999:64) in this regard when she states that:

“The changes I made during the course of my study, in response to ‘mistakes’, ‘surprises’, and may developing ideas about exchange relations, require flexibility in the way the project was defined. Change will be a problem if a study is rigidly defined. Research is in fact a process and a personal experience, and the fieldwork or case-study method invariably emphasises the fact that research changes the researchers as well as the topic they choose to study. You have to grow with your project. Theory, data, methods of data collection and analysis: all these will be enriched, and hence change, as research progress”.

Research processes are in fact very dynamic. This chapter explains how my research

² This might raise question of why I chose to do research on fair trade here in the first place. First of all, there is only one fair trade in rice project under the corroboration of the European Fair Trade Association. Secondly, before fieldwork, documents did not show that Green Net and SFS used potential benefits in the fair trade market (e.g. premium) to promote their organic farming. In other words promoting organic farming is their core work and alongside with that promoting fair trade market is perceived as a way to help producers to gain access to the market and get a fair price for their products.

developed. The fieldwork phase was particularly useful in my research and provided me with in-depth knowledge. It was the most exciting and the most challenging period of my study. The research process seldom evolves as planned. And I found that my interactions with people took me down paths I had not anticipated. Rather than a weakness, I found this to be refreshing.

From the second month onwards, we began to do intensive structured-interviews. I interviewed a total of 154 farmers, 54 of whom were participating in the fair trade project; 50 of whom were previously part of the fair trade project; and 50 of whom were trading in a conventional way (see more details about methods in section 4).

We also interviewed the owners of the 10 biggest mills in Surin, recommended by the Surin Provincial Commercial Office. Some owners of the mills were skeptical about my visits. Some thought that I was from the tax office coming to observe their business. Some thought that I was a representative of a mill business coming to explore business information. This suspicion that was generated was also experienced by Harriss-White. She explained that:

“Staple food markets are of extreme interest to state authorities – to policy-makers and politicians. The capacity to ensure food supply is not merely a commercial fundamental, it is also a strong indicator of state authority and legitimacy. Staple food markets are both political resources and political arenas, and are taxed, subsidised and regulated. Traders have to work with and manipulate the different sets of public ethics that distinguish commerce and government. One contrary consequence is that most mercantile intermediaries present themselves as hostile to outsiders and suspicious of their motives for enquiry”.

Harriss-White (1999b:4)

2.5 After the fieldwork

In March and April 2000, I returned to Bangkok to conclude my fieldwork. Since many questions had emerged from the work with local producers, this was a good opportunity for me to discuss a range of issues with Green Net. In March 2000 I also

had a visit from my supervisor which was very helpful. We had a chance to discuss my research, emerging problems and future plans. This period of time allowed me to reflect on my research experience and identify what information was still needed. During this time, I also collected some useful secondary data from the Ministry of Agriculture and Cooperatives, the Ministry of Commerce, and the Rice Library of the International Rice Research Institute.

I returned to University of Bath in late April 2000 to analyse data and write up my research. I used SPSS for some part of the analysis. During this time, I kept in touch with key informants. While writing up, I found that there were points that I needed better analysis and contacts with key informants was a very helpful way of dealing with this.

3. Research frameworks

In this section, I will move on from a personal account to a more theoretical one. As stated earlier, the remainder of this thesis seeks to examine the claim that fair trade overcomes the failure of conventional trade. Does fair trade succeed? If so, why? If not, what are the constraints? In order to determine this, the first thing that needs to be examined is to look at conventional trade in rice, and to explore how it functions. What are the problematic issues in this rice trading process? Farmers' livelihoods are also examined in the analysis. By doing so, it will define the concept of fair trade, explain how fair trade functions, and explore what fair trade aims to achieve. Next step is to examine if fair trade actually overcomes problems in conventional trade. Although there is a wide range of fair trade schemes, there are two features which make this trade system distinctive from conventional trade. The features can be classified as the financial and social dimensions. The financial dimension embraces fair prices and seeks a profit margin which producers can use to invest in their businesses and livelihoods. The social dimension includes: a) direct purchasing from producers, b) a transparent trading system c) equal partnership and d) exclusive contracts (Barratt Brown, 1993; Bird and Hughes, 1997; Coote, 1992; EFTA, 1998; Madeley, 1992; NRET, 1998; Watkins, 1995; Zadek and Tiffen, 1996). Besides these two dimensions, most fair trade initiatives also uphold defined environmental concerns.

To sum up, there are two main layers of analysis – to understand the trade systems and to examine the impacts of trade on producers.

3.1 Understanding rice trading

There are a number of ways to examine agricultural market. Harriss-White (1995, 1996, 1999b) summarise four major frameworks.

1) Structure, conduct, performance (SCP). Exploring the possibility of regular, predictable relationships between market structure and behaviour, Bain (1959) first developed the SCP framework in his study of industrial organisation. Bain argued that, knowing the structure of the market – its organisational characteristics that influence the nature of competition and pricing – and the conduct of agents within the market – the mechanism of adjustment of firms to the market – then market performance, defined as the character of, and adjustments to, the effective demands for sellers' output and *vice versa* for buyers, can be determined.

The SCP approach has, however, been criticised for assuming a causal relationship between structure, conduct, and performance, while the dynamic nature of the market negates the stipulation of any such relationship. Furthermore, the SCP approach assumes the availability of a substantial amount of data, and any analysis of market conduct relies on the judgement of the researcher (Scott, 1995).

2) Transaction costs economics (TCE). Employing insights from transaction cost economics; that costs are involved in the making and enforcing of contracts, such as information, monitoring, and enforcement costs, search and screening, co-ordination, negotiation, and the transfer and safeguard of property rights, this approach conceptualises market institutions as innovations to reduce such costs. However, the approach remains highly conceptual, and suffers from theoretical inconsistency. Moreover, the application to real markets is made difficult by problems in measuring most transaction costs.

3) Commodity system. Recognising the limitations faced by the SCP approach due to its assumption of a static, causal relationship between a firm's conduct and the structure of its market, the commodity system acknowledges the existence of

multiple, interdependent sequences of industrial and trading activities. A template of market structure is defined, composed of technical activities such as assembly, storage, transformation, redistribution, and consumption, and lubricated at all points by transport and credit. The commodity system then analyses markets by ‘fleshing out’ this template with costs and margins at each stage, spatial flows, and the social relations and economic power involved in the trade.

4) Political economy: From this perspective, the property relations of specific forms of production are thought to determine mercantile power within the market (e.g. Bharadwaj, 1985; Bhaduri, 1983, 1986; Harriss-White, 1999a). In the specific instance of commodity exchange, property relations are thought to emerge from indirect control over production *via* modes of surplus appropriation.

Applying this idea to agriculture, Leplaideur (1992) has proposed a class analysis with which to analyse market, defining class in terms of the forces of distribution (i.e. assets, information, activities, and access to the state), and the relations of distribution (i.e. organisational networks such as kin, friends, neighbours), contractual behaviour, and the internal social relations of firm. Leplaideur then defines classes within the market in terms of (a) access to means of distribution (transport, sites, capital or credit, stock, information and patents) and (b) status in terms of surplus appropriation.

All the above approaches have something to contribute to the analysis of market relations. The present thesis argues that to understand the agricultural market, especially in developing countries, there is a need to combine economics, sociology, and political economy. One possible way to make a combination is to use the commodity system as a map for the further investigations. From this map, other analyses can be introduced. For example, it can look at the structure of markets to see how they function. Also it can introduce a political economy analysis into the account as sometimes market structure is not found to determine market behaviour, particularly in developing countries. In local rice markets in Thailand, many trading transactions are interlocked with credit contracts in ways which can sometimes be shown to depress rice prices below levels resulting from unconstrained transactions and to raise interest rates above ‘market’ rates.

The commodity system framework has been widely used for the study of agricultural markets (see Bryceson, 1999; Crow, 1999; Margrath, 1999). It provides a good understanding of the market and sees the market as a system. It encompasses all networks from producers and intermediaries, to consumers. In fact, there are a variety of terms being used to refer to this type of study e.g. 'subsector', 'commodity chain', 'marketing channel' and 'filière' (Harriss-White, 1996, 1999b). Moreover, the commodity system framework can be well applied to the study of fair trade because the study of trade, either conventional trade or fair trade, includes a sampling of all types of economic actors, not only producers and consumers, but also processors, traders and owners of storage and transport facilities. This allows researchers to (a) understand the functioning of markets, trade networks and actors; and (b) map trade networks and analyse them by incorporating various social scientific inputs, e.g. economic, sociological, environmental. For instance, from the fair trade movement point of view, it is argued that fair trade tries to shorten the trading length, give more benefits to farmers, build equal partnerships between producers and fair trade organisations, provide a fair trade premium, and contribute to sustainable livelihoods. Such a framework allows for a comparative investigation into fair trade and conventional trade networks.

Drawing on these discussion, three points will be investigated and compared between fair trade and conventional trade.

- (1) the physical aspects of trade networks, including a description of activities and a mapping of flows of goods;
- (2) the economic aspects, including a study of prices, margins, source of capital, profitability, sharing of risks and profit distribution.
- (3) the sociological and institutional aspects of exchange in the commodity system;

3.2 Understanding the effects of fair trade on producers

Equally important in this research is the impact assessment of fair trade on producers. It is argued widely that the implementation of fair trade can contribute to the development of long-term sustainable development and sustainable rural livelihoods (Blowfield and Gallat, 1998; Eade and Williams, 1995; NRET, 1998;

Oxfam, 1999; Strong, 1997b;). It is therefore important to further examine to what extent fair trade can make a contribution to the sustainable livelihoods of farmers and the potential for the development fair trade.

Although there is an increasing research into fair trade, the actual amount is still limited. A framework that has been using widely in the study of fair trade's impact analysis is that of NRET (e.g. Blowfield and Gallat, 1998; Mallins and Blowfield, 1998; Mallin and Nelson, 1998; and NRET, 1998). NRET has drawn its analysis from the sustainable livelihoods framework³. Five capitals (human, physical, financial, social, and natural) are brought into the analysis to examine the capitals required to pursue ethical trade and the effects of ethical trade on producers⁴. So then it can further answer the question of the extent to which fair trade can make a contribution to livelihood sustainability. For example, in the case of fair trade coffee, bananas and cocoa, secure natural capital, e.g. long-term tenure, is required because they involve perennial crops or require verifiable land management practices over a minimum period (e.g. five years for organic farms). The amount and type of land required depends on the commodity. Financial capital is also required in producing for the ethical trade market. The extent to which investment is needed depends on the scheme. If the schemes have built upon existing endowments, the investment might not be significant. However, for some schemes investment in processing equipment, establishing plantation, organic certification are essential.

³ The definition of "sustainable livelihoods" is given by Chambers and Conway (1992:2) as "a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resources base".

⁴ Scoones (1998) gives a framework to study rural livelihoods by looking at five capital assets, which are natural, financial, human, physical and social. In his framework, natural capital is the natural resource stocks from which resource flows useful for livelihoods are derived (e.g. land, water, wildlife, bio-diversity, environmental resources). Social capital is the social resources (networks, membership of groups, relationships of trust, access to wider institution of society) upon which people draw in pursuit of livelihoods. Human capital involves the skills, knowledge, ability to labour and good health important to the ability to pursue different livelihood strategies. Physical capital is the basic infrastructure (transport, shelter, water, energy and communications) and the production equipment and means which enable people to pursue their livelihoods. Financial capital: The financial resources which are available to people (whether savings, supplies of credit or regular remittances or pensions) and which provide them with different livelihood options.

Human capital is claimed to be the most crucial factor for ethical trade. For example, forest certification requires improved knowledge about forest management, and organic agriculture is knowledge-intensive rather than input-intensive. In organic farming, additional labour might be required for tasks such as increased manual weeding. As a result, organic agriculture has been most successful where labour is readily available and affordable.

Social capital e.g. networks, membership of groups and relationships of trust are also an important factor that affects participation in ethical schemes. The final capital is physical capital. The amount and type of physical capital required for ethical trade depends on the commodity and production system. For instance, a banana plantation requires a large investment in packing stations, irrigation, cable ways, etc., while a small holder organic ginger cultivation requires only access to land, organic fertiliser and planting material. Small holder cotton production requires land, seed and labour, as well as access to stores and ginneries.

Although the livelihood framework provides sensible guidelines to examine the capital requirements for participation in ethical trade and for examining the impacts of fair trade on the livelihood of farmers, such an analysis is in some respects restrictive because categories of capitals are unclear and contain overlapping points. For example, land tenure can be seen as social capital as well as physical capital. Moreover, some capitals are non-quantifiable (e.g. social and human capitals). Also, such arguments are not an area of investigation in this research. The analysis is built on financial, and non-financial dimensions. For financial analysis, cost-benefit analysis is employed. Non-financial analysis is based upon descriptive analysis.

Recent research has pointed out that the claims made by fair trade initiatives are weak as there is no baseline data to work with (Oxford Policy Management, 2000; Tallontire, 2001). It is still questionable whether such claims are achieved. Moreover, the claims are often presented in a general way as if they apply equally to all types of fair trade initiatives. Despite some similarities among schemes, there are however important distinct characteristics among them. For example, some fair trade schemes incorporate environmental criteria, while others do not; and some initiatives pass fair trade premiums to producers, while others do not (NRET, 1998; Oxford Policy

Management, 2000). Moreover, the NRET work had access to very limited economic data to analyse costs of production, prices, margins, source of capital, profitability, sharing of risks, fair trade premia and profit distribution. It is therefore challenging to develop a framework to study a particular type of initiative in its own right with a more detailed analysis of all aspects, including economic, social, and environmental impacts.

It is argued in this research that in order to give a more comprehensive study of the potential for the development of fair trade, it is necessary to examine conventional trade alongside fair trade. The reason for this is that fair trade ideologically aims to address the problems of 'unfairness' found in conventional trade. It is therefore necessary to first explore the problematic issues in the conventional trade of a particular product (in this case rice). This will then help in the analysis of whether fair trade is better than conventional. In attempting an analysis of two trade systems, it is also important to look at the trading systems as a whole, not just from the producer side or consumer side. This will enable the researcher to gain more understanding at both macro and micro levels. However, there is as yet no study of fair trade which examines whether fair trade has really overcome the problems which occur in conventional trade.

4. Research methods and data collection

This research aims to provide a comprehensive analysis of conventional trade and fair trade in rice through a comparative study of the two systems. It is a multidisciplinary study drawing on economic, social, and environmental insights. Broadly speaking, it covers the interrelations among conventional trade, fair trade in rice, and the effects of rice trading on the sustainability of farmers' livelihoods.

In order to answer those research questions, a methodology that encompasses a multitude of approaches is required. This is because different types of studies and research prompt different decisions on methods of data collection, analysis and use. Interdisciplinary perspectives are necessary in most development work and this would reinforce the need for methodological pluralism. Mikkelsen (1995:216) highlights the importance of interdisciplinary methods:

“Development concerns in the Third World have given rise to a variety of demands for interdisciplinary perspectives. The purpose of attacking development problems in their complexity and addressing the different layers of causal relations has determined the need for holistic or interdisciplinary perspectives in research and development work”.

This research aims to compare conventional trade and fair trade, as well as to assess the impact of fair trade on farmers' livelihood. A wide range of data was collected in this research; both qualitative (e.g. market access, exploitation, low esteem, lack of participation among marginalised people) and quantitative (e.g. price, expenses, and income). It therefore inevitably combined qualitative and quantitative approaches. There are various methods employed in social sciences. Each style of social research has a purpose for which it is particularly well suited. No single source has an inherent advantage over all the others. In fact, the various sources are highly complementary, and a good case study will therefore want to use as many sources as possible (Patton, 1990; Yin, 1994).

In this study, secondary data have been collected to iterate as well as to fill gaps that remain when primary data cannot be obtained⁵. Secondary data has been used mainly in chapters 2 and 3 while the rest is based on primary data collecting from fieldwork. In this research, four methods are used: documentation, survey, interviews and observations. How these methods are applied is summarised in table 4.1. Several techniques were used for collecting information. For example, examining historical and other records and literature, participant observation, sample survey, and listening to or interrogating information by structured, semi-structured, and open interviews. SPSS was used as a techniques for analysis.

A total of 154 farmers were interviewed in this research (see interview guide in appendix 1). These 154 farmers are subdivided into three groups, 54 of whom were participating in the fair trade project; 50 of whom were previously part of the fair

⁵ I am aware that this research has not covered all details in the trade networks. For example, I did not touch upon all fair trade importers. This is the result of a limited research time and resources. Although, the trade chains are very complex, I tried to enhance the quality and reliability of my information by applying triangulation techniques. For example, organisational documents, reports were reviewed and interview with key informants was conducted.

trade project⁶; and 50 of whom were trading in a conventional way. Of 54 fair trade farmers interviewed, they were randomly chosen from the whole NAG member. Fifty of ex-fair trade members were recommended by field staff of the NAG. Fifty conventional farmers were randomly interviewed. They are mainly neighbours of fair trade members or farmers in the same villages. Interviews were also done with rice traders. The ten biggest rice mills in Surin province were interviewed (see interview guide in appendix 2).

There are four issues that this research looked at. First, physical aspects: this looks at a description of activities and the mapping of flow of rice from farmers to consumers. Second, sociological and institutional aspects: this looks at power, class, interlinked and interlocked markets, and relationships in trade networks. Semi-structured interviews and observation were employed. Third, financial aspect: this looks at prices, margins, source of capital, profitability, and profit distribution. Data was mainly derived from structured interviews. Fourth, problematic areas: this issue mainly came from experiences in fieldwork. Data was derived from observation and interview with key informants.

To assess the impacts of trade on farmers livelihoods, we divide the analysis into two parts, financial and non-financial. A two-stage sampling strategy was used. The first stage used a larger sample and consisted of a general survey on farmers' livelihoods. As mentioned above, the sample groups were stratified into three groups – fair trade producers, conventional producers and ex-fair trade producers. The second stage consisted of a more detailed investigation into fair trade. The financial analysis is based upon cost-benefit analysis, while the non-financial analysis is based on descriptive analysis. For the descriptive analysis, we employed open-ended questions to ask fair trade farmers about their perceptions of the help and benefits that they receive from the fair trade project (see appendix 1). Correspondingly, we then group these answers into three main categories – psychological, social, and environmental. There are overlaps between such categories. However, the division is only aimed at a clearer understanding of the effects of fair trade, and not intended as a rigid categorisation (see details in chapter 8).

⁶ See reasons why I bring this group into analysis in section 2.4.

To deal with the issue of a wide degree of variation within the groups, purposive sampling was applied at this stage to fair trade members who represented desired characteristics⁷. There were 8 cases selected⁸. One is a case study of a 'well-functioning' organic farm. This was chosen to examine which factors contribute to its 'success' and to what extent these factors may be replicated or transferred to other farms. The other 7 cases were fair trade members who were converting their farms to organic farming.

In addition to information gathered from farmers, as Moris and Copestake (1993) suggest, researchers need to collect a considerable amount of information, not only about farmers, villagers and the environment but also about their own and other institutions operating in the communities being served. Researchers should interview across the range of variation for a given trait or issue to exposing bias. This approach to data is much like that of investigative journalism. Bias is assumed and so researchers need to recognise explicitly respondents' interests and cross-check statements with neutral observers or those holding opposite views. (Moris and Copestake, 1993). I therefore interviewed the leaders of 4 local NGOs that work with rice farmers in Surin, fair trade organisations, and key informants who work in both conventional and fair trade in rice.

⁷ Before I did my fieldwork in Surin, I volunteered to be an interpretator for Green Net when its foreign visitors came to visit local producers, and also had chances to do small projects about the NAG (see section 2.2.1). I observed that we were assigned to talk to the same group of farmers every now and again. These farmers are better off because of the fair trade project, and are 'role models' for others NAG members. They also give advice, training for the NAG members.

⁸ I am also aware that purposive sampling is a claim on the part of the researcher that theoretically significant, not necessarily statistically significant. It is, therefore, incumbent upon the researcher to justify the selection process with a qualitatively different (Brewer and Hunter, 1989). In this case, it is argued that the case study approach can also be used both to analyse why problem occurs and what potential exists for improvement, and to provide longitudinal data to illuminate change processes.

Table 4.1: Summary of investigation areas and its methods.

Areas of investigation	Components	Methods of inquiry	
		Conventional Trade	Fair Trade
The study of trade	1) Physical aspects: description of activities and the mapping of flows of goods from farmer, intermediary, broker, exporter, to consumer.	Review literature on rice market. Survey Interview with rice traders and conventional farmers	Organisational reports Survey Interview with fair trade farmers
	2) Sociological and institutional aspects: Power, class, interlinked and interlocked market, relationship in trade network	Interview Observation	Interview Observation
	3) Financial aspect: prices, margins, source of capital, profitability, sharing of risks and profit distribution.	Interview	Interview Observation
	4) Problematic areas	Interview with key informants, Observation	Interview with fair trade organisations, key informants, farmers who quitted fair trade
Assessment impacts of fair trade	1. Financial aspects 2. Non-financial aspects	Interview Observation	Interview Observation

5. Conclusion

This chapter explained research frameworks and methods. It attempted to explore whether fair trade is an alternative trade for farmers. Frameworks and methods are drawn up in order to answer the question of whether fair trade overcome problems in conventional trade. There are two main interests that this thesis dedicates to; a) to understand trade networks, and b) to assess the impact of fair trade on producers.

This thesis argues that to answer such questions it is necessary to undertake a comparative study between conventional trade and fair trade. Moreover, in order to understand the agricultural market, especially in developing countries, there is a need to combine economics, sociology, and political economy together. Subsequently, this research adopt a 'commodity system framework'. This will provide a map of the trading networks. The research will further investigate other aspects of the study based on this map e.g. economic and sociological. To assess the impact of fair trade on producers, although based upon a 'sustainable livelihood frameworks', this research simply divides the analysis into two aspects – financial and non-financial. For the financial aspect, cost-benefit analysis is employed, and non-financial effect is based upon qualitative analysis.

The rest of this thesis is based upon empirical data from fieldwork. Chapter 5 presents socio-economic data of Surin farmers. In chapter 6, based on 'commodity system' approach, maps of the conventional trade network and the fair trade network are drawn. Physical, sociological, and financial aspects of trade are examined. Chapter 7 and 8, adjusted from the 'sustainable livelihoods' approach, examine effects of fair trade on producers. Chapter 7 looks specifically at financial aspect of fair trade while chapter 8 examines non-financial aspects, psychological, social, and environment. Chapter 9, drawn upon experiences with Green Net, examines the roles of fair trade organisations and problematic issues in implementing fair trade.

Chapter 5

Socio-Economic Condition of Surin's Farmers

1. Introduction

The first part of this thesis has identified a number of situations in which conventional trade fails to benefit rice farmers. It has also emphasised throughout the poverty of farmers, and we have looked at some of the arguments that present fair trade as an alternative means of benefiting poor farmers. This chapter asks whether these circumstances are prevalent in the Surin province, and thus whether there is the potential for fair trade to improve the livelihoods of farmers.

The chapter is based on empirical data collected from fieldwork, and will provide detailed information on farmers in the Surin province. This is supplemented by official data, and used to give a general picture of the North East. First, it will give some general background information on the North East of Thailand. Second, it will focus specifically on the province of the Surin. Consideration will be given to the physical setting of the area, as well as to the various economic and social dimensions of Surin farmers. Third, the chapter will offer a general introduction to the Natural Agricultural Group (NAG). Finally, it will present socio-economic data for three types of farmers (fair trade farmers, conventional farmers, and farmers who quit fair trade). We will explore differences in the economic and social status of the three groups, and ask whether the circumstances of those adopting fair trade correspond with expectations.

2. Poverty in the North East

There are 2,537,665 farm households in the North East, which represents 46.12% of all farm households in Thailand. 76.02% of the total population in the North East (14.63 million people) are engaged in agriculture (Sakul-ae, 1997). According to the Agricultural Economic Office (1999), the average size of farm households in the North East is 5.06, while the national average size of farm households is 4.80. On average, the North East farm household owns 26.52 rai of land, while the national average is 25.54 rai. 54.53% of farm households in the North East own their farm,

while 30.87% partly rent land and 14.60% are landless. However, only 16% of farms are irrigated. Of this, 10.6% receive water only in the wet season, and 0.64% receive water in the dry season. The remaining 84% of farm land is rain-fed.

The problem of poverty in the North East has been widely recognised (Ekachai, 1990; Promphakping, 2000; Sakul-ae, 1998; TDRI, 1988,1995). Most studies acknowledge a set of inter-related problems concerning agriculture in the North East. These include *inter alia*: a) dependence on rain for farming; b) poor quality land; c) low of crop yields; d) fluctuating agricultural prices; e) unreliable incomes; and f) shortage of farm labour on account of out-migrants.

The dependence on rain is perceived to be the main obstacle for farmers. Rainfall in the North East varies greatly from year to year. In some years, farmers are faced with drought while in others they are faced with flood. Normally the rain seasons start between May and June, and last until October. Within this period, there is a lull from July to August. This is the time when farmers start rice farming. The high variability of rainfall has a profound impact on wet rice agriculture in the North East.

The quality of land in the North East is lower in comparison with other regions. Soils in the North East have a high salt content and low fertility. Regarding the salinity problem, a vast area of the North East is covered by soils with high salt content brought to the surface by ground water. It has been estimated that 17% of the total surface area of the North East is contaminated. Of this, one-third (5.8 million rai) is considered 'serious', while it is possible to grow only low yielding salt-resistant crops on the remainder (TDRI, 1987). The most important characteristic of the North East's soil is its low fertility. Most of the surface soils in the North East are coarse textured and are typically sandy. They also possess a low level of organic matter, and have low water holding capacity. This is reflected in the low yield in farming. Table 5.1 shows that the yield of rice farming in the North East is the lowest in the country.

Table 5.1: Yield of rice farming by regions

Regions	Yield (kg/rai)			
	1994/95	1995/96	1996/97	1997/98
North East	281	281	280	280
North	444	453	435	403
Central	456	460	440	467
South	331	337	334	357

Source: Office of Agricultural Economics (1999:19)

There are three main commodities grown in the North East – paddy, cassava, and sugar cane (table 5.2). The price of these three commodities fluctuates significantly. As a consequence, farmers in the North East not only face the risk of crop failure (due to the unreliability of rainfall) but also the risk of price-variations. It has been pointed out that the price of these commodities relies on international markets (Sakul-ae, 1998). For example, rice, especially low quality rice, faces high competition from Vietnam, since Vietnamese rice is cheaper than Thai rice. For cassava, Thai farmers rely mainly on the EU market (90% of the export volume is traded to the EU). The sugar cane price is determined by the price of sugar in the market (Sakul-ae, 1998).

Table 5.2: Three major agricultural products of the North East (1996/97)

Types	Whole Kingdom			North East				
	Planted areas (mil rai)	Output (mil tonnes)	Yield (kg/rai)	Planted areas (mil rai)	% of whole kingdom	Output (mil tonnes)	%	Yield (kg/rai)
Paddy	62.075	21.280	343	31.779	51.19	8.136	38.23	256
Cassava	7.831	18.088	2310	4.731	60.41	10.782	59.61	2,279
Sugar cane	6.660	61.503	9,235	2.152	32.31	21.299	34.63	9,896
Total	72.321	101.995	-	57.695	43.69	-	43.69 ¹	-

Source: Sakul-ae (1998:49)

¹ The total arable land of the whole kingdom is 132.051 million rai (Office of Agricultural Economics, 1999:49)

During the year 1995/96, the net income of farm households in the North East was 69,910 baht, the net cash income was 62,695 baht (comprising a net off-farm income of 50,890 baht and a net farm income of 11,805 baht). This is the lowest return when compared with farm households in other regions and lower than the national average which had a net income of 88,970 baht, a net cash income of 80,870 baht, and a net farm income of 29,811 baht (table 5.3).

Table 5.3: Farm cash incomes and farm expenses (1995/96)

Items	Regions				Whole Kingdom
	North East	North	Central	South	
Cash farm income					
Crop	20,431.22	48,576.86	85,987.01	74,384.31	44,729.50
Livestock and poultry	8,098.01	5,650.89	23,808.58	24,222.81	12,121.78
Others	2,662.00	3,427.09	14,588.62	5,594.70	4,966.40
Total	31,191.23	57,654.84	124,384.21	104,201.82	61,817.68
Cash farm expense					
Crop	11,950.60	22,745.70	37,775.81	18,320.07	19,210.09
Livestock and poultry	3,197.04	3,444.65	21,641.03	13,546.24	7,403.54
Others	4,238.58	5,370.73	9,395.54	5,232.46	5,392.48
Total	19,386.22	31,561.08	68,812.38	37,098.77	32,066.11
Net farm cash income	11,808.01	26,093.76	55,571.83	67,103.05	29,811.57
Non-farm cash income	50,890.95	38,662.07	65,736.85	58,323.64	51,058.82
Farm household net cash income	62,695.96	64,755.83	121,308.68	125,426.69	80,870.39
Farm household cash expense	44,479.87	50,278.00	87,891.53	95,732.12	59,721.76
Balance	18,216.09	14,477.83	33,417.15	29,694.57	21,148.63

Source: Office of Agricultural Economics (1999:266)

Although farming is the main occupation for the North East population, it is interesting to note that the net household income from non-agricultural sources is higher than the income from agriculture in every region, except for the South. The non-agricultural income of households in the North East is evidently higher than

their incomes from agricultural sources, the latter representing only 18% of household incomes. Migration is common practice. 81.35% of migrants migrate seasonally from December to April.

3. Surin farmers

Surin province is situated in the North East of Thailand. It covers 8,124,056 square kilometres and has a population of 1,383,422. There are 17 districts, 159 Sub-districts, and 1,990 villages. Surin province is the second poorest province in Thailand. On the basis of the Gross Provincial Product *per capita* at 1996 market prices, the GPP of Surin was 19,719 Baht (approximately £320 *per year*) (National Statistical Office, 1999: 84).

As stated in chapter 4, 71.52% of the Surin area (3,126,747 rai) is utilised for agriculture. Of this, 92% (2,860,036 rai) is used for rice farming while approximately 60% of the total population (161,379 households, or 827,465 people) is engaged in agriculture. Rice is therefore the major source of income for Surin farmers. Apart from rice farming, a small amount of of Surin arable land (6%) is utilised for field crops e.g. cassava, kenaf, groundnut, castor bean, and sugar cane. The majority of farmers grow fruit trees and tree crops e.g. mango, coconut, banana, sugar apple, sapocilla, guave, papaya, and jackfruit around their farms (see figure 5.1). However, these are not the main source of income. The majority of Surin farmers are also engaged in raising livestock such as buffaloes, cattle, ducks, chickens, and swine. Farmers normally raise them around the household area and rely on family labour. Buffaloes are used to prepare land for rice farming. On average, each household raises 1-3 buffaloes. Cattle is raised for additional farm income, while ducks and chickens (approximately 10-20 ducks and chickens *per household*) are used mainly for household consumption.

Industry does not play a crucial role in Surin's economy. This sector employs only 3,489 people (table 5.4). The major industry in Surin is rice mills. The estimated capital value of mills is 401,887,309 baht, and in total around 482 workers are employed in the mills (Surin Provincial Office, 1999:29).

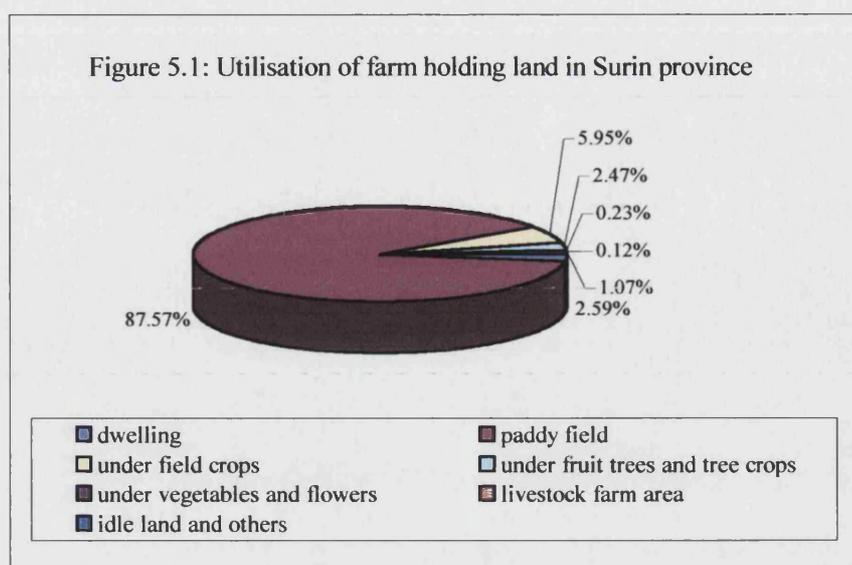


Table 5.4: Overview of industry, Surin province (1998)

Types of industries	Number of industrial establishments	Capital (million baht)	Number of employees
Agriculture	3,028	451,822,959	535
Construction	43	885,166,000	961
Food and beverage	18	113,759,000	183
Wood products	56	85,291,150	567
Textile and garment	1	1,100,000	63
Chemistry and plastic	2	20,756,000	55
Metal and non—metal	8	28,210,000	78
Services	139	224,211,440	705
Others	5	112,838,000	342
Total	3,300	1,923,154,549	3,489

Source: Surin Statistic Office (1999:43)

It is obvious that agriculture is the main economy of the Surin province, and the majority of the Surin population is engaged in agriculture. However, as previously explained, Surin farmers are faced with a number of problems in securing their livelihoods. The major problems that farmers face are: drought and irregular rainfall; infertile soil; indebtedness; and lack of profit in rice farming as a result of low price of paddy and the high cost of farm inputs (Surin Statistic Office, 1999).

These problems are inter-related. Surin farmers identify their main problems as that of drought and irregular rainfall. This reflects the nature of rain-fed agriculture where farmers' incomes are uncertain. There are 8 main natural water sources in Surin province: Moon river, Chee river, Huay Saneang, Huay Plabpla, Huay Rawee, Huay Tabtan, Huay Rahan, and Huay Kaew. These sources are important for Surin's agriculture. However, in summer, where the average temperature is around 35-42 degree celsius, the streams usually dry up: and Chee river is the only one with water all year round. In Surin province, only 9.75% of arable land is in irrigated areas. As a consequence, the majority of farmers can farm just once a year, and are obliged to follow rain-fed agriculture. (Surin Provincial Statistic Office, 1999). Moreover, and besides the problems of drought and water, the soil in Surin is infertile. This leads to low output agriculture. Subsequently, there is lack of profit in rice farming due to the low price of paddy and the relatively high cost of farm inputs. Surin farmers often end up indebted. Official data reproduced in table 5.5 illustrates the dynamics of farmers debt. It shows that the financial situation of farming households in Surin is precarious and that income does not cover expenditure. In comparative terms, the table also indicates how the situation of farmers in the Surin province is significantly worse than the national average.

Table 5.5: Average monthly income and expenditure *per* household: 1998 (baht *per* month)

Items	Surin	Whole Kingdom
Income		
Wages and salaries	2,059	5,014
Profits from non-farming	511	2,383
Profits from farming	1,031	1,404
Current transfers	610	986
Property income	86	1,68
Non-money income	1,955	2,316
Others	146	221
Total	6,398	12,492
Expenditure		
Food and beverages	2,315	3,921
Apparel and footwear	267	361
Housing	1,693	2,222
Transport and communication	707	1,385
Medical and personal care	337	531
Other consumption expenditures	303	546
Non-consumption expenditure	917	1,423
Total	6,540	10,389

Source: Surin Statistic Office (1999:89)

4. The Natural Agriculture Group (NAG)

As previously discussed in chapter two, the low profit in rice farming leads farmers to seek alternatives which will give them greater security and allow them to continue farming. Several attempts have been made to bring more benefit from rice farming to farmers. For example, some farmers have shifted from a cash-crop production mode to an alternative agriculture mode. One group of farmers formed an organisation and called themselves 'the Natural Agricultural Group' (NAG). They collaborated with a local NGO called 'Surin Farmer's Support' (SFS) to develop a mode of farming that did not use chemical inputs. The group was initially set up because of the low price of paddy and the high cost of production of rice farming. It was believed that cash-

crops were not a sustainable mode of farming since farmers rarely profit from rice farming. Moreover, it was claimed that prices of unmilled rice was controlled by traders and mill owners making it difficult for farmers to participate in the process of price determination. Farmers were also heavily indebted to money lenders.

The NAG seeks to move away from chemical agriculture to sustainable agriculture. It encourages farmers to use compost, farmyard manure and compost. It also encourages farmers to use botanical pesticides for pest control. The farmers also practice alternative crop rotations such as growing peanuts before cultivating rice in order to enhance the soil's nitrogen fixation. After the rice harvest, the cultivation of sesame seed is recommended. Most of the farmers integrate growing rice, raising fish, rearing animals, and growing fruit trees and herbal trees.

In 1989 three farmer groups in Surin province were introduced to the Organisation Switzerland Third World (OS3), which was subsequently renamed Claro. This organisation was set up as a network of stores selling Third World goods in Switzerland. Claro agreed to purchase rice directly from the farmers organisations. As a result, these farmer groups worked together to sell rice directly to Claro, bypassing all outside go-betweens. This was the beginning of the fair trade project in the Surin province (chapter 6 will explain the entire process of fair trade in detail).

The NAG has members in 5 sub-districts in Surin province: 1. Sam Rong sub-district 2. Kor Koh sub-district, 3. Kae Yai sub-district, 4. Ta Mor sub-district, and 5. Koak Klang sub-district. Table 5.6 shows the numbers of households and farming areas of the NAG from 1994 to 1999.

Table 5.6: Areas and number of household members of the NAG (1994-1999)

Areas	No. of household						No. of farm land (ra)					
	94	95	96	97	98	99	94	95	96	97	98	99
Sam Rong	25	16	19	37	32	26	70	44	69	104	127	128
Kor Koh	17	6	8	13	15	16	68	24	31	83	105	102
Kae Yai	18	20	17	25	25	12	111	81	55	89	125	82
Ta Mor	21	26	16	34	25	19	59	60	42	62	86	78
Koak Klang	13	1	15	29	31	10	100	2	71	282	306	131
Total	94	69	75	138	128	83	408	211	268	620	795	521

Source: Surin Farmer Support (1999).

5. The socio-economic situation of Surin farmers

In this section, empirical socio-economic data on fair trade farmers and conventional farmers will be explained. Most of the tables in this part are presented in a comparative form. This will help to illustrate the differences in the socio-economic status of fair trade farmers and conventional trade farmers.

5.1 Household family

On average, farm households comprise 5.17 people. Of these, 2.74 are firm labourers. Most household families have one to two members who work off-firm (61.3%). In addition one to two members sell their labour after the harvest season. Over 50% of households have one to two dependents (table 5.7). There is no difference among fair trade and non-fair trade households in this respect. Approximately 20.45% of farmers have education below primary level while 79.55% of farmers have completed primary level or above.

Table 5.7: Percentage of numbers of household members

N=154	Numbers of household members (%)	Numbers of farm labour (%)	Off-farm labour (year round) (%)	Non-farm labour (seasonal) (%)	Dependents (%)
0	-	-	58.5	55.7	19.8
1-2	3.8	61.3	36.8	39.6	51.9
3-4	25.5	34.9	4.7	4.7	25.5
5-6	59.4	3.8	0.0	0.0	2.8
More than 6	11.3	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

5.2 Land

The size of land holdings of farmers is small. The average size of land owned by is 22.4 rai, which is lower than the average (25 rai) for the entire North East region (Office of Agricultural Economics, 1996). Some farmers also rent farm land. The average amount of rented land is 4.29 rai. It is important to highlight the fact that 11.8% of conventional farmers are landless, whereas none of the fair trade farmers are considered landless (table 5.8). 39.22% of conventional farmers rent farm land, while 26.08% of farmers who quit fair trade and 23.64% of fair trade farmers rent land (table 5.9).

Table 5.8: Size of land that farmers own

Size of land (rai)	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade (n=48)		Total (n=154)	
	Cases	%	Cases	%	Cases	%	Cases	%
landless	0	0.0	6	11.8	1	2.1	7	4.5
1-10	12	21.8	19	37.3	9	18.8	40	26.0
11-20	15	27.3	10	19.6	15	31.3	40	26.0
21-30	18	32.7	9	17.6	5	10.4	32	20.8
More than 30	10	18.2	7	13.7	18	37.5	35	22.7
Total	55	100.0	51	100.0	58	100.0	154	100.0

Table 5.9: Size of rented land

Size of rented land (rai)	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade (n=48)		Total (n=154)	
	Cases	%	Cases	%	Cases	%	Cases	%
None	42	76.36	31	60.78	35	72.92	108	70.13
1-10	8	14.55	7	13.73	7	14.58	22	14.29
11-20	4	7.27	10	19.61	2	4.17	16	10.39
21-30	1	1.82	3	5.88	3	6.25	7	4.55
More than 30	0	0.0	0	0.0	1	2.08	1	0.64
Total	55	100.0	51	100.0	48	100.0	154	100.0

5.3 Households Assets

All households which were researched own their houses. Almost all households own a television (92.9%). Since the motorbike is the important means for travelling into town, it is not surprising to find that the majority of farmers own one (74.7%). Farmers who own pick-up vehicles are considered 'rich' households. Often, these also work as paddy traders who buy paddy from farmers in villages and then sell it to mills. Farmers in Surin province do not own many farm assets. Unlike farming in other regions of Thailand where machinery plays a crucial role, the majority of farmers in Surin still use labour-intensive methods. Engine-driven ploughs are the only machines that farmers own (57.8%), while many households still use buffaloes. Only 14.3% of farmers own a water pump. This reflects the fact that the majority of farms are situated in non-irrigated areas. It is interesting to note that very few farmers in this area own a thresher and cart, and no farmers own tractors.

Table 5.10: Summary of households' assets

Items	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade (n=48)		Total (n=154)	
	Cases	%	Cases	%	Cases	%	Cases	%
TV	50	90.9	48	94.1	45	93.8	143	92.9
Motorbike	36	65.5	36	70.6	43	89.6	115	74.7
Bicycle	34	61.8	30	58.8	25	52.1	89	57.8
Radio	22	40.0	19	37.3	26	54.2	67	43.5
Pick-up	7	12.7	5	9.8	6	12.5	18	11.7
Engine-driven plough	33	60.0	26	51.0	30	62.5	89	57.8
Water pump	9	16.4	4	7.8	9	18.8	22	14.3
Sprayer	4	7.3	1	2.0	3	6.3	8	5.2
Thresher	1	1.8	1	2.0	2	4.2	4	2.6
Cart	0	0	0	0	3	6.3	3	1.9
Four-wheel tractor	0	0	0	0	0	0	0	0

5.4 Farm activities

94.4% of farmers stated that water is the most important factor in carrying out rice farming. This again reinforces the difficulties involved in rain-fed agriculture. 62.3% of respondents use transplant methods, 14.9% use broadcast, and 22.7% use a combination of both methods. 93% of farmers use chemical fertilisers, while only 5% of farmers had converted their farms to organic farming by 2000.

Traditionally farmers in the North East use transplant farming methods. However, as one strategy to cope with a lack of labour, some farmers have adopted broadcast methods. The advantage of adopting this method is that farmers do not have to hire labour; and this lowers the cost of production. Moreover, it is a quick method that suits drought situations. However, there are some disadvantages in this method. For example, the yield is unreliable, the productivity rates are low, and the harvest process is more difficult.

Although farmers feel that the price of chemical fertiliser is too high, the majority of farmers still see the importance of chemical fertiliser and continue using it. Two main inter-related reasons are usually given. First, the quality of land in Surin is low. Secondly, farmers need to increase productivity. However, farmers also expressed their willingness to stop using chemical fertiliser, if possible. The reasons for this are presented in table 5.11:

Table 5.11: Reasons for not using chemical fertilisers

Reasons	Count	%
Expensive	104	41.6
It damages soil	79	31.6
The usage quantity is increased every year	37	14.8
It damaged paddy grain if harvest late	18	7.2
Others	12	4.8
Total	250	100.0

96.1% of households complement their rice farming with husbandry activities, mainly for household consumption. All the households of fair trade farmers and those of farmers who quit fair trade engaged in some husbandry activities, while 88.2% of conventional farmers also do so. The most common livestock raised in farms is chicken (90.9%), and this is followed by cow, buffalo, duck, and swine (table 5.12).

Table 5.12: Summary of livestock in farm households

	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade (n=48)		Total (n=154)	
	Cases	%	Cases	%	Cases	%	Cases	%
Cow	29	52.7	14	27.5	28	58.3	71	46.1
Buffalo	30	54.5	23	45.1	17	35.4	70	45.5
Swine	13	23.6	7	13.7	7	14.6	27	17.5
Duck	33	60.0	14	27.5	16	33.3	63	40.9
Chicken	53	96.4	41	80.4	46	95.8	140	90.9

Table 5.13 shows that most farming households earn between 45,000 to 60,000 baht from their farm income. Interestingly, fair trade farmers earn more from farm-income. 22.2% of fair trade farmers earn more than 75,000 baht while only 7.8% of conventional trade and 6.3% of farmers who quit fair trade reached that same amount.

Table 5.13: Farm income levels

Farm income levels	Fair trade farmers		Conventional farmers		Farmers who quit fair trade		Total	
	Cases	%	Cases	%	Cases	%	Cases	%
Lower than 15,000	2	3.7	5	9.8	4	8.3	11	7.1
15,000-30,000	10	18.5	9	17.6	12	25.0	31	20.1
30,001-45,000	10	18.5	13	25.5	12	25.0	35	22.7
45,001-60,000	11	20.4	17	33.3	13	27.1	41	26.6
60,001-75,000	9	8.6	3	5.9	5	10.4	17	11.0
More than 75,001	12	22.2	4	7.8	3	6.3	19	12.3
Total	54	100.0	51	100.0	48	100.0	153	100.0

5.5 Non-farm activities

A number of studies indicate that in the North East and others regions in Thailand the main source of cash income is non-agricultural activities. Farming households rely more on incomes from non-agricultural activities than on income from agricultural ones (Office of Agricultural Economics, 1996; Promphakping, 2000; Siamwalla, 1999).

Promphakping (2000) explains that the low return from agriculture has increased the hardship of rural people, and prevented them from earning a living and satisfying their needs from agriculture. At the same time, the growth in industries in the urban sector, as a result of unbalanced development, offers new opportunities for rural people to earn a living. This encourages the migration of rural people from rural areas to big cities. The number of migrants from the North East has steadily increased since 1960, mainly for economic reasons (Promphakping, 2000).

In this study, the result shows that besides farm incomes, households also generate income from non-farm activities. It is found that 72.7% of farm households also engage in off-farm work (67.3% of fair trade farmers, 74.5% of conventional farmers, and 77.1% of farmers who quit fair trade). On average, one or two member of farming households work off-farm during the dry season and return to farm work during the growing and harvesting seasons. The most popular off-farm work among farmers is construction work. Off-farm work is not only a source of income, but it also helps address the problem of employment. Households who allow their members to migrate to the city lose an important source of labour. However, migrants normally send some money back to their families and this helps the families to hire labour for farming.

There are a number of reasons why farmers adopt off-farm activities. 59.1% of respondents claimed that they adopted non-farm activities to compensate for the low incomes derived from farm activities. 29.88% meanwhile also pointed out that non-farm activities were more secure sources of income than farm activities. This is perhaps surprising after the 1997 crisis. Incomes earned from off-farm work are utilised for household daily expenditures (42.24%), debt repayments (23.90%), farm expenses (22.31%), and education (7.17%) (table 5.15).

Table 5.14: Reasons for working off-farm

Reasons	Count	%
Farm income is not enough for family expenditure	97	59.15
Non-farm work has more secure income	49	29.88
Do not like farming	8	4.88
Have free time after harvest	6	3.66
Others	4	2.43
Total	164	100.00

Table 5.15: Utilisation of off-farm income

Utilities of off-farm income	Count	%
Household daily expenditure	106	42.24
Debt repayment	60	23.90
Farm expense	56	22.31
Education	18	7.17
Others	11	4.38
Total	251	100.00

The findings presented here, however, contrast with data presented by Office of Agricultural Economics (1996) and Promphaking (2000). Both these sources suggest that non-farm income is predominant in rural households. However, figures in this research show that 63.2% of households earn less than 15,000 baht *per* year from non-farm activities (table 5.16), and this is lower than farm-income.

Table 5.16: Non-farm income levels

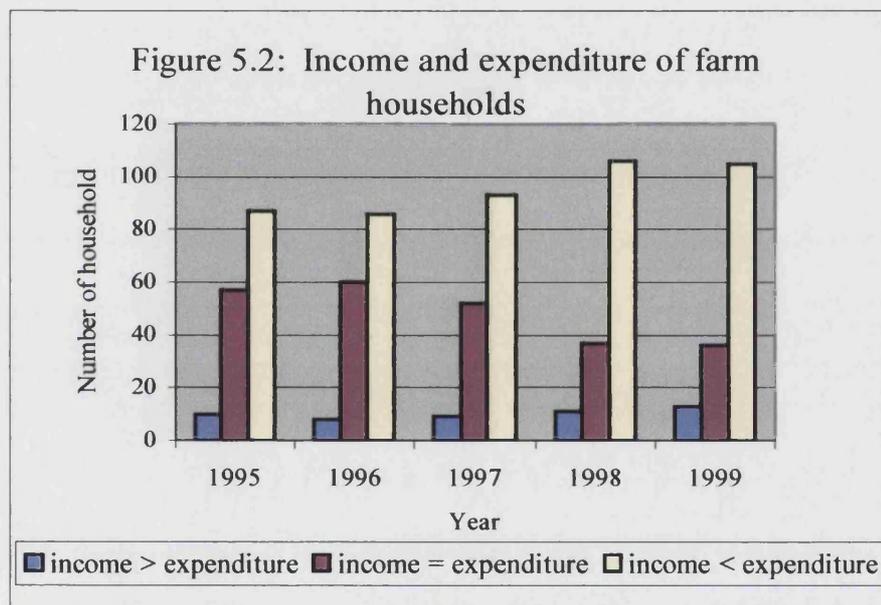
None-farm income levels	Fair trade farmers		Conventional farmers		Farmers who quit fair trade		Total	
	Cases	%	Cases	%	Cases	%	Cases	%
Lower than 15,000	37	67.3	29	56.9	30	62.5	96	62.3
15,000-30,000	8	14.5	11	21.6	10	20.8	29	18.8
30,001-45,000	5	9.1	6	11.8	3	6.3	14	9.1
45,001-60,000	1	1.8	3	5.9	2	4.2	6	3.9
60,001-75,000	0	0	0	0	2	4.2	2	1.3
More than 75,001	4	7.3	2	3.9	1	2.0	7	4.6
Total	55	100.0	51	100.0	48	100.0	154	100.0

5.6 Net income

The average income of farmers is 67,484.31 baht *per* year while the average expenditure of farmer households is 67,723.14 baht *per* year (consisting of 20,118.02 baht for production and 47,605.12 baht for household consumption). This implies that farmers are left with an average debt of 238.83 baht *per* year. This figure contrasts with average figure for agricultural households in the North East (see table

5.3) where the total balance of farm household income against expenditure is 18,216.09 baht. The figure of 238.83 in debt however is consistent with data from the Surin Statistic Office (presented in table 5.5) which indicate that Surin farmers do not have enough income to cover their expenses.

Having cross-checked the financial situation of farmers by asking farmers to compare their income and expenditure – if income was more, equal, or less than expenditure from 1995-1999 – the finding confirms that the majority of farm households incomes do not cover their expenditures.



5.7 Debt

Due to a number of constraints alluded to earlier, the majority of farmers find themselves in a situation of debt. The average debt of fair trade farmers in this research is 37,292 baht. The average debt of all farmers is 34,995 baht, while conventional farmers' debt is 44,649, and that of farmers who quit fair trade is 32,108 baht.

Table 5.17: Debt levels of farm households

Debt	Fair trade farmers		Conventional farmers		Farmers who quit fair trade		Total	
	Cases	%	Cases	%	Cases	%	Cases	%
0	5	9.1	7	13.7	5	10.4	17	11.0
1- 15,000	10	18.1	16	31.4	10	20.8	36	23.4
15,000-30,000	15	27.3	10	19.6	15	31.3	40	26.0
30,001-45,000	9	16.4	6	11.8	6	12.5	21	13.6
45,001-60,000	10	18.2	4	7.8	6	12.5	20	13.0
60,001-75,000	1	1.8	0	0.0	1	2.1	2	1.3
More than 75,001	5	9.1	8	15.7	5	10.4	18	11.7
Total	55	100.0	51	100.0	48	100.0	154	100.0

Like many rural villages in Thailand, most households have access to sources of credit. 71.5% of respondents have loans with BAAC. 16.2% borrow money from their social groups e.g. saving groups or credit unions. 9.8% borrow money from money-lenders. The rest borrow money from relatives, commercial bank, and agricultural co-operatives.

64.5% of respondents utilise their loan for farm expenses e.g. to pay hired labour or purchase farm inputs. 18.0% of respondents use loans for household daily expenditures and 17.1% use them to pay back debt. A few loans are used for education, purchasing electrical equipment, motorcycle, renovating the house, and buying land.

5.8 Savings

Having asked farmers about savings, 46.9% of conventional farmers reported that they do not have any savings, while 31.9% of farmers who quit fair trade and 20.0% of fair trade farmers were in the same situation. 43.7% of farmers admitted to having savings between 1 and 5,000 baht (table 5.18). However, it is important to highlight that 'savings' in farmers' sense is different from its meaning in an economic sense. What farmers actually mean by 'saving' is the margin they get from rice farming less

all farm expenses (e.g. costs of chemical fertilisers and labour costs). This type of 'saving' is normally used for the daily expenses.

Those farmers who have some 'savings' deposit their money with their saving groups or credit unions (54.2%), with BAAC (30.4%) and with commercial banks (12.8%). Some respondents deposit savings with agricultural co-operatives, farmers groups and women groups.

Table 5.18: Saving levels of farm households

Saving levels	Fair trade farmers		Conventional farmers		Farmers who quit fair trade		Total	
	Cases	%	Cases	%	Cases	%	Cases	%
0	11	20.0	23	46.9	15	31.9	49	32.5
1-5,000	30	54.5	17	34.7	19	40.4	66	43.7
5,001-10,000	5	9.1	3	6.1	5	10.6	13	8.6
10,001-15,000	1	1.8	1	2.0	0	0.0	2	1.3
15,001-20,000	3	5.5	1	2.0	0	0.0	4	2.6
20,001-25,000	2	3.6	0	0.0	0	0.0	2	1.3
More than 25,001	3	5.5	4	8.2	8	17.0	15	9.9
Total	55	100.0	49	100.0	47	100.0	151	100.0

6. Conclusion

This chapter has briefly outlined the socio-economic situation of Surin farmers. It has shown that rice farming is the main source of income for Surin farmers. Although rice farming faces a number of constraints, such as the depletion of soil nutrients, water shortage, low returns and the low price of paddy, it is still the primary source of income for most farmers. Due to the unfavourable conditions, the majority of farming households have also adopted non-farm activities, particularly after the rice harvest season in order to strengthen the household's overall income. This chapter has produced evidence that the income of farmers does not cover expenditure. This leads to the endless cycle of debt because farmers have to borrow money to payback their debts.

The remainder of this thesis looks more closely at how fair trade may help these poor farmers. The next chapter focuses on the physical aspects of fair trade and conventional trade. It will explain the activities, actors, and process of rice trading. Three main aspects will be compared. First, the physical aspect will be examined. It will analyse how fair trade has shortened trade networks, has reduced the role of middlemen, and has been more successful in integrating farmers into the trade process. Second, the sociological aspect will be examined. It will look at the various relationships operating in trade networks. Finally, the financial aspects will be examined. Here it will analyse prices margins, sources of capital and issues of profitability.

Chapter 6

Maps of the Rice Trade: Conventional Trade Versus Fair Trade

1. Introduction

As discussed earlier, fair trade aims to maximise the returns to producers and enable them to earn more. Fair trade attempts to develop trade based on equal partnerships and long term sustainable commitments. Moreover, it tries to shorten the trade network and link producers to consumers more directly (Watkins, 1995). Hence, direct purchasing from producers is a crucial aspect of fair trade (Bird and Hughes, 1997). The fair trade network aims to be short and transparent. As NRET (1998:118) points out:

“First, fair trade organisations have blamed traders and long trading chains for poor farm-gate prices. Therefore, fair trade tries to ‘cut out the middle man’ by encouraging overseas buyers to deal directly with producers (who are often encouraged to form groups or co-operatives for this purpose). Second, the ability to show where, when and how a given item was chains of custody or tractability mechanisms. These can be jeopardised by unduly long supply chains. Ethical trade chains are therefore often more tightly vertically integrated than those in conventional trade”.

This chapter aims to examine the physical aspects of two types of rice trade: the first is referred to as ‘conventional trade’, the second as ‘fair trade’. To begin with, maps of the two systems of trade will be outlined in order to give a general picture of the rice trading process. It will then explain the different activities and actors in each of the steps of the process. Finally, it will then make a comparison in three aspects. First, the physical aspects. It will analyse whether fair trade has shortened the trade network, has reduced the role of middlemen, and has more vertically integrated than the conventional trade. Second, the sociological aspect. It will look at relationships in trade networks. Finally, the financial aspects. Prices margins, source of capital, and profitability will be analysed.

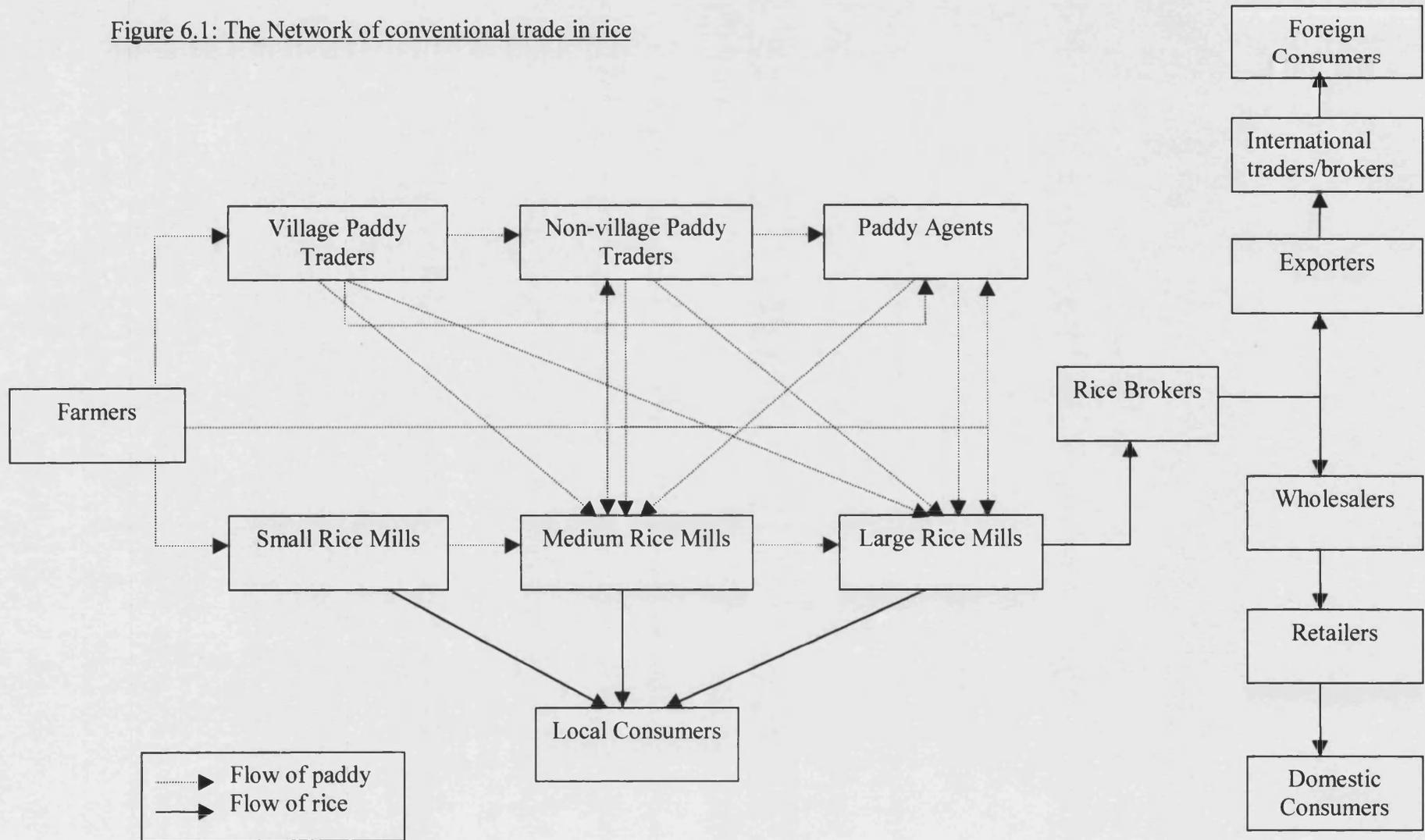
2. Conventional trade networks

As figure 5.1 shows, the process of rice trading starts from farmers selling their paddy directly to mills or selling paddy to middlemen. Mills then transform paddy to rice, and then trade the rice to local consumers or sell it to rice brokers. Rice brokers then sell rice to wholesalers for domestic trade or to exporters for international trade. The following sections will explain the process of the conventional rice trade particularly focussing on the activities and actors of the trading network in details.

2.1 Farmers and rice farming

The process of rice farming can be divided into the following 5 steps: land preparation, planting, maintenance, harvesting and threshing. Normally the rice cropping season begins in May or the beginning of June when the rainy season comes. Farmers then start preparing their land and begin to plant in June. Following this, their plants need to be maintained from time to time. The harvesting season falls between November and December. Threshing is the last process and normally finishes 2-3 weeks after harvesting. After threshing, the paddy will either be stocked or milled and taken into the marketing system (Siamwalla and Na-Ranong 1990).

Figure 6.1: The Network of conventional trade in rice



Paddy is perceived by farmers as a key asset. Farmers normally utilise paddy in 4 ways: a) to keep seeds for farming next season, b) to sell, c) to pay debt in kind, or d) to keep paddy for household consumption. However, it is quite difficult to find out how many kilograms of paddy farmers utilise for each purpose. Generally farmers keep seeds for the next season at about 12 kilograms *per* rai (Siamwalla and Na-Ranong, 1990), and keep some for household consumption throughout the year. Apart from that, farmers will sell paddy to markets usually from November until February. Most farmers prefer to sell paddy gradually, depending on how much money they need at the time of selling. Some farmers sell rice just after harvesting because they urgently need cash to pay back debt. Others sell all of their paddy and do not have any supply left for household consumption or for the next farming season. This leads to a cycle of endless debt where farmers have to borrow money either from formal or informal financial institutions in order to farm their paddy year after year.

2.2 Paddy traders

There are two main routes for farmers to sell rice: either to mills and to paddy traders. For farmers who live in remote areas where transportation is not convenient, paddy traders play a crucial role in local rice trading. Normally paddy traders buy paddy at below market price and then sell it to paddy agents, medium or big mills.

Siamwalla and Na-ranong (1990) categorise paddy traders into 3 groups: village paddy traders, non-village paddy traders, and paddy agents. Village paddy traders are mainly rich farmers or merchants in the village who have enough capital and transportation to buy paddy from nearby villages and sell it to mills. The main profit for them derives from transportation and speculation on the paddy price.

The second type of paddy traders are paddy traders who come from outside the village. They cover a wider area than the first type of trader. The last type of paddy traders are paddy agents. This type of trader helps traders from outside the village in the sense that these traders do not come into contact with each farmer directly. The paddy agents are usually well known, have good contacts with other farmers, and are considered trust

worthy in the village. The main profit for this agent derives from the agent's fee, which costs about 10-20 baht *per* tonne.

Paddy traders sometime give loans and provide farm inputs e.g. seeds, fertilisers, pesticide to farmers. At the beginning of the farming season, farmers receive money or farm inputs from the traders. Farmers repay their debt plus interest as soon as they finish harvesting. They can pay either in paddy or in money. In some cases, payment by both paddy and money is acceptable. The interest rate is considerably higher than that from a formal credit source. For example, for a loan of 10,000 baht, farmers have to repay 9-10 sacks (720-800 kilograms) of paddy as interest¹. Alternatively, farmers can pay 3 sacks (240 kilograms) of paddy for lending 1,000 baht. This rate includes loan and its interest². Many money lenders set loan rates at 5% *per* month. For fertiliser, farmers have to pay 9-10 sacks (720-800 kilograms) of paddy for 10 sacks of chemical fertiliser³.

From interviews with local villagers, it was found that a new way of borrowing has emerged over the past couple of decades; namely paddy borrowing. Farmers borrow 720 kilograms of paddy from paddy traders and pay 360 kilograms of paddy for the interest *per* year⁴. This phenomenon obviously reveals the extreme poverty of the farmers. Farmers who grow rice themselves have to borrow rice to eat because they sell all of their paddy immediately after harvest either to repay debts or because they need to use the money straight away.

By and large, most farmers are poor and indebted. Farmers lack capital to make an adequate investment in their farms and they do not have the necessary agricultural tools for more efficient production. Poverty has forced them to borrow at high rates of

¹ One sack of paddy cost about 520 baht. So the approximate interest that farmers pay is 46.8-52% *per* crop length.

² This means farmers repay about 1,560 for 1,000 baht loan. The interest rate is hence 56% *per* crop length.

³ The average price for a sack of fertiliser is 350 baht. Farmers exchange paddy worth 520 baht for one sack of fertiliser. The interest rate for borrowing fertiliser is therefore 48.57-65.08% *per* crop length.

⁴ The interest for paddy borrowing is therefore 50% *per* year.

interest, thereby depriving them of possible savings. The fact that they do not possess their own storage facilities makes it necessary for them to sell their paddy as soon as possible. Their poor economic conditions make them easy prey for merchant creditors who demand high rates of interest on loans and repayment of past debts in kind. Farmers therefore have an urgent need for money immediately after harvest. While the price of paddy is always at its lowest during that period, cash is badly needed in order to pay their rent and debts as well as to buy certain necessities, fertilisers purchased on credit, hired labour at harvest, and to meet other costs (Chusakul, 1996; Krisanamis, 1967; Nakada, 1996; Phongpaichit and Baker, 1993, 1998; Sanittanont, 1967).

2.3 Mills

Rice mills are situated across the rice growing areas. Mills have a major role to play in the rice trading process. Not only do they transform paddy into rice, but they are also an important source of price information as well as the main buyers of paddy and the main sellers of rice.

Mills can be separated into 3 types according to their production capacity (Siamwalla and Na-Ranong 1990). The first type of mill is a small-scale mill, which has a milling capacity of less than 5 tonnes of paddy *per day*. A small-scale mill is normally situated in a village. This type of mill basically deals with lead farmers of the village. Farmers take their paddy to get it transformed into rice for household consumption. The owners of mills receive the by-products of milled rice e.g. broken rice and bran in return. These by-products can be used or sold for animal consumption. Millers of small-scale mills normally run a pig farm business so they can use the by-products to feed the pigs.

The second type of mill is a medium scale mill. It has a milling capacity of between 5-20 tonnes of paddy *per day*. This type of mill generally buys paddy from farmers and paddy traders. The last type of mill is a large scale mill. It has a milling capacity of over 20 tonnes of paddy *per day*. The large scale mill buys a large amount of paddy according to its capacity. Normally they buy paddy mainly from paddy traders.

The profit of medium and big scale mills can be generated from 3 sources. The first is from the difference between paddy price and rice price. The second source is from selling broken rice and by-products to animal farming companies. Finally, the third source is from price speculation by holding paddy stocks.

Small rice mills are less efficient in transforming paddy into rice. Generally paddy can be transformed to half as much rice. The remaining 50% is broken rice and bran, which can be used for animal consumption. Rice that is milled in small mills contains a mixed quality of rice (100% rice together with broken rice). They cannot be separated because small mills lack the appropriate technology. With small scale mills, the percentage of broken rice is quite high. Medium and large scale mills can transform paddy to approximately 66% or more rice.

Siamwalla and Na-ranong (1990) note that the high percentage of broken rice found in products of small scale mills could be because of the low efficiency of the milling machines. Furthermore, millers themselves do not have any incentives to improve its productivity especially when the mill fee is paid in broken rice and bran. In this case, the lower the machine efficiency, the more husk and bran the miller gets.

The cost of milling varies according to the size and capacity of the mills. In the area that the fieldwork was carried out, the cost for medium scale mills is around 0.10 – 0.20 baht *per* kilogram of rice, while for small scale mills the cost goes up to 0.50 baht *per* kilogram of rice. In other words, the cost of production *per* unit of large scale mills is lower than that of small scale mills. However, the cost of production *per* unit is not the only factor that determines the profit of mills. It is rather small scale mills that make the highest profit *per* unit among the three types of mills (Siamwalla and Na-Ranong 1990).

From fieldwork it is found that millers in the province prefer to buy paddy from paddy traders rather than from individual farmers. This is because the volume of trade between the two is dramatically different. Buying from paddy traders is more convenient for millers because they can get large quantities of paddy at one time, while

if they buy from farmers the volume of trade is relatively small and the process is time consuming. Millers normally pay more to paddy traders than to farmers. However, buying from inter-region paddy traders can also be problematic as they mix different types of paddy but try to sell it as pure and expensive Jasmine rice. Millers therefore have to carefully monitor the quality and purity of paddy before they trade with new paddy traders. Besides trading with farmers and paddy traders, millers also trade amongst themselves, as paddy or rice can move from small rice mills to medium and large or *vice versa*. This all depends on demand and supply speculation and ultimately on the ability to make a profit.

2.4 Rice brokers

From mills, rice is then traded onto domestic and international market by rice brokers. Rice brokers are the main link between mills and wholesalers and exporters. Most of their offices are situated in Bangkok, the centre of the rice trade. According to Siamwalla and Na-ranong (1990), there are approximately 60-70 rice brokers in the market.

Rice brokers have four main tasks. First, they buy rice from mills and have it delivered to the buyer's storage in time. Second, they check the quality and quantity of rice on behalf of buyers. Third, they act as representatives of mills to ensure the quality of rice as agreed for sale. Fourth, they respond for payment and secure the money from the buyers and pay it to the sellers. Rice brokers normally deal with many mills and vice versa. The process of trade starts when rice brokers receive rice samples from mills. They take the samples and show them to wholesalers and exporters. After this, a process of price bargaining begins.

The rice brokers' profit derives from the brokerage fee which costs 0.6% - 1% of the total value of trade *per* transaction. However, some brokers can also gain in another two situations. First, when the rice price changes. Second, when they buy from mills and sell at a higher price to exporters/wholesalers. These may happen because rice brokers have good information about who needs what type of rice. They also know

who has rice. As a consequence, rice brokers monitor prices as they move according to market demand and supply. Some brokers quote a buying price to mills. If the mills agree to sell at that price, brokers then sell the rice to eager exporters or wholesalers willing to pay a higher price than other buyers.

It is pointed out by millers that rice brokers should not be speculators or traders themselves. If they are, then they will not be trusted by the millers. However, recently many rice brokers have become traders and speculators as well as brokers. This is because they could gain higher profit margin from rice price speculation, while profit from brokerage is a flat rate of 0.6-1.0% of sale value. Moreover, many large scale mills have started diversifying their business and have become brokers and exporters. Many exporters meanwhile have started business as brokers and millers.

2.5 Wholesalers and retailers

Wholesalers carry out an intermediary role in rice trading. One of the main roles of wholesalers is to stock rice in order to serve the demand of consumers. Wholesalers buy rice from mills or agents and sell it to three channels. The first channel is to sell rice to the food processing industry. The second channel is to sell rice to retailers. The last channel is to sell to rice traders in the South of Thailand. Wholesalers also have their own transportation service. The main income for wholesalers comes from two sources. The first source is from speculation on the price of rice by holding stock. The other source is the profit accrued from the difference between the collected and delivered price of rice.

Retailers buy rice from wholesalers and sell it to consumers. Rice is available either in sacks, bags, or weighed in kilograms. In urban areas, rice sold in bags of two, five, and fifteen kilograms is the most popular. In rural areas, consumers still buy rice by weight measured in kilograms.

2.6 Exporters

All export companies are situated in Bangkok and some have their own mills. Some exporters are only involved in the export business. Although they mainly export rice, they may also deal in other agricultural products such as corn, bean, and cassava. This diversification is explained by the fact that rice trading is a seasonal trade which is normally done during the harvesting season. Export companies therefore diversify their business to reduce risk. Also, profit from agricultural trade depends on demand from international and supply within the country. Therefore, it can probably make a profit for this year but nothing is guaranteed for next year or the following year.

Table 6.1: Major Thai rice exporters (1997)

Group of Companies	Volume (tonnes)	Market Share (%)
Soon Hua Seng	814,910	15.7
Capital Rice	682,695	13.2
Chaiyaporn Rice	561,230	10.9
Thai Fah	266,825	5.2
Kamolkiij	248,504	4.8
Jiameng	206,580	4.0
Rice International	205,217	4.0
Siam Rice	203,505	3.9
Thai Maphan	189,703	3.7
Uthai Product	177,545	3.4
Total	3,556,714	68.8
Others	1,614,605	31.2
Grand total	5,171,319	100.0

Source: Bangkok Post (1998)

After rice is prepared for exportation and stored, it can be traded in the international market in three ways: private exporters may sell rice to private importers, private exporters may sell rice to government, and the government may sell rice to other governments. Normally rice that is sold by the first and the second methods is traded

through specialist international brokers or international traders. International rice brokers charge a fee of 1% of the total rice trade value.

Government to government export is mostly carried out by private exporters who trade on behalf of the Thai government. Although, the volume of government to government export is not high, it persists for two reasons. First of all, the government uses it economically as a means to increase rice price when the domestic price is low. Secondly, government uses it politically as a means to sell rice at a cheap price to neighbours or international aid organisations.

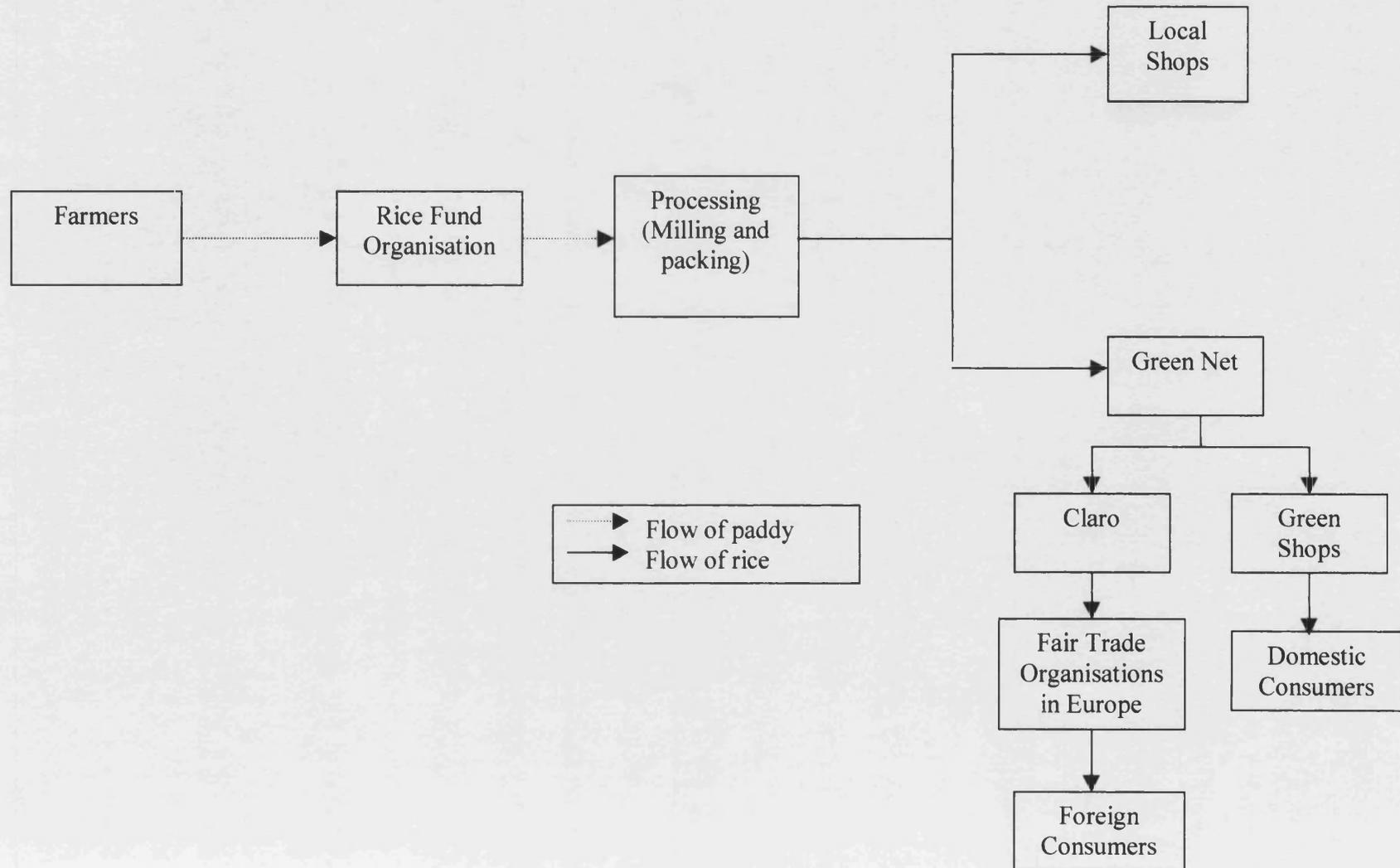
3. The fair trade networks

Having explained how conventional trade works, the activities and actors involved in rice trade, this section will now turn attention to the fair trade network. The following section explores the trading network of fair trade in rice. Similarly in method, a map of the trading network will be drawn (see figure 5.2), followed by descriptive analysis of the actors and activities.

3.1 Producer groups

Fair trade rice is currently purchased from 4 farmer groups in the North East of Thailand, three of which (Sahatam Group, Tatoon Group, and Natural Agriculture Group) are in Surin province and the other (Nature Care Rice Mill Group) is in Yasotorn province. This research is mainly focused on the Natural Agriculture Group (NAG).

Figure 6.2: The trading network of fair trade in rice

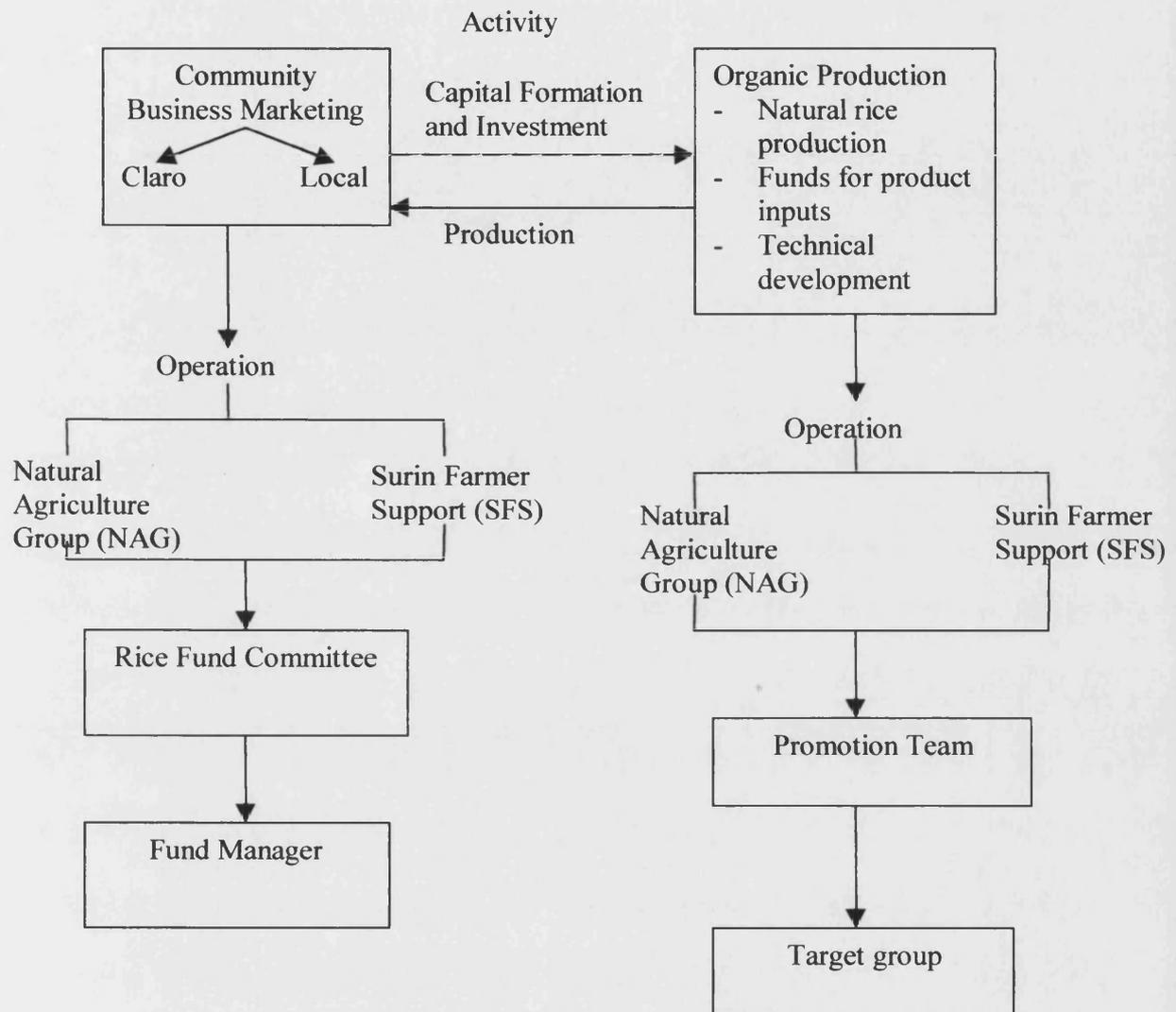


The Surin Farmer Support (SFS), the Natural Agriculture Group (NAG), and the Rice Fund Organisation

SFS, the NAG and the Rice Fund Organisation are interlinked (see figure 5.3). SFS is a local NGO established in 1985 to promote sustainable agriculture. It carries out a number of important functions. First of all, it offers capacity-building and technical assistance to the NAG and those farmers moving from chemical farming to organic agriculture. Secondly, it supports the development of agricultural processing, which would increase the value of organic products. Finally, it acts as a resource centre and disseminates information to concerned groups and consumers.

Although informally set up earlier, the NAG was officially established in 1991 in order to deal with the problem of price determination. At that time farmers faced two immediate concerns: a) the low price of paddy, and b) the control traders and mill owners exercised over the price of unmilled rice. Besides the problem of price determination, the NAG also established saving and cooperative activities in order to give loans to its members at low interest rates. Five members from the NAG are chosen to be members of the Rice Fund Organisation. Its main tasks are to deal with buying and selling NAG paddy and the allocation of funds for SFS and NAG works. Both the NAG and Rice Fund Organisation are under the umbrella of SFS.

Figure 6.3: The organisation chart of Surin Farmer Support



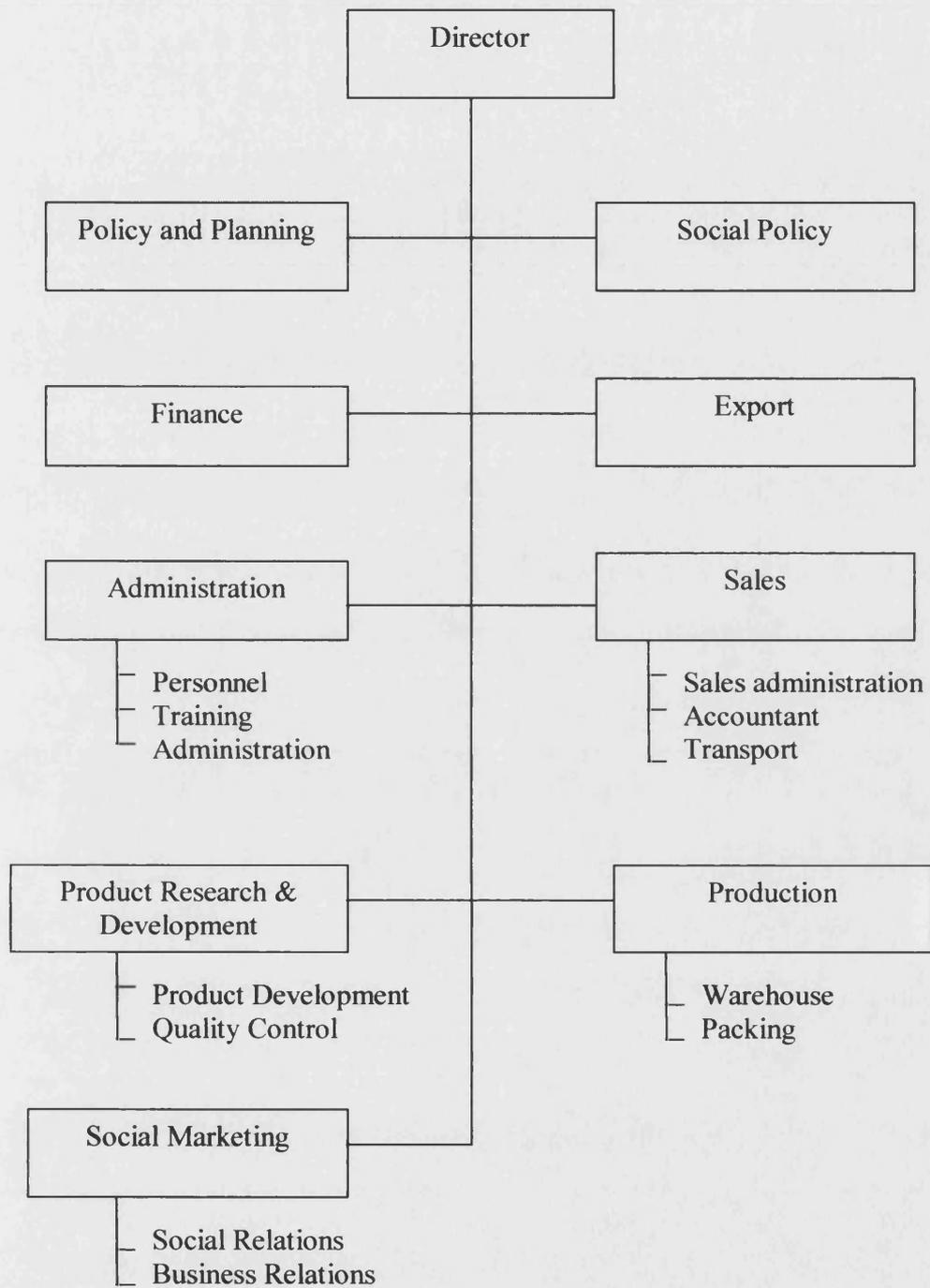
Source: Suvanajata (1999:12)

3.2 Green Net

Green Net was formed in October 1993. It is an NGO and fair trade organisation aiming to serve as a marketing channel for small scale organic farmers and adheres to fair trade principals in its marketing activities. It also engages in sustainable development activities, especially those concerned with fair trade, food-processing, community enterprises, and the learning process of producers. Green Net perceives that the marketing problem is a major stumbling block in the development of the organic movement. As a consequence, Green Net aims to raise both production and consumption levels of organic foods by establishing a link between producers and consumers and thus fostering better understanding and cooperation between rural producers and urban consumers.

The director of Green Net questioned the capacity of the farmers' organisations and local NGOs to handle a large volume of trade (and especially export, which is much more complicated and requires quality monitoring and controls). Farmers doing business themselves proved to be a too optimistic scenario. The rice business is far more complicated. Many attempts have failed. Key informants agree that farmers as well as NGOs do not have enough knowledge to do business. NGOs are good at working in the field with farmers, while farmers are good at rice farming. He further explained that we should start dividing the tasks and allow everyone of us to develop some specialities in certain areas, not the whole process. Farmers are good at farming and perhaps can start to learn about milling and processing, but should they also have to do the marketing themselves? We perhaps have asked the farmers' organisation to do more than they could. Hence, there is a need for someone to bridge the gap for which a fair trade organisation would be appropriate (interview with the Director of Green Net on 13/10/99).

Figure 6.4: The organisation chart of Green Net



Source: Green Net (1999:25)

Green Net is one of the largest organic wholesalers in Thailand. At present, there are over 150 assorted products (e.g. organic vegetables, fruits, rice, teas, dried banana, honey, sesame seeds, herbal products etc.) sold through Green Net and distributed to approximately 40 retail outlets which are mainly NGO-based shops. Apart from its involvement in alternative domestic markets, Green Net has also diversified the organic rice market to Europe. Now one of the main tasks of Green Net is to export fair trade rice to the European Fair Trade Association (EFTA). It has become one of the largest Thai food exporters to EFTA. In 1999, a total of 195 tonnes of rice was exported by Green Net.

Green Net emphasises that its policy offers a fair deal for farmers and consumers. Farmers are encouraged to set the prices for their products and market them through their local groups. Products are distributed almost directly to local consumers or *via* green shops. Consumers are informed about the products and producers groups through the labels on the packages and a from campaigns as well as activities that Green Net organises.

3.3 Claro

It can be said that Claro was the first organisation to have introduced the fair trade to Thai farmers. Claro plays a crucial role in fair trade policy. It sees exports as an alternative way which producers receive a higher price for their products by exporting through alternative trading channels. Subsequently, it facilitated local NGOs and local farmers to find alternatives to bring farmers more income. For example, to take a further step into the rice business either by operating a mill, trading rice, and exporting. The fair trade project has now been officially established for almost 10 years since OS3, now called Claro, entered into a direct partnership with small-scale farmers in Surin Province in 1992. It is the official importer for fair trade rice and all fair trade organizations in Europe have to place their orders *via* Claro⁵. Claro then supplies the

⁵ It is not clear how Claro got to this point. However, from an interview with Green Net, trading *via* Claro (then a broker) reduce the number of transactions that Green Net has to undertake with buyers. Claro also benefits from the fee that trading partners pay. However, there is a problem when

rice to other EFTA members. The current importers of fair trade rice are Claro (Switzerland), Solidar Modde (France), Oxfam (Belgium), Oxfam (UK), Gepa (Germany), and CTM (Italy).

3.4 Processes of fair trading

The process of rice trade begins when the producer groups survey the quantity of their rice supply before harvesting and then inform Green Net. There are two types of rice being traded through the fair trade market: Jasmine rice and an indigenous rice called Laueng-on. Each of these can be further distinguished into two categories: pesticide free and organic⁶. This information together with the price quotation is passed by Green Net to Claro and subsequently to other members of the European Fair Trade Association (EFTA). Each importer then places orders. Once the orders are finalised, Green Net then allocates the rice quota and informs each producer group. Each producer group has to stock the paddy at the beginning of the year to ensure that they have enough rice to trade. Table 6.2-6.5 show the estimate of rice production of each farmer group, the EFTA order, and the allocation of rice export quota for the year 1996.

the orders from Claro decrease. Green Net has responded by trying to diversity its own market channels.

⁶ It is important to note that the minimum qualification for rice that to be traded in the fair trade network at the moment is a pesticide-free rice. This is due to the fact that both Green Net and SFS focus their work on sustainable agriculture. They encourage their members to practice organic farming by, at first, reducing the quantities of chemical fertilisers, pesticides, and insecticide, and, ultimately, stop using all chemical inputs.

In practice, there are 3 categories of rice traded; organic, 'in-conversion', and pesticide-free. However, when rice is exported, there are only 2 categories (organic and pesticide free) as 'in-conversion' rice is sold as pesticide free rice.

Organic refers to a farming method that does not use any chemical fertiliser, pesticide, and insecticide. 'In conversion' means a farming method that does not use any chemical fertiliser, pesticide, and insecticide. The farms are in a transition period from chemical to organic farming which will take 2 years for the conversion. Pesticide-free means a farming method that use chemical fertiliser of not more than 15 kilograms *per* rai. It must not use pesticide and insecticide.

Table 6.2: Estimated rice production of farmers' groups in Surin (tonnes of paddy)

Farmer Groups	Pesticide-free Hom Mali	Pesticide-free Luaeng-on	Organic Hom Mali	Total
Tatoom	30.00	-	-	30.00
Sahadharma	8.00	-	4.80	12.80
NAG/SFS	60.00	55.00	25.00	140.0
Total	98.00	55.00	29.80	182.80

Source: Green Net (1996)

Table 6.3: EFTA order (tonnes of rice)

Date	Buyers	Hom Mali	Luaeng-on	Organic Hom Mali	Total
August	Claro, Switzerland	7.5	7.5	-	15.0
August	CTM, Italy	7.5	7.5	-	15.0
August	Solidar' Monde, France	10.0	5.0	-	15.0
September	GEPA, Germany	15.0	-	-	15.0
September	Oxfam, Belgium	6.0	-	9.0	15.0
October	GEPA, Germany	-	15.0	-	15.0
October	Claro, Switzerland	7.5	7.5	-	15.0
November	CTM, Italy	7.5	7.5	-	15.0
November	Claro, Switzerland	7.5	7.5	-	15.0
December	GEPA, Germany	-	15.0	-	15.0
December	GEPA, Germany	15.0	-	-	15.0
Total		83.5	72.5	9.0	165.0

Source: Green Net (1996)

Table 6.4: Allocation of rice export quota (tonnes of rice)

Farmer Groups	Pesticide-free Hom Mali	Pesticide-free Lueng-on	Organic Hom Mali	Total
Tatoom	20.73	-	-	20.73
Sahadharma	5.54	-	1.45	6.99
NAG/SFS	41.47	58.26	7.55	107.28
Total	67.74	58.26	9.0	135 ⁷

Source: Green Net (1996)

After each group has been allocated quotas for export, the Rice Fund Organisation begins to buy paddy from its members. This process usually begins in November or December. It buys paddy at the market price on the day that farmers agree to sell plus a margin for each group (which are different between them). Once each farmer group has bought paddy, it sends the paddy to the Rice Fund Organisation, which is a member of the NAG. The next process is to transform the paddy into rice. As the NAG does not have its own mill, they contract the milling process out to a local mill which is owned by one of its members. Once the rice is ready, it is sent to the Kor Koh Women's Group at Kor Koh sub-district, Surin province for packing. After this, the rice is partly stocked for local consumers at Kauw Hom shop which is owned by SFS, a local NGO, while the rest is delivered to Green Net in Bangkok. Green Net then distributes it to retail shops, the Green Net Shop, and exports to Europe. The entire exportation process is managed by Green Net.

In 1996, the rice was purchased from the four farmer groups as follow.

⁷ The group in the Yasotorn province supplied the other 30 tonnes needed to satisfy the order from EFTA.

Table 6.5: Quantity and value of rice purchase from each farmer group

Groups	Quantity of rice (tonnes)	Value (mil baht)
NAG, Surin	81.2	1.77
Bak Rua Rice Mill, Yasotorn	52.5	1.08
Friend of Nature Club Rice Mill, Yasotorn	54.0	1.34
Tatoom, Surin	7.3	0.14
Total	195.0	4.33

Source: Green Net (1996)

4. The Comparison

In section 1 and 2, maps of conventional trade and fair trade were drawn. Activities and actors from producers to consumers in trade networks were explained. In this section, three aspects of the trade networks are compared. First, physical aspect: the length of the trade networks is analysed – that is to see if fair trade has shortened the trade network and reduced the role of middlemen involved in trade. Second, the sociological aspect: relationships in the trade network are focused on. Lastly, the financial aspect: prices, margins, sources of capital and profitability in rice trading are examined.

4.1 Physical aspects

Rice trading is a well established business in Thailand. Between farmers and consumers, there are a number of traders involved in rice trade. The conventional trade network is far more complex and has many transactions involved. Middlemen perform a crucial role in the rice trading network. Traders provide important services, particularly in remote areas. There are a number of reasons to support this argument.

First of all, rice trading is big business in Thailand. As mentioned earlier, rice is the staple food for Thais and Thailand is the biggest rice exporter globally. However, rice farming in Thailand, particularly in the North East is replete with small scale rice farms spread across the region. It is the main supplier of high quality rice, especially Jasmine rice for the nation. Demand for rice from this area is high both domestically and internationally. This enables rice traders to play a crucial role in searching for paddy

for mills. In the same vain, rice agents are responsible for finding rice to serve the demand from wholesalers and exporters. They have to make a good connection with mills which spread across the countries in order to find rice for wholesalers and exporters. Middlemen are therefore inevitable in rice trading. They are needed, work well, and play a very important part in the trade.

Secondly, the majority of successful mills today are large scale mills. These mills need to process around 200 tonnes of paddy *per* day in order to make a profit. This fact means that mills cannot rely on farmers' sales because the amount would be too small and the supply inconsistent. When the large scale mills buy paddy from traders, they have to pay higher prices than that which would be paid if they purchased directly from farmers. Finally, traders are also convenient for farmers, particularly with regards to transportation. The majority of farmers do not have transportation and in the remote areas, it is not easy to move the product to rice markets.

A mill in the fair trade network performs a less significant roles than it does in the conventional trade. Firstly, it no longer performs the function of price determination (see more details in section 4.3). Second, it no longer buys and sells rice. Rather the milling is contracted out by the NAG. Finally, it no longer holds stocks of rice with which to speculate on rice prices⁸.

In comparison with conventional trade, the system operated by fair trade shortens the trading chain quite significantly. Also the trading network of the fair trade market is less complicated than that of conventional markets. There is no absolute profit seeking middleman in the process. However, SFS, Green Net and Claro have become multi-role organisations. Green Net works both as a development organisation that focuses on sustainable agriculture, and as a business organisation⁹. In terms of business roles, Green Net operates as an intermediary, wholesaler, retailer, and exporter in itself. There

⁸ However, besides being contracted by the NAG, this mill also works as a conventional mill that is to mill and trade rice.

⁹ The distinction must be made between the middleman of the conventional trade network – motivated primarily by profits – and the middleman role performed by fair trade organisation, who are also driven by non-profit motivations.

is of course a possible contradiction where profit is required for carrying out business (as elaborated in chapter 9).

If we compare the functions of Claro with institutions in conventional trade, Claro may be perceived as both importer and international broker. However, there are some points that make Claro different from conventional importers. Firstly, conventional importers do not directly import from producer groups. Secondly, they do not pay deliberately higher than market prices. Thirdly, they do not tolerate delays or quality problems. Fourthly, they do not prepay for their goods. Finally, they do not allow the rice to be packed in Thailand.

4.2 Sociological and institutional aspects

In conventional trade, paddy traders have been criticised about the morality of their trade. It is often stated by farmers that paddy traders cheat them either by buying paddy at a cheap price and sometimes using unreliable scales to weigh paddy. All were clear that the price they receive from paddy traders is less than the market price. In fair trade networks, the trade is more exclusively based on long term commitment. This is different from conventional rice trade where the competition between traders is very intense, and follows a clear cut business ethos in which profit making is fundamental. The relationship between actors involved in fair trade network is generally 'producer focussed'. Although the claim 'equal partnership' might not be totally true, producers are respected and have significantly more bargaining power than these in conventional trade networks¹⁰.

Green Net and SFS have a very close relationship. Generally, Green Net works at the managerial level and plays a crucial management role in the network. One of the main

¹⁰ Tallontire (2000) criticises the concept of 'partnership' in fair trade networks. The partnership between stakeholders in fair trade networks is based on a combination of market and ethical elements. The character of the latter, and the balance between the two will vary according to the stakeholder at different links in the supply chain. However, ATOs use the terms partner and partnership in different ways and rarely provide explanations of what they mean by them. She points out that partnership is a notoriously slippery concept that calls for greater clarification. For some organisations it is a term which is used to refer to suppliers while at the same time implying a special relationship, a fair trade relationship, with them.

tasks of Green Net is to find markets for its producer groups. It serves as a marketing channel between local producers and the international fair trade market and also provides skill training (e.g. on quality control). It manages all exports and is the main co-ordinator of the fair trade rice. Surin Farmer Support plays a role of supporting farming and empowers the NAG. SFS is more likely to work at the local level and focuses its work on the producers.

In the trade process, there are dependencies between farmer group, SFS, Green Net, and Claro. At this stage, Green Net is the centre of information about the fair trade market and transmits information to SFS and its members. SFS relies on Green Net regarding the fair trade market, as SFS does not have enough managerial skills to manage the whole export process by itself. Also farmers are still dependent on Green Net and SFS in terms of fair trade market and management. SFS cannot export rice without the help of Green Net which oversees the export procedure and contacts Claro. On the other hand, Green Net cannot export rice without the supply of organic rice from the NAG.

SFS is influenced by many policies of Green Net. There is a high degree of influence from fair trade market which requires producers to comply with (see chapter 7). One of the interesting major changes required entails encouraging farmers to apply for organic certificates. The fair trade rice project in Thailand did not initially involve environmental issues. Its first concern was to help rice farmers to access the export market and increase their incomes. At the very beginning of the project exported rice was all from conventional rice farming. They calculated the selling price by adding the estimated price of all operational costs with a social premium for farmers. However, from 1996 onwards, the project has been developed to be environmentally, as well as socially, responsible by placing more orders for organic rice, either because of market-drivers or because of ideological-drivers. The project has encouraged farmers to convert from conventional farming to organic farming. As a consequence, the project now mainly trades in pesticide free and organic rice. Many policies have been introduced in order to achieve this e.g. giving premiums for organic rice and pesticide free rice, and not ordering conventional rice. This is very interesting point because it

has both positive and negative effects for stakeholders. Positively, it is widely accepted that organic production is good for the environment and for people. Fair trade is good for producers. When it comes to organic fair trade, it contains a 'good for all'. It is good for consumers because they will have healthy food to consume. It is good for exporters and retailers because they have a distinctive product which combines elements of fair trade and organic farming. Negatively side, it seems to be that the organic requirement is influenced by the pressure from the rice fair trade market, and farmers who wanted to stay in the project had not chance but to comply with these regulations. Many farmers, particularly poor farmers cannot comply with such requirement due to financial difficulties (see chapter 7).

Transparency in fair trade

Edwards and Hulme (1996:9) explain the nature of multiple accountabilities of GROs and NGOs. They have a 'downwards' accountability to their partners, beneficiaries, staff and supporters; and 'upwards' accountability to their trustees, donors and host governments. This presents any organisation with problems, such as the possibility of over accounting (because of multiple demands), or under accounting, as each overseeing authority assumes that another authority is taking a closer look at actions and results.

Transparency seems to be quite problematic in the fair trade network. There seem to be a lack of information and lack of understanding within the fair trade network itself. In the case of fair trade rice, Claro's role is quite controversial as all import activities are exclusively undertaken by Claro, which means that every order for rice has to be placed *via* Claro. Fair trade partners, e.g. Oxfam, pay Claro a 'partner attender' fee of 8% of the value of the goods for this service to ensure that a) fair trade monitoring is carried out with the rice producer groups and b) Claro works with rice producer groups to help them build capacity and implement fair trade principles.

In reality Claro has no physical contact with the rice. It only co-ordinates the orders and delivery of the final product between Green Net and European fair trade buyers (e.g.

Oxfam Fair Trade, Gepa). Claro deals with the financial exchange between fair trade customers and Green Net. Claro has a slightly controversial 'exclusivity' agreement here, which makes it the sole body responsible for maintaining and upholding this fair trade relationship with Green Net. As a consequence, fair trade partners e.g. Oxfam Fair Trade have no official direct link or monitoring role with Green Net or the rice producers. It has been difficult for other fair trade partners to find out a) the nature of the relationships between Green Net and the producers, b) the nature and arrangements involved in the supply chain, and c) the precise terms of what 'fair trade' in this context means. Furthermore, it seems that Claro has not monitored Green Net that frequently (a meeting with Oxfam Fair Trade team, 11/7/2000)¹¹.

Oxfam Fair Trade team explain that they have a general picture of the relationship between Green Net and the farmers groups. For example, Green Net pays a price at above market levels for each NGO. This fee is then passed down to each of the four farmers groups and then finally to the producer members of these farmers groups. Green Net also gives these groups various forms of other support - loans, technical help and training (e.g. training on quality control, agriculture, product development). Oxfam, however, does not have a complete picture of Green Net's input into the 'fair trade' relationship with farmers groups or producers. It is unclear exactly what inputs Green Net provides to farmers groups and in particular how these benefits are passed down to producers.

Oxfam admits that it does not have a great deal of information about the relationship between producers and their farmers groups. It is admitted that Oxfam's lack of knowledge about the fair trade rice at producer level (in addition to Oxfam's lack of knowledge of the dynamics of the Thai internal rice market and of general domestic producer conditions) makes it difficult for a fully informed judgement to be made of fair trade benefits.

¹¹ I was invited by the Oxfam Fair Trade team to present my work on fair trade in rice and also to exchange information with Oxfam regarding fair trade market and management. The meeting was held on July 11, 2000 at Oxfam Head Office, Oxford.

While carrying out fieldwork, it was found that there is a lack of fair trade market-related information particularly in a form which is suitable to the education, skills and language capacity of the producers. Equally, producers do not understand the constraints of export of quality control issues. Language differences are obviously one of the problems of producer groups. They do not understand foreign languages. Although Green Net has tried to solve those problems by giving farmers workshops about management skills, it is still far too difficult for farmers in general to gain a reasonable understanding. From the view point of producers, the most common difficulties they experience with the fair trade organisation involve low marketing reliability. For example, those arise from internal problems within SFS, such as transparency in the organisation, staff turnover, and policy changes. Also the small size of orders makes farmers uncertain about the future of the project. Such issues seem to raise the question of whether fair trade benefits producers, which are dealt with in chapter 7 and 8.

4.3 Financial aspects

One of the crucial distinctions between fair trade and conventional trade in this research is the way that the price of paddy is set. In conventional trade, price is set from the top down. That is the export price is used as the set price and then related costs are deducted till it comes down to the farmers. Rice traders and not farmers control the price of paddy and they do so on the basis of information provided by rice agents about the price exporters are willing to pay. Mills buy rice at the price that covers their cost of production plus profit. What is left is the price that farmers receive. The trade is a chain where most can make profit but not necessarily farmers. Therefore even when the rice price is low, other actors still make profits but not farmers. Farmers have no guarantee that they will receive a price that covers the cost of production.

It is pointed out by key informants that in the day-to-day rice trading business there is almost no risk of loss for traders if they do not involve in price speculation. Normally traders will mark up profit from the production cost in everyday transactions. However, when price speculation is involved, traders could earn a lot or lose a lot. The person

who is at risk is a farmer because they get what is left. While other actors at least gain from trade, farmers do not necessarily.

Millers normally calculate the buying price of rice from the output value they expect to get from one kilogram of paddy (see table 6.6), and then deduct it from milling costs.

Table 6.6: Value of outputs from milling 1 kilogram of paddy

No.	Outputs	Rate of transformation	Market price/kg at January 2000	Expected value of output/kg of paddy.
1	Head rice	30%	16.00	4.80
2	First rice	4%	10.00	0.40
3	Second rice	4%	9.00	0.36
4	Third rice	21%	5.00	1.05
5	End rice	4%	4.00	0.16
6	Bran	9%	0.30	0.27
	Total			7.04

Source: calculated with data provided by interview with Sin Som Boon Mill on February 16, 2000

From table 6.6, it can be seen that 1 kilogram of paddy may be sold after it is transformed at 7.04 baht. The cost of milling is between 0.1 to 0.2 baht *per* kilogram of rice. Millers are therefore able to buy rice from farmers at not more than 6.84 to 6.94 baht *per* kilogram (millers will deduct their profit from this price). If millers sell rice to agents, there are some additional costs, which are stated in table 6.7. The millers will deduct these costs from the expected sale value. This total represents the break even price. Millers normally add around 0.3 to 1.00 baht profit *per* kilogram of paddy (information from fieldwork).

Table 6.7: Cost of production of milling 100 kilogram of rice

No.	Expenses	Rate	Value (baht)
1	Labour cost		3
2	Sack		35
3	Transportation cost		28
4	Tax	0.75% of total sale	11
5	Broker commission fee	1% of total sale	15
6	Milling cost		20
	Total		112

Source: Interview with Kuu Peng Seng mill on February 11,2000

The price structure of fair trade rice is completely different from that of conventional trade. It is determined by many groups and involves a bargaining process between producers and buyers. The price structure of fair trade rice is adjusted normally on a yearly basis. Premiums are determined by farmer groups. This makes fair trade very different from the conventional rice trade because in the formers, producer groups have significant bargaining power over the price.

Having said that, it is not intended to say that farmers have absolute power to set their price. Farmers rather have voices in the process of negotiations which involves importers and exporters. Farmers might not always get the price that they want but this price is always higher than the local market price. Also other stakeholders have influence in price setting process. This is partly because farmers themselves do not always know the costs involved in rice trading. Organisations such as SFS and Green Net therefore have a leading role to guide farmers about how much they can possibly get.

During the beginning of the project, the price structure was not so clear. This is primarily because the participants had little experience in rice trading. Everything relied on an informal and flexible arrangement between Green Net and Claro. In 1995, a price restructuring took place. The pesticide-free rice was purchased at 0.20 baht above the normal market price, while organic rice was purchased at one baht higher. For every kilogram of paddy purchased for milling under the export scheme, an

additional one baht was given to the farmers' organisations to cover operating costs (e.g. collecting the paddy) and organisational support. Transportation costs were also covered by the rice-mill involved in the export scheme. In other words, the price restructures meant that a margin to cover the administrative cost of SFS and Green Net was met. The margin covers long term investment e.g. in infrastructure, machine. They still have a guarantee price which higher than market price. Farmers hence benefit directly from higher prices and indirectly by the one baht contribution to their organisation and transportation costs. This new arrangement has been effective since January 1, 1996 (see price structure in table 6.8).

The Claro price structure is similar to Green Net's. The price of rice is set from total cost plus margin (see table 6.9). The price of fair trade products normally uses a 'mark up' method. Green Net normally add approximately 25% margin on top while Claro adds 19 to 33.54%. However, it has to be cross checked with the market price. If the price is too high, the price will be adjusted accordingly.

Table 6.8: Price structure of fair trade rice

Items	Year 1996		Year 1997		Year 1998			Year 1999	
	Pesticide-free	Organic	White Pesticide-free	Brown	Pesticide-free	Organic	Organic with certification	Non-certified organic	Organic with certification
Paddy	14	14	17.45	18.45	26.15	26.15	26.15	17.65	17.65
Premium for farmer	1	4	n/a ¹²	n/a	0.5	1.5	2	1.5	2
Premium for farmer organisation	n/a	n/a	n/a	n/a	0.5	1.5	2	1.5	2
Collection and transportation cost	0.5	0.5	-	-	-	-	-	-	-
Milling	0.5	0.5	0.5	0.5	0.5	0.5	0.5	n/a	n/a
Labour cost for packing	1	1	1	1	1	1	1	1	1
Warehouse and electricity	0.13	0.13	0.13	0.13	0.05	0.05	0.05	0.05	0.05
Plastic bag	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Colour box	2.95	2.95	2.75	2.75	3.72	3.72	3.72	3.72	3.72
Insert Leaflet	0.15	0.15	0.15	0.15	0.18	0.18	0.18	0.18	0.18
Carton box	1.2	1.2	1.4	1.4	1.2	1.2	1.2	1.2	1.2
Transportation Surin – Bangkok	0.3	0.3	0.5	0.5	0.58	0.58	0.58	0.58	0.58
Export document	0.67	0.67	1.2	1.2	1.1	1.1	1.1	1.1	1.1
Surin Management	3.68	3.68							
Management fee by Green Net	1.52	1.52	1.52	1.52	1.12	1.12	1.12	1.12	1.12
Infrastructure Management	1	1	1	1	-	-	-	-	-
Farm inspection costs by ACT/IMO	-	-	-	-	-	-	0.5	-	0.5
Total	31	37	30	31	39	41	42.5	32	33.5

Source: Green Net (1996-1999)

¹² n/a means data not available

Table 6.9: Claro price structure at September 15, 1997

	Price <i>per</i> kg (Swiss francs)	%
(example of Hom Mali, 15/9/97)		
Prepayment	0.40	31.70
Prepayment costs 5 months <i>per</i> 8%	0.01	1.06
Rest payment	0.40	31.70
Seafreight Manila Rotterdam	0.09	7.28
CSC Rotterdam	0.02	1.22
Transport Rotterdam Holland – Basel Switzerland	0.08	6.47
Unload, weighing, reload, registering, administration	0.02	1.46
Customs fee 2 months storage	0.04	3.52
Insurance	0.02	1.49
Customs	0.01	0.77
Government rice storage tax	0.16	12.72
Rice association public relations fund	0.01	0.64
Total import cost for CLARO	1.26	37.90
Margin for Claro	0.63	19.00
Claro wholesale price	1.89	56.90
Margin for regional warehouse	0.60	18.10
Margin for shops	0.83	25.00
Final sales price, excluding sales tax	3.33	100.00
Final sales price, including sales tax	3.40	102.00

Source: Green Net (1997)

The close links within the fair trade network leads to flexibility and ability to negotiate about price and access to the fair trade market. For example, in 1997 Thailand faced an economic crisis resulting in sharp depreciation of the baht. The price of consumer goods went up dramatically. In one instance Green Net wrote to Claro:

“Concerning the price, the world market of rice has increased substantially. In Thailand, the price of the paddy has increased by 100%. Also, the devaluation of Thai baht by almost 25% means all the production cost (e.g. packing

materials) has increased. Coupled with the increase in Value Added Tax (VAT) from 7% to 10% contributed to a rise in all operating cost. I have been trying to keep my original offer at 28.00 baht, but it now seems impossible. From my calculation, we need to increase by 2 baht/kg.”

Green Net (1997)

Sources of capital

Fair trade organisations seek to capture and pass on to the producers the premium that customers are prepared to pay for fair trade products. Oxford Policy Management (2000) points out that the premium offered to producers relies on one or more of five sources. These are: profits foregone; higher margins paid by consumers; the donation of northern volunteer labour time; donor support; or tariff and tax privileges. Fair trade also seeks to redistribute price risk away from vulnerable producers to others better equipped to bear it. Moreover, many projects also depend upon ‘subsidies’ in the form of development grants, technical assistance and soft loans. As a result, this leads to a question of their financial viability in the long run (NRET, 1998).

While Gibson (1993) argues that direct or indirect subsidies may be used to improve access to markets (e.g. through the provision of transport, credit or inputs¹³), there may be little consideration of how these activities can eventually be shifted to a more sustainable basis. The result is often that the programme attracts participation because of the subsidies, and once it ends there is little enduring impact. Yet in the short-run these types of activities are attractive to NGOs because they have fairly immediate and visible (if not enduring) impacts and can (with varying degrees of success) be targeted to particularly disadvantaged groups.

This issue leads to the question of the sustainability and viability of fair trade. While fair trade organisations usually generate sufficient income to cover expenses, ‘subsidies’ do exist in the form of inexpensive money, written-off loans, donated

¹³ An example of a direct subsidy is free or below cost use of transport. An indirect subsidy might involve charging a commercial (or break-even) rate on the vehicle hire but taking no account of the staff costs of implementing and managing the scheme.

facilities, exemption from corporation taxes, and lower operating costs because of their non-profit status, volunteer labour and lower salary scales (Beardsley and Parker, 1981; Thomson, 1999). In this research, it is the case that the service provided by Green Net and SFS depend on grants that they get from donors. The service provided by SFS has been reported by farmers to be inconsistent. Some years, SFS provides free transportation for paddy while in other years farmers have to pay for themselves. Also, costs for farm inspection used to be paid by SFS and Green Net but at present farmers have to pay for themselves.

It is questionable how income generated from fair trade projects, as well as grants are being used by ATOs. This question is interesting yet far too difficult to answer because of inability to access financial reports. Green Net which is an exporter and retailer of fair trade products raises funds from donors to subsidise its fair trade program. For every kilogram of rice exported, Green Net receives 2 baht for administration fees. In the same manner, Surin Farmer Support totally depends on outside funds. From the fair trade project, it gains 1.5 baht *per* kilogram of rice traded. Although Surin Farmer Support has tried to develop its own domestic market by establishing a local retail shop, called 'Kauw Hom', its sales record is not very impressive. Most of its additional income is derived from the international market.

5. Conclusion

This chapter has explained how conventional trade and fair trade function. Activities and actors involved in the trade networks have been explained. The chapter suggests that the fair trade network is shorter and less complicated than that for conventional trade. And this finding supports the fair trade movement's arguments that fair trade aims to trade more directly with producers. In fair trade network, there is no discrete middleman involved. However, fair trade organisations themselves perform multiple functions, which include development as well as business. This point will be raised again in chapter 9. The relationship between actors involved in fair trade is more 'producer focused', even if not completely equal. Financial analysis is still obscured as there seems to be a lack of transparency in the fair trade network and there is very

limited data available. Fair trade operates rather through mutual support and trust among organisations within the network.

The next two chapters will look more specifically at the effect of fair trade on producers. Chapter 7 will focus on financial benefits. The main analysis is based on cost-benefit analysis. Chapter 8 will deal with non-financial benefits of fair trade with its findings is based upon qualitative analysis.

Chapter 7

Financial Analysis of Fair Trade

1. Introduction

Perhaps the best known aspect of fair trade is 'fair price'. Fair trade movements have criticised conventional trade for not providing a price that makes it possible for producers to make a decent living. As an alternative, fair trade claims to offer a fair price to producers. Fair price is a contested concept and is open to debate. However, in broad terms, a fair price refers to a price that reflects the costs of production and the quality of product, plus a reasonable profit margin for investment and development to cover production uncertainties. A fair price is thought to directly benefit producers. A fair price and the related premium enables farmers to earn more income and facilitates community development.

This chapter aims to deal with the 'perception versus reality' of the financial benefits of fair trade. To begin with, it will explore the motivations and expectations that lead farmers to join the NAG. This chapter then further explores two main points. First, does fair trade offer a fair price to farmers? Here the notion of 'fair price' will be discussed, as will the question of whether fair trade really enhances the financial sustainability of producers. In this respect, the financial performance of rice farming will be investigated by using cost-benefit analysis. Secondly, we look specifically on farmers who dropped out. As described in chapter 4, there are a number of farmers who quit being members of the fair trade project. This is interesting to explore because if fair trade does financially benefit producers, why is there a group of farmers that quit or decide not to join fair trade group. What are the problems or the barriers that cause this?

2. Fair trade: an alternative for farmers?

It is interesting to learn about the motivations and expectations of farmers who are now members of the NAG. What made them join the NAG? From interviews with 154 farmers, 98% of them feel that they are oppressed by millers and middlemen who give them a very low price for paddy, and sometimes distort the weight of

paddy. Farmers say they have no bargaining power about the price of paddy. They all say that they need a market that gives a reasonable price to farmers.

The survey asked farmers why they wanted to join the NAG. The majority of them said that they wanted to reduce the cost of production because it was so high while the return was very low. Many farmers join the group because they want to sell paddy to the group because of high prices. If they sell it through other sources, they receive lower prices. The third reason was to do with soil problems. Farmers hope that organic farming will improve the quality of their land. Some farmers want to try organic farming because the promotion team of the NAG persuades them to do so. Some farmers want to try because they have seen a successful example. A few farmers do organic farming because they want to eat organic rice. Lastly, farmers expect financial assistance from the group.

Table 7.1: Reasons for joining the NAG

Reasons for joining the NAG	Cases	%
Cost of production for conventional farming is high, hence want to reduce cost of production by trying other farming methods	37	62.7
Low price of paddy, want to sell at high price	26	44.1
Soil problem	15	25.4
Want to try organic farming because the promotion team of the NAG says it is good	15	8.5
See successful example	5	3.4
Want to eat organic rice	2	1.7
Expect financial assistance from the group	1	0.8

As can be seen, in general farmers decided to join the NAG and adopt sustainable agriculture farming for various reasons. Financial motives are often at the forefront for the farmers. These motives include attempts to solve existing financial problems and to secure the future existence of household by exploiting opportunities for cost savings, premium price marketing, and other assistance that they will receive from the NAG. This finding agrees with the research in Lampkin and Padel (1994) who argued that financial motives are the most frequently mentioned factors pushing farmers to organic farming. However, they also mentioned other motives such as

husbandry concerns, family health links to pesticide use, and general political, ideological, philosophical and religious concerns such as the environment, developing countries and food quality.

Having asked farmers about the help they get from the project, most farmers say they received farm inputs e.g. manure, seed, beans from the project. The second main help that farmers receive is technical assistance, e.g. about new techniques of farming and training about organic farming. Some farmers get financial assistance from the group while the rest think that buying paddy above the market price is an important form of help.

Table 7.2: Help that farmers receive from the NAG

Help that farmers receive from the project	Cases	%
Farm inputs e.g. manure, seed, bean	43	72.9
Technical assistance e.g. new technique for farming, training	29	49.2
Financial assistance	14	23.7
Buy paddy at high price	6	10.2

3. Fair trade and fair price

As mentioned in chapter 2, fair trade movements promote an alternative trade which allows the producer to be paid a fair price. Although there is a wide range of fair trade movements, one of the fundamental principals of fair trade is to offer a fair return to producers. The purpose of fair trade, according to Oxfam is:

“to help to overcome poverty by enabling poor producers or workers to access markets on terms which enable them to obtain a fair return from the product they grow or make.”

(Oxfam, undated 1)

Having explored literature on fair trade, it is found that the word ‘fair price’ and ‘fair return’ are widely used. It becomes the main issue which fair trade movements raise to pinpoint the differences between conventional trade and fair trade. Fair price often

refers to a price which reflects the costs of production and the quality of the product, plus a reasonable margin for investment and development to cover future production uncertainties. Other writers, for example, define fair price as:

a) Fair price is a price that provides enough for producers and their families to attain a reasonable or remunerative living standard, or that which provides all those involved in the trading chain with comparable returns, reflecting their input, skill and risk (Zadek and Tiffen, 1996:48).

b) Fair price should cover the full cost of producing the good, including social and environmental costs. This price must be sufficient to provide the producers with a decent standard of living and a margin for investment in the future. In general, importing organisations accept the calculations proposed by the producers. In the case of primary products like coffee or cocoa where the price is determined on international commodity exchanges, the fair trade movement pays the international price, which has little bearing on the costs of production, plus an additional margin. A minimum price is guaranteed, regardless of the vagaries of the market (EFTA, 1998: 28)

c) Fair price is worked out through fair negotiation and based on the production costs, a fair return for labour and a reasonable margin for the producer group (and supplier where appropriate). Often an extra premium is paid for investment in community development, usually in health, education or business development according to the community's own priorities (Oxfam, 2000:5).

The fair trade premium is another issue that make fair trade distinctive from conventional trade. As Bird and Hughes (1997) point out, fair trade is about taking products from peasant producers on terms that are favourable relative to pure commercial terms and merchandising them in developed countries at an 'ethical premium'. NRET (1998) sees the premium price that ethical products can command as an important attraction of ethical trade. In principle, the social premium paid by consumers (it cited the example of 3% *per* kilogram for bananas from Latin America

and Ghana) is passed on to producer organisations and allocated for social development activities for their members.

As the definition of 'fair price' is not clear, it is open to multiple interpretations. There are problems in analysing 'fair price'. First, a fair price for agricultural products seems difficult to determine, unlike other fair trade products where a fair price is determined by wages, working conditions, and welfare. However, there seems to be an agreement that fair price aims at covering production costs with a reasonable margin to sustain livelihoods. Second, if fair price is supposed to cover the cost of production and offer a reasonable margin to farmers, how much should the margin be? Finally, who should receive a fair price? Should it be a fair price for producers, fair trade organisations, consumers, or for everybody?

So what is the fair price for paddy? The cost of production of paddy varies widely worldwide, not only between countries but also within countries, between regions, within regions, and even from farm to farm. The factors that affect the cost of production are both exogenous and endogenous, including climatological conditions, intensity of production, technology, socio-economic structures, wage structures, efficiency, and farm management. But apart from existing differences, the interpretation of costs also varies. Research into production costs therefore carries a number of problematic issues about which costs to include and/or how to include them: the real or desired (labour) inputs, how to tackle inefficiencies, opportunity costs of land and labour?; and how to interpret the use of family labour? (SOMO, 1994).

Moreover, finding an accurate average agricultural cost of production in developing countries involves even more complicated issues. For example, 'payment in kind' is often embedded in an informal rural credit system. Practically, for example, some farmers have to repay 80 kilograms of paddy for one sack of chemical fertiliser as soon as they finish threshing, or in other words they pay 520 baht in the form of paddy¹ for 350 baht in the form of fertiliser². Farmers then have to carry the hidden

¹ Calculate from quantity of paddy * average paddy price at farm gate year 1993-1999

² Current price for fertiliser is 350 baht *per* sack

cost of 170 baht for the usage of one sack of fertiliser. If the calculation of the cost of production is based on the actual value that farmers pay, their cost will be much higher than what we see as an average price, and also the range of production costs is high.

The Max Havelaar/TransFair Minimum Price Research for coffee done by SOMO (1994:3) says that:

“It is therefore impossible to pretend to determine a minimum price as the result of a more straight forward economic calculation; the ‘fair’ minimum price does not exist. What exists is a cost range in which differences of 20-30% are normal and at times even bigger, and the resulting ‘average’ minimum price necessarily always will be somehow arbitrary”.

In this research, I am aware of the weakness of the cost of production analysis approach. However, in order to determine whether the price that farmers get covers the cost of production or not, there is no other way to do but to compare price and costs. To fill the gap of the problem of cost range within groups, case studies are brought into the analysis to give in-depth details. Also some other factors, such as social and environmental aspects need to be considered, whether there is any effect on the financial performance of their farms.

4. Financial performance of rice farming

As mentioned earlier, fair trade farmers are thought to benefit directly from higher prices and indirectly by support from farmers’ group. However, only 57.6% of responses admitted receiving financial benefits from the fair trade project. If farmers do not always benefit financially from fair trade, it is questionable if payment of a ‘fair price’ is the only aspect of fair trade. To cross-check the financial benefits from fair trade projects, farmers were asked about their overall financial satisfaction. Surprisingly, it was found that 58% of fair trade members stated their dissatisfaction with the overall financial situation of their household while 68.1% of conventional farmers and 58% of farmers who quit fair trade expressed dissatisfaction.

One way to explain this is that conventional farmers have to bear heavy input costs compared to the other two groups. The inputs include chemical fertilisers, pesticides, and insecticides. However, there is no significant difference between fair trade farmers and conventional farmers regarding their overall financial satisfaction. This is because the majority of fair trade farmers are involved partly in pesticide-free farming, partly in conventional farming. Such diversification contains positive and negative aspects. On the one hand, it can be seen as risk diversification because farmers are not sure about crop failures during conversion to organic farming. On the other, this will prevent farmers gaining the high premium for organic products.

We further analysed financial benefits by using a cost-benefit approach and dividing farmers into two groups: conventional and fair trade farmers. As discussed in chapter 4, fair trade farmers are further subdivided into 3 groups: (a) 1 cases of certified organic farming, (b) 8 cases of 'in-conversion' farming, and (c) 46 cases of partly practising organic farming, and/or partly practising pesticide-free farming. The reasons for this are first of all there is a range of organic farming practices – starting from 'pesticide-free', where farmers can still use chemical fertiliser of no more than 15 kilograms *per rai*, but are not allow to use pesticides and insecticides, 'in-conversion' where farmers stop using any chemical inputs during the first and second year of conversion, and 'organic' where farmers do not use any chemical inputs and have pass the process of conversion. These differences affect the 'organic' price that farmers receive from the NAG. In other words, financial benefits vary between fair trade farmers depending on the type of farming which provides different premia, yields, and costs of production, making some farmers much better off from the project, while some farmers are not. It is important to note that there is only one case of a strict organic farm. This is because during that time organic certification was a new concept for farmers. There was only one farm that had received the organic certification and a few farms were in the process of certifying. This case study was chosen because it is an example of a 'well-functioning' and 'model' farm, without the intention of claiming that it is representative. Although it can be argued that this farm might not be representative, it is still interesting to use this as a case study of the potential financial benefits that farmers will receive.

In this section, I will analyse the financial performance of rice farming. As is pointed out by Lampkin and Padel (1994), whole-farm performance is influenced by yields, prices, variable costs, enterprise structure and labour requirements under organic management. However, the performance relative to conventional farms will also be influenced by the intensity of the conventional system. In this analysis, I will follow the outline of their work.

4.1 Price

It is important to note that the minimum qualification for rice to be traded in the fair trade network at the moment is a pesticide-free rice. This is due to the fact that both Green Net and SFS focus their work on sustainable agriculture. They encourage their members to practice organic farming by, initially, reducing the quantity of chemical fertilisers, pesticides, and insecticide, and ultimately to stop using chemical inputs.

In practice, there are 3 categories of rice traded; organic, 'in-conversion', and pesticide-free. However, when rice is exported, there are only 2 categories (organic and pesticide free) as 'in-conversion' rice is sold as pesticide free rice. Those categories are defined in a local context. Organic refers to a farming method that does not use any chemical fertiliser, pesticide, and insecticide. 'In conversion' means a farming method that does not use any chemical fertiliser, pesticide, and insecticide. The farms are in a transition period from chemical to organic farming which will takes 2 years for the conversion. Pesticide-free means a farming method that used chemical fertiliser of not more than 15 kilograms *per* rai. It must not use pesticide or insecticide.

Table 7.3: Comparative output, variable costs and gross margins for rice farming

Items	Value (baht/rai)							
	Conventional Rice Farming (n=51)	Fair Trade Rice Farming					Pesticide-free (n=46)	Relative (conv=100)
		Organic (n=1)	Relative (conv=100)	In conversion (n=8)	Relative (conv=100)			
<i>Output</i>								
Yield per rai	355.86	257.14	72.26	331.55	93.17	399.54	112.27	
Price per Kilogram (without premium)	6.06	6.06		6.06		6.06		
Total (without premium)	2156.51	1558.27		2009.19		2421.21		
Price per kilogram (with premium)	6.06	9.00 (or mp+2.00)		8.00 (or mp+1.50)		mp + 0.20		
Total (with premium)	2156.51	2314.26		2652.40		2501.12		
<i>Variable Cost</i>								
Labour cost ³	1225.84	1032.86		1808.40		1412.71		
Chemical fertilisers	265.15	0		0		220.50		
Pesticides, insecticides	4.32	0		0		0.65 ²		
Manure	0	0		13.75		36.21		
Fuel	30.50	0		77.54		40.26		
Total ³	1525.81	1032.86	67.69	1899.69	124.50	1710.33	112.09	
<i>Gross margins per rai⁴</i>								
Without premium	630.70	525.41	83.31	109.50	17.36	710.88	112.71	
With premium	630.70	1281.40	203.17	752.71	119.35	790.79	125.38	

¹ Labour cost is accounted here in 3 forms. The first form is a self-labour. I calculated this cost from the “number of farm labour * work day * current local wage”. The current local wage was determined through interview. The second type is a hired labour. The last type of labour cost is a payment in kind. I calculated it from “paddy that was paid (kg) * average market price of paddy”. It is debatable about whether self-labour should be included in the calculation. I chose to include it because the number may vary according to the different number of workdays in different farming methods. For example, if farmers spend more days in organic farming than in conventional farming, they lose the chance to do other work.

² The majority of farmers in this group practice pesticide-free farming on approximately 10% of their farm lands. Hence they still have a cost for pesticide and insecticide which is used in their conventional farms.

³ Some farmers incur costs for machine rent and transportation, while some farmers own machine and transportation. In this table I omit machine rent and transportation costs to prevent arbitrary distortions in the analysis.

⁴ It has been argued that the fair trade gross margin presented here is higher than normal, as the NAG subsidises some input costs. However, the funds that make this possible are derived from the NAG taking one baht per kilogram of rice sold through the project. As this would likely otherwise have been received by farmers in the form of higher premium. This represents a redistribution of profit rather than a misrepresentation of the gross margin available through fair trade.

Organic rice is in high demand especially from those concerned with their health. However, the supply of rice is still low. The strong market demand hence has induced high premium prices for organic rice, even if the size of the premium varies according to the type of rice (organic, 'in conversion', or pesticide free). The premium for 'organic' paddy and 'in conversion' paddy is defined in two dimensions. First, the price of 9 and 8 baht *per* kilogram respectively is guaranteed by NAG. However, if the market price for conventional paddy goes above the guaranteed price, a premium of 2 and 1.5 baht *per* kilogram respectively will be added on top of the price. For 'pesticide free' paddy, the premium of 0.20 baht *per* kilogram is added to the market price⁴. There is however no guarantee price for this type of paddy.

For every kilogram of paddy purchased under the export scheme, one baht is given to the farmers' organisations. The money is used for its work and giving farmers a support for organic farming such as giving loan, providing cheap inputs for farmers, and to cover operating costs and organisational support. The margin covers long term investment e.g. in infrastructure, and machines. Moreover, farmers still have a guaranteed price which is higher than that of the open market. Farmers hence benefit directly from higher prices and indirectly by the one baht contribution to their organisation.

4.2 Yield

Yield is one of the most crucial factors that influences farmers' decisions to adopt organic farming methods or not. Several studies point out that yield of organic farming compared to conventional farming is slightly lower, and yield during the beginning of the conversion period is significantly lower than in conventional farming (Crucefix, 1998; Lampkin and Padel, 1994; Rice, 2001; Langer, 2002). It is stated that there is a yield development during the transition period. This is partly a 'biological transition effect', that is, the adaptation of the agro-ecosystem and especially soil conditions to the new methods of production takes time during which

⁴ These prices vary year by year. It depends mainly of market price, demand and supply for fair trade rice.

increased weed and pest pressure and other factors negatively influence yields (Lampkin and Padel, 1994).

The average yield *per rai* of rice in Thailand is considerably lower than in other major producing countries. Although the Northeast is the biggest rice farming area of Thailand, its levels of productivity are among the lowest. For example, in 1994 the yield *per rai* for Japan was 1,083 kilogram, South Korea 973 kilogram, China 939 kilogram, Vietnam 554, while the yield for Thailand was 376 and for the Northeast, yield was only 262 kilogram *per rai* (Office of Agricultural Economics, 1999a). Two main reasons account for this: a) low quality of soil, and b) a lack of water sources for agriculture.

From table 7.3, yields of organic rice and ‘in conversion’ rice were lower than that of conventional farming; being 72.26% and 93.17% of yields of conventional farming respectively. However, the yield of pesticide-free rice was among the highest (112.27% of the yield of conventional farming). Comparing this figure with experiments carried out by the rice research station in Thailand, the results show similar trends. That is the average yield of organic farming in 1997 was 391.33 kilogram *per rai*, while conventional farming’s yield was 457 kilogram *per rai*, and if chemical fertilisers were used together with compost, the yield was 459 kilograms *per rai* – that is the yields of organic rice farming, and mixed-method relative to conventional rice farming are 85.63% and 100.44% respectively (Rice Research Station, 2000).

4.3 Cost of production

Generally speaking, the reasons that make the cost different mainly come from two factors – input cost and labour cost. Inputs for rice farming are seeds, chemical fertiliser, manure, insecticide etc. The major costs of conventional rice farming are labour cost and chemical fertilisers. Hiring labour is common in harvest time but has become increasingly unprofitable. Comparing production costs with the farm gate prices, production has become of low profitability.

The major cost of fair trade rice farming (in this case it means organic farming) is inevitably labour cost. Here again, it should be emphasised that cost of production of organic farming also varies from farm to farm and depends on many factors such as the quality of land, how much input farmers use, etc. Labour use on organic farms is generally higher compared to conventional farms, and is particularly high during the conversion period. As well as substituting labour for other inputs, the reasons for this include the greater diversity of enterprises and the higher proportion of vegetables and root crops in the rotation of organic farms which require farmers to do more work.

4.3.1 Variable input costs

As many the organic inputs e.g. manure, seed and beans are provided or partly subsidised by the NAG⁵, organic farmers have substantially less expenditure on farm inputs. Moreover, the replacement of external inputs by farm-derived resources normally leads to reduced variable input costs under organic management. Expenditure on fertilisers and sprays is substantially lower than in conventional systems and for the case of 100% organic farming those costs go to zero. However, there are some cases where farmers have to purchase composts and other organic fertilisers due to lack of in-farm organic inputs. As Padel and Lampkin (1994:207) say:

“This may reflect the contrast between production with organic inputs rather than as part of an organic farming system, where rotation design should help to keep fertilizer costs low, although the latter might be difficult to implement on horticultural units with limited land resources”.

4.3.2 Labour use and labour cost

Labour use on organic farms, whether in terms of full-time labour or casual labour, is generally higher on organic farms than on comparable conventional farms, and

⁵ As mentioned before, the NAG also get premium of one baht *per* kilogram of rice from fair trade organisations. The money is used for its work and giving farmers a support for organic farming e.g. giving loan, providing cheap inputs for members.

particularly high during the conversion period. As well as substituting labour for other inputs, the reasons for this include the greater diversity of enterprises and the higher proportion of vegetables and root crops in the rotation of organic farms which require farmers to do more work (see table 7.4).

From table 7.3, it can be seen that the total variable cost of organic farming is lowest, followed by 'conventional farming', 'pesticide-free farming', while 'in conversion' farming has the highest variable cost. For conventional farming, as mentioned in chapter 4, there are 5 processes – land preparation, planting, maintenance, harvesting, and threshing. Each process does not take long because farmers now tend to use machines for plough, with planting by the broadcast method. Maintenance is required from time to time, but a very small amount. This is because farmers use insecticides and pesticides. Harvesting and threshing have been done mainly by hired labourers. After finishing most conventional farmers work in the non-farm sector.

In contrast, organic farming consumes more time and is more labour intensive. Generally speaking, farmers do farm work almost all year round. An ideal circumstances for organic farming is to do integrated farming. This is because organic farming requires manure and compost. As Lampkin and Padel (1994) have emphasised the importance of intra-farm transfers by the use of green manure in organic systems. Ruminant livestock on organic farms provide a means of utilising the fertility building phase of a rotation where forage legumes 'fix' nitrogen for the following arable crop. With respect to these patterns, it can affect the chances of farmers have of working in the non-farm sector. Table 7.4 compares production cycles of conventional rice farming with organic rice farming.

Table 7.4: Production cycles of organic and conventional rice farming

Organic Farming

January	February	March	April	May	June	July	August	September	October	November	December
Threshing				Plough 1		Plough 2/ planting				Harvesting	
Ground nut planting			Planting for compost						Farm maintainace e.g. weeding		
				Paddy Seeding							
		Soil improvement, put manure, barn									
	Sesami planting										
				Put manure							

Conventional rice farming

January	February	March	April	May	June	July	August	September	October	November	December
Threshing					Plough/ planting					Harvesting	

Source: Adapted from Green Net (1999)

4.4 Gross margin

When a premium is available, trading through the fair trade market provides fair trade farmers with better margins than trading in conventional markets. The combined effect of lower yields, higher prices and lower variable costs can lead to average gross margins similar to or higher than conventional farming. In the case of organic rice, the gross margin was twice that of conventional farming (203.17%). While gross margin for 'in conversion' and 'pesticide free' were 119.35% and 125.38% that of conventional farming respectively. However, where no premiums are available, organic farming seems to be unprofitable particularly during the conversion period. As table 7.3 shows, the gross margin of 'in conversion' was only 17.36% of conventional farming while 'organic' and 'pesticide free' were 83.31% and 112.71% of conventional farming. This is supported by Padel and Zerger (1997) studying organic farming in Germany. Their findings suggest that organic farming was on average equally profitable when compared with conventional farm of similar type. Lower yields for arable crops are compensated by reduced costs for variable inputs and by premium prices which are available for most crops.

In this study, farmers could also get higher prices from that is stated in table 7.3. This is because the premium for 'organic' paddy and 'in conversion' paddy are defined in two dimensions; a guarantee price and if the market price for conventional paddy goes above the guarantee price, the premium will be added on top of the price. As mentioned in chapter 4, the price of paddy tends to be lowest after the harvest season and higher during April to August. Farmers who sell paddy straight away seem to be farmers who want to use money for many reasons. This fact also can be applied to fair trade farmers as well. Some farmers do hold their paddy until the price of paddy reaches the peak period.

There are questions about those unlikely to benefit from fair trade. Are they poor farmers or rich farmers? As this research shows, farmers who are successful in practicing organic farming receive high financial benefits relative to conventional farming. In the case study illustrated in table 7.3 is a clear example: organic farming can be twice as profitable compared to conventional farming. And this may be a particularly enterprising farmer (this is only one example, of course, but it does

conform with other research findings, as mentioned). However, farmers who give up organic farming are likely to be farmers who have financial difficulties. This is because they cannot afford any risks during the transition period. For those poor farmers, it is very interesting to ask if fair trade can be a means of debt relief if it enabled farmers to produce more organic rice and to sell more paddy evenly to fair trade market.

5. Conversion to organic farming – what are the barriers?

“I used chemical fertiliser and pesticide since 1975 following the suggestion from the Agricultural Extension Officer. Until 1992, I realised that the quality of soil was in crisis. When I finished plough, soil was so hard compared to soft or soaky soil in the past. From the productivity of 250 kilogram *per* rai, some year it came down to 150 kilogram *per* rai. As a consequence, I was so sure that there must be something wrong with the soil. There was no fertility left in the soil.

After that I had a chance to learn about the sustainable agriculture. So I tried to follow its approach. First year, I used a quarter rai to do organic farming. I got 160 kilograms of paddy. Second year, I used 4 rai for organic farming. I got nothing on that year. Third year, I used 8 rai. I got almost 1,400 kilograms of paddy. Forth year, I got 1,600 kilograms. Fifth year, I got a bit more than 1,600 kilograms. This is year eight since I have practiced organic farming. If this year I could get 2,400 kilograms of paddy, I will be very happy”.

Interview with a member of the NAG on 20/01/00

As can be seen from the interview above, organic farming is not a short term process. It take at least a few years to improve the quality of land and this few years is very critical for poor farmers. Some farmers cannot bear the risk of yield drop. Referring back to section 5.1, the farmers stated a number of motivations that make them join the NAG. It is suggested that the financial incentive is the most frequently stated. As important as why farmers join the NAG, is the question of why farmers do not join or quit from the fair trade project. This will, particularly, show a stark contrast between farmers who have joined the NAG and experienced benefits from the fair trade

project and farmers who quit the NAG and express dissatisfaction and barriers to working with the group.

There are a number of research findings which show that farmers are reluctant to convert from conventional farming to organic farming because of: firstly, the perceived high cost of doing so; and secondly, fear of decreased income – this is because organic farming creates a risk of crop failure during the transition period. Moreover, the productivity of organic farming generally drops in the first couple years of practice. Thirdly, there are concern, that the premium markets may not be sustainable. Technical challenges in cropping and labour requirements are viewed as a barrier, and finally structural and social issues, such as farm size, and support from family members are also recognised as problems (Freyer *et al.*, 1994; Lampkin and Padel, 1994; Schneeberger *et al.*, 2002).

Among members of the NAG, some farmers have successfully converted their farms from conventional to organic farming. They are very successful and benefit from the organic fair trade project. Many farmers remain in the stage of conversion. Many farmers face many difficulties and they still cannot practice organic farming at all. Looking at fair trade at the other side of coins, 46 farmers who do not practice organic farming and/or quit the NAG were interviewed to see the barriers to conversion. They gave reasons as presented in table 7.5.

Table 7.5: Reasons for not practising organic farming and/or quitting the NAG

Reason for not practicing organic farming and/or quit the NAG	Cases	%
Financial related reasons: low productivity (no enough to pay debt), long process, cost of conversion is high	26	42.62
Input related reasons: no manure, no land, no labour (have to rent), no time, too old to do, land is far away, cannot improve soil quality so have to use chemical to sustain the level of productivity	18	29.51
Institutional related reasons: service not enough, officers not fair, no transparent, conflict in group, do not like meeting, not convenient to participate (no transportation)	12	19.67
Social related reasons: prefer modern agriculture, organic farming is time consuming, family members are not agreed	5	8.20

5.1 Financial barrier: Among all the reasons given by farmers, the most often cited is a financial barrier. It is obvious that the major problem that obstructs farmers in converting from conventional farming to organic farming is financial difficulty. Despite its contribution to high premiums in the market, organic farming that complies with international standards bars 'the poorest' farmers from the process. It is clear from this research that the major problem preventing farmers from converting to organic farming is financial difficulty. Farmers cannot afford conversion and cannot afford the risk of crop failure during the transition period. Moreover, with regards to their existing financial difficulties, any drop in the productivity of organic farming particularly during the first couple of years of practice is likely to have serious consequences (Udomkit, 2001; Udomkit and Winnett, 2002).

As is stated earlier, practicing organic farming methods is not easy. There is some evidence of a decline in yield during the conversion period greater than that which would be expected in an established organic system, as biological processes such as nitrogen fixation and rotational effects on weeds, pests, and diseases become established. Conversion-specific yield reductions may also be associated with mistakes or inappropriate practices during the conversion period (Lampkin and Padel, 1994).

The transition period is a critical stage at which farmers have to invest financial, physical, and mental effort if they want to convert to organic farming. It was found that most poor farmers cannot convert because they are indebted. They cannot risk getting less paddy by converting. Moreover, some farmers who do not own land are prevented from farming organically because the landowners get their rent in terms of crop-sharing. The more paddy the tenants produce, the more paddy the landowners gain. Therefore, landowners do not want low productivity especially during the conversion period. In the interview with one farmer, she says

"I rent an 18 rai field. We are practising conventional agriculture because the owner might not rent it to us again if he notices that we are doing organic agriculture. Last year, we bought 10 sacks of chemical fertilisers for that

field, it cost us 4,000 baht. Actually, we lost money. The rent and the chemical fertiliser costs were higher than what we got”

In this regard, it can be argued that financial assistance, especially during the transition period could solve the problem. Unfortunately, the NAG itself also has its own limitations, which means it is unable to provide full support to all its members. Moreover, producers initially expect to get a high price for paddy from fair trade, but in reality, however, such high price of paddy cannot be reached unless they successfully practice organic farming. Also, many farmers do not properly understand the major processes and changes involved in conversion.

5.2 Input-related barriers: Many farmers cannot successfully practice organic farming because there is not enough manure. Some of them state that they have not enough land to try organic farming. Also, the problem of labour shortage is often mentioned.

Preconditions for conversion of farmland is one of the crucial issues. It is pointed out by Lampkin and Padel (1994) that farms which are difficult to convert include small farms with poor soils. Also yields relative to comparable conventional systems are directly related to the intensity of the prevailing conventional system. This is also true in this research, the quality of land in the North East is of low fertility. Moreover, Thai farmers have used chemical fertilisers and pesticides for a long period. Therefore, the quality of soil varies according to how long and how much soil has been exploited. As a result, it takes a long time to improve the quality of soil fertility, especially one that from intensive agriculture before conversion. That again reflects cost of conversion and relative yield from conventional farming to organic farming. This is therefore the main barrier preventing conversion to organic farming, particularly among ‘the poorest of the poor’ who cannot risk a drop in yield.

5.3 Institutional barriers: The NAG itself can be seen as its own barrier. Due to the limited number of staff as well as its budget, the scope of its work is bounded. It is mentioned by farmers that the service provided by the NAG is not enough for members. The distribution of assistance is not even among members. Some farmers mentioned that there is a conflict within the group and there is no transparency in its

work. Moreover, the emphasis of most agricultural training is still almost exclusively on conventional or integrated agriculture especially in the light of work of the Ministry of Agriculture and Cooperatives. Organic and sustainable agriculture is seen to be the work of NGOs. However, with limited capacity, knowledge, skill and resources together with lack of support from the government make the development of organic sector a slowly process.

Another issue, which is relevant to institutional barriers is the certification of production. This happened because in 1999, the pressure from the EFTA market was very tense. They emphasis that in the future the rice had to be organic rice with the European standard. Green Net passed this pressure along to its members. It encouraged farmers to apply for the Organic Agriculture Standards where there are a number of requirements under its regulation. The inspection process is undertaken by a local certifier called the Organic Agriculture Certification Thailand (ACT), and the result will then be verified by IFOAM accredited-institution. Having done this, it raises a conflict between local NGOs themselves⁶. The NAG and Tatoon groups agreed to encourage their members to apply for the certification. As the NAG is the main supplier for Green Net, it is obvious that they rely on each other to a considerable extent. On the other hand, the Tatoon group is very small, and trades little rice through Green Net. So they do not have any significant dependency towards on other. The Sahatam Group does not think that it is necessary to pressure farmers to apply for the organic standards. From their point of view, what is most important is to respect in farmers and the group do. The Sahatam Group has a ethic that they never lie to customers. The name of Sahatam is regarded as a sufficient guarantee in itself that its products have good quality. The leader of the group says there is no need for them to follow the European standard, which somehow does not fit with Thai farmers. He emphasises that Green Net and the other two farmers groups are too dependent and influenced by the EFTA market. As a consequence of that, the volume of trade between Sahatam group and Green Net decreased substantially. However, this is also important to be noted that Sahatam group is the only group that has successfully established its own domestic market.

⁶ As stated in chapter 4 and chapter 5 (section 3), fair trade rice is purchased from four farmer groups in the North East of Thailand, three of which (Sahatam Group, Tatoon Group, and the

5.4 Social barriers: Many farmers perceive organic farming as time consuming, hard labour, and involving long-term commitments. Somewhat surprisingly some farmers hold the view that organic farming is primitive. Farmers perceive modern technology as better; only poor farmers do not use modern technology.

Even though the acceptance of organic farming in the community has increased substantially, the impact of local (village) social structures continues to represent a barrier to conversion for many farmers. The relationships within family also effects the decision to practice organic farming. As Freyer *et al.* (1994) comment, it is not just the farm's structural and financial situation which can hinder or assist the conversion. Arguments within the family (e.g. between generations over the future direction of the farm), the level of training, and the willingness to carry the risks of conversion, together have a decisive influence on the success of the conversion. From an interview with one of members of the NAG group, there is evident support Freyer's work.

“I started organic farming five years ago, when I joined the group (Natural Agriculture Group). I think it is harder than conventional farming, I have to work more. But I do it because conventional farming is very expensive. The yields depend a lot on the rains. In general, I think the yield is around 300 kg higher with conventional agriculture. But the costs of production are much higher. In conventional agriculture, you have to invest a lot to buy fertilisers and other chemicals. When you compare the investments, I think organic farming is the best choice.

My neighbours are not into organic farming. They tell me that I am an experimental tool for the group! They say so, but we get on well together. At the beginning, my husband did not want to shift to organic farming either. He eventually agreed mainly because we did have money to buy chemical fertilisers. I learned about organic farming in a training organised by Surin Farmers Support. During the training, I felt inferior because I have no

NAG) are in Surin province, and the other (Nature Care Rice Mill Group) is in Yasotorn province.

education and because my husband did not agree. But now I do not feel the same any more”.

Interview with a member of the NAG on 12/10/99

6. Conclusion

In general, research has held the view that fair trade projects benefit farmers and other involved actors. This research confirms this general finding. However, fair trade in organic rice may not necessarily and always increase incomes for farmers. Shifting from conventional farming to organic farming contains some risks of yield drop, and the cost of conversion is high. Moreover, the distribution of financial benefit remains uneven among members. Some farmers are very successful and get financial benefit from fair trade and organic premium while many farmers are struggling to move from conventional to organic farming. Fair trade and organic premium carry a crucial role to make the conversion of organic farming possible. However, many farmers, particularly those who are very poor, cannot afford to carry these risks. Fair trade therefore has to be used carefully as a tool for development. It can help some farmers, but it excludes others at the same time: hence fair trade might lead to social differentiation within a community.

The next chapter moves from financial aspects to explore non-financial aspects of the effects of fair trade towards sustainable livelihoods. It questions if there is any others benefits from fair trade, apart from ‘fair price’. There are three points of non-financial aspects that we will look at – psychological, social, and environmental.

Chapter 8

Non-Financial Analysis of Fair Trade

“even if it were true that organic farming was financially unsound, it might still be economically justified”.

Bateman (1994:45)

1. Introduction

The previous chapter explained the financial aspects of the effects of fair trade in organic rice. Although farmers directly benefit from a fair price, the overall impact of financial performance remains doubtful. This is because of the high cost of conversion from conventional farming to organic farming. This cost is particularly high during the transition period. Also there is risk of crop failure involved. Moreover, it is doubtful whether organic farming will be profitable when there is no organic and fair trade premium and subsidies available.

This chapter turns to examine other dimensions of fair trade in organic rice. As Bateman (1994) stated, there are two different approaches in assessing organic farming: financial and economic assessment. Financial assessment is concerned with how farming performs from the viewpoint of a profit-seeking business, whereas economic assessment is concerned with its performance as seen from the viewpoint of society as a whole¹. The non-financial aspect of fair trade in organic rice will be examined in this chapter.

As noted in chapter 4, the research is structured loosely on the ‘sustainable rural livelihoods framework’ but it made the categories less rigid by simply dividing findings into financial and non-financial analysis. By using an open-ended question format, fair trade farmers were asked the about help and benefits they perceived after

¹ Although Bateman’s work is not about fair trade, his approach still can be applied in a study of fair trade project that involved sustainable agriculture farming.

joining fair trade, and their answers were grouped into – psychological, social, and environmental. The psychological aspects deal with the issues related to the perceptions and attitudes of farmers towards their lives, problems and solutions that they face, perceptions towards their future. The social aspects deal with issues related to marketing channels, price, information, and access to help. Lastly, the environmental aspects deal with issues such as bio-diversity and soil quality after conversion to organic farming.

2. Poverty beyond income levels: what contribution can fair trade make?

The problem of poverty among farmers in developing countries goes beyond monetary income levels. It includes access to health care and education, respect, status, isolation within a community, and feelings of powerlessness and hopelessness (Narayan, 1997). When people give up hope and are trapped in despair, social and economic development become even more difficult. Moreover, difficulties in social and economic development are very much the case in countries where the agricultural sector has been neglected. A state policy of agricultural support prices and technical assistance rarely benefits small farmers. This is perhaps because most governments lack the financial resources to effect such a policy. When the public sector makes one of its sporadic interventions in the commodity market to support prices, small farmers, who lack access to timely and reliable market information, are usually the last to know. Consequently, they are unlikely to sell commodities at the support price. Receiving a low price for crops and livestock, small farmers are discouraged from investing in natural resource inputs in agriculture. In particular, they are less willing either to apply conservation measures to existing farmland or to clear new land for agricultural production (Petry, 1995).

In relation to the poverty problem among Thai farmers, Rigg (1996:244) explains that modernisation and development have encouraged the rapid change experienced in Thailand:

“The increase in levels of expectation is creating the impetus for thorough-going economic change. In some instances, needs are being met through increasing agricultural output – whether by expanding the area under production, increasing yields, or moving into new agricultural endeavours. However, more often than not, these innovations and advances within the agricultural sector are not sufficient. A shortage of land and declining terms of trade between agriculture and industry have made increased production difficult in the first instance, and unattractive in the second”.

As stated earlier, a number of Thai farmers have attempted to move away from the modern agricultural production plans promoted by the state since the introduction of national development plans. They have turned to a variety of other agricultural practices, which we will call ‘alternative agriculture’. This is because of: size of farm lands is insufficient for the production of the single crop or the limited variety of cash crops required by modern agricultural systems; poor quality of soil; modern agriculture requires substantial financial investment but gives no guarantee of stable prices and frequently leads to chronic indebtedness, good yields but high capital investment; agricultural product prices were unstable and dependent on markets over which farmers have no control; and, health problems resulting from the use of pesticides (Ramitanondh, 1996).

The NAG has adopted an ‘alternative agriculture’ approach. It encourages farmers to move from chemical farming to ultimately organic farming. The NAG has been given the opportunity to trade in a fair trade market. Subsequently, the NAG has financially benefited from the fair trade premium, fair price, and other form of assistance from fair trade organisations. However, the fair trade principal seems to go beyond financially objectives. As mentioned in chapter 3, research seems to suggest that fair trade projects not only provide financial benefits to producers but also other benefits that cannot be readily quantified in terms of money. The potential benefit of fair trade in organic product could be derived from fair trade as well as organic farming. Apart from a fair price - the most tangible benefit of fair trade, the literature review of fair

trade seems to suggest that fair trade not only benefits producers financially, but it also brings about empowerment to producers as well as strengthening communities.

Several researchers have studied the benefits of organic farming. The most well studied aspect is the effect on environment. It is stated that organic agriculture benefits the environment in a number of ways. For example, increased diversity, long term soil fertility, high food quality, reduced pest/disease, a self-reliant production system, stable production, reduced pollution, reduced dependence on non-renewable resources, negligible soil erosion, wild life protection, resilient agro-ecosystem, compatibility of production with environment, and improved health (Antle *et al.*, 1998b; Bassam *et al.*, 1998; Clunies-Ross and Weisselberg, 1990; Conway and Barbier, 1990; Corey *et al.*, 1993; Guijt, 1998; Lampkin, 1990; Lampkin and Padel, 1994; Lutz, 1998; Parikh, 1988). In addition, some research has indicated social benefits resulting from the implementation of organic farming. For example, better education, stronger communities, reduced rural migration, increased employment, stronger local economy, self-reliant economy, income security, increased returns, reduced cash investment, low risk, organisational/ institutional: cohesiveness, stability, democratic organisations, and enhanced capacity (NRET, 1998; Oxfam, 1999).

For the case of the fair trade in rice project, changes after farmers convert to fair trade were examined. The preliminary findings suggest that fair trade projects not only provide a financial benefit to producers but also other benefits that cannot be readily quantified in terms of money. In an interview with one farmer, he says:

“I have 3 rai of rice field. I started organic farming 3 years ago. I shifted to organic farming because the quality of the soil was getting very bad and I had some health problems. I spent some time to improve the soil. I have used rice husks as green fertiliser and the yield has improved significantly. However, one part of my farm is still a conventional farm because the soil is not good enough to do organic agriculture.

I am luckier than other farmers because my field is close to the irrigation canal. After the rice harvest, I grow some vegetables like beans and I sell them on the

market. My quality of life has improved with organic farming because my production is more diverse. I grow mango, rice, vegetables, and I now have big crabs and fish in the rice field. When I was into conventional farming, there was no fish, because they died with chemicals and the crabs were very tiny.

I think the main problem for the farmers here is that we depend on the rain. If there is no rain, we do not have any production. And the other problem we are facing is that we do not have any capital. We have very little money to invest. Insects are also a big problem. Last time my field was infested with insects, I used pesticides and, subsequently, I had some bad health problem afterwards. I developed some allergy. I cannot use them any more”.

As well as the 57.6% of respondents that stated that the cost of production is reduced on converting to fair trade which could possibly lead to more income – a point already discussed in chapter 6 - other aspects of changes experienced by farmers on joining the project are expressed. 39% of respondents said that the quality of land had improved and they enjoyed a better environment and greater bio-diversity subsequent to reducing the amount of chemical fertiliser, pesticide and insecticide use and substituting these with manure and compost. This not only results in better soil quality, but also positively influences the health of farmers (22%) and allows for a better quality of rice for their households to consume and to sell to consumers².

28.8% said that they had improved their own situation and that of their community e.g. they were respected for their farming knowledge; the value of their job was better appreciated; they helped their fellow members and learned how to work in groups; some had given training to other farmers. 23.7% of respondents stated that after joining the fair trade project they gained knowledge from training, seminars, and workshops given by the group.

² It is suggested that the majority of consumers in Thailand buy organic products because of health concerns rather than environmental concerns (personal communication, Director of Green Net).

Table 8.1: Changes after farmers joined the project

Dimensions	Changes	Responses	%
Psychological dimensions	Gain knowledge from training, seminars	14	23.7
	Better health	13	22.0
	Better quality of life	2	3.4
Environmental dimensions	Better environment, high bio-diversity, improved soil quality	23	39.0
Social dimensions	Acceptance, help among members, training, help from the project	17	28.8

For further discussion, it seems fitting to divide the non-financial benefits into 3 sub-categories: psychological, social, and environmental aspects as shown in table 8.1. It could be argued that there are overlaps between such categories, for example, acceptance in farm knowledge can be viewed as a human benefit in the sense of farmers' self-esteem as well as a social benefit in the sense of group belonging. However, it is not the intention have to resolve this issue. Rather such a division is aimed at a clearer understanding of effects of fair trade project as a whole.

3. Psychological dimensions

3.1 Farmers' perceptions of their occupations

The agricultural sector was a major sector for the Thai economy, but now tends to be no longer attractive to the new generation. Our research has found that a majority of farmers have a negative attitude towards being farmers. 59.7% of respondents claim that farming is not a good job, that it is difficult and burdensome. Moreover, it is considered a low status activity. In addition, it provides very low returns, which makes their life very tough. They are not proud of being farmers and if possible they do not want their children to be farmers. However, 40.3% of responses have a positive attitude towards being farmers. They say that farmers are the backbone of Thai society. They produce rice which forms the main part of the nation's every food consumption.

Comparing 3 groups of farmers, fair trade farmers have the highest percentage of satisfaction in their job (49.1%), followed by conventional trade farmers (43.1%) and ex-fair farmers (27.1%). It is interesting to see that the majority of farmers who have quit the fair trade group are negative about being farmers (72.9% of responses from this group). This can be explained by the fact that farmers in this group did try to find ways to improve their life by joining the fair trade group; however, many difficulties, such as debt and landlessness, made it impossible for these farmers to convert their farms to organic methods. As a consequence, they think that it is impossible to be better off by being farmers.

Table 8.2: Farmers' perceptions of their occupations

Farmers' perceptions of their occupations (n = 154)	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade (n=48)		Total (n=154)	
	Cases	%	Cases	%	Cases	%	Cases	%
Positive	27	49.1	22	43.1	13	27.1	62	40.3
Negative	28	50.9	29	56.9	35	72.9	92	59.7
Total	55	100.0	51	100.0	48	100.0	154	100.0

Having asked farmers about the perception of their quality of life, the majority of fair trade farmers are satisfy with their quality of life (75.9%). They state that they are happy with what their lives. Compared to a high drop in the other two groups, only 53.1% and 59.6% of conventional and ex-fair trade groups respectively express the satisfaction in their quality of life.

Table 8.3: Farmers' perceptions of their quality of life

Farmers' perceptions of their quality of life? (n = 150)	Fair trade farmers (n=54)		Conventional farmers (n=49)		Farmers who quit fair trade (n=47)		Total (n=150)	
	Count	%	Count	%	Count	%	Count	%
Satisfy	41	75.9	26	53.1	28	59.6	95	63.3
Not satisfy	13	24.1	23	46.9	19	40.4	55	36.7
Total	54	100.0	49	100.0	47	100.0	150	100.0

3.2 Farmers' perceptions of the problems facing their occupations and possible solutions

From the survey, farmers have 3 major problems: lack of water for agriculture (37.9%), low price of paddy (32.7%), and poverty and indebtedness (35.3%).

Table 8.4: Farmers' perceptions of the problems facing their occupations

Problems	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade (n=47)		Total (n=153)	
	Count	%	Count	%	Count	%	Count	%
Lack of Water	22	40.0	23	45.1	13	27.7	58	37.9
Indebtedness, poverty	17	30.9	19	37.3	18	38.3	54	35.3
Low price of paddy	22	40.0	12	23.5	16	34.0	50	32.7
High cost of production/ high price of fertiliser	6	10.9	5	9.8	7	14.9	18	11.8
Landlessness	2	3.6	8	15.7	4	8.5	14	9.2
Lack of credit	4	7.3	3	5.9	2	4.3	9	5.9
Lack of knowledge/ management skill/ planning/ imitating others	5	9.1	1	2	1	2.1	7	4.6
Rice decrease	1	1.8	0	0	0	0	1	0.7

It is interesting to see how farmers think about the possible solutions to their problems. For fair trade farmers, 20.0% of responses think that farmers should find extra jobs to do: do not be just a farmer. 14.5% of responses stated that irrigation system or ponds can help farmers have enough water supply for agriculture. 12.7% of responses do not know how to solve the problems. For conventional farmers, 29.4% of responses perceive that having an irrigation system and ponds can solve the problem. 15.7% of responses think that a rice price intervention program from the government can solve the problem. 11.8% think that the government has to find another way to help farmers. For farmers who have quit fair trade, 25.5% of their responses state that an irrigation system or ponds can help them. 21.3% or responses say that farmers should find

additional jobs as well as being farmers. The same percentage says that rice price intervention from the government can help farmers.

It is surprising to find that farmers are dependent on help from outside especially from the government. By grouping the answers that farmers gave into 2 categories – self-development (as highlighted in the table 8.5) and non-self development, it appears that 48.4% of responses from fair trade farmers believe in solving problems by themselves and not relying totally on outside support while only 17.2% of responses from conventional farmers and 35.6% of responses from farmers who used to join fair trade provide answers that show the ability to overcome the problems without help from outsiders. It is clear that farmers from the fair trade group have learnt significantly more about how to develop themselves by their own efforts.

3.3 Farmers' perceptions of their future

Farmers were asked about their household's ability to survive in a crisis³. 63.1% of farmers say they are not able to survive in a crisis. This reflects the un-sustainability of their jobs. Within fair trade group 44.2% stated that they will be able to survive in a crisis, compared to 31.4% of conventional farmers and 32.6% of farmers who used to be with fair trade. Among the of farmers who think that they will be able to survive (36.2%), 42.6% of those are farmers who joined the fair trade organisation, followed by 29.6% from conventional farmers, and 27.8% from farmers who used to belong to the fair trade organisation.

³ 'Crisis' in this sense I mean the situation where farmers are faced with a yield drop, drought, crop failure, or members in the family become ill or unemployed.

Table 8.5: Farmer's perceptions of the possible solutions to the problems facing their profession

Possible solutions	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade(n=47)		Total (n=153)	
	Cases	%	Cases	%	Cases	%	Cases	%
Find additional jobs	11	20.0	5	9.8	10	21.3	26	17.0
Set farmer groups to increase bargaining power	6	10.9	3	5.9	7	14.9	16	10.5
Use manure	6	10.9	0	0	1	2.1	7	4.6
Work hard to repay debt and start new life	2	3.6	2	3.9	2	4.3	6	3.9
Do integrated farming	2	3.6	0	0	0	0	2	1.3
Improve farm productivity	1	1.8	0	0	0	0	1	0.7
Farm budget planing	1	1.8	0	0	0	0	1	0.7
Self reliant and not start new debt	1	1.8	0	0	0	0	1	0.7
Give knowledge to farmers. See successful example and try to improve themselves	1	1.8	0	0	1	2.1	2	1.3
Providing ponds, irrigation system	8	14.5	15	29.4	12	25.5	35	22.9
Price intervention	4	7.3	8	15.7	10	21.3	22	14.4
Government has to solve the problems	3	5.5	6	11.8	4	8.5	13	8.5
Find markets for farmers	5	9.1	1	2.0	5	10.6	11	7.2
Government has to lower the price of fertiliser	0	0	4	7.8	3	6.4	7	4.6
Government has to allocate land for landless farmers	0	0	4	7.8	0	0	4	2.6
Community strengthen by government support	2	3.6	0	0	1	2.1	3	2.0
Government has to cancel debt for farmers	0	0	1	2.0	0	0	1	0.7
Government has to provide source of credit	0	0	1	2.0	0	0	1	0.7
Cannot solve any problems because they are natural problems e.g. rain, drought	4	7.3	3	5.9	1	2.1	8	5.2
Do not know	7	12.7	5	9.8	2	4.3	14	9.2

Table 8.6: Farmers' perceptions of their household's ability to be able to be survive in a crisis

Farmers' perceptions of their household ability to be able to survive in a crisis? (n = 149)	Fair trade farmers (n=52)		Conventional farmers (n=51)		Farmers who quit fair trade (n=46)		Total (n=149)	
	Cases	%	Cases	%	Cases	%	Cases	%
Not be able to survive	29	55.8	34	66.7	31	67.4	94	63.1
Be able to survive	23	44.2	16	31.4	15	32.6	54	36.2
Not sure	0	0	1	1.9	0	0	1	0.7
Total	52	100.0	51	100.0	46	100.0	149	100.0

Farmers were also asked how confident they would feel about surviving in a crisis compared to the situation 5 years ago⁴. This is also another issue that can indicate the success of the empowerment that fair trade contributes to farmers. 59.0% of farmers say they think they were more confident 5 year ago. Life is harder than in the past, which makes them less confident about being able to survive in crisis compared to 5 years ago. Among this 59.0%, the majority are conventional farmers. 68.0% of conventional farmers think that their life is more difficult now than in the past. Hence they are less confident about their future. Only 20.0% of conventional farmers are confident about their present and future. 12.0% of conventional farmers do not think that there has been any change in their chances of survival. For farmers who used to be with fair trade, more than half of farmers are not certain about their ability to survive in crisis compared to 5 years ago (56.8%), 31.8% said they are confident and 11.4% do not think that there has been any change. On the other hand, farmers from the fair trade group are much more confident about their present situation compared to conventional farmers. Although 52.0% of fair trade farmers say their life is much more difficult than in the past, 40.0% of fair trade farmers are sure and confident about their life, and just 8.0% of farmers think that their lives are more or less the same as in the past.

⁴ This question is particularly pertinent in the context of Thailand as the country experienced a severe economic crisis in 1997.

Table 8.7: Farmers' perceptions of their confidence to be able to survive in a crisis compared to 5 years ago

Farmer's perceptions of their confidence to be able to survive in a crisis compared to 5 years ago? (n = 144)	Fair trade farmers (n=50)		Conventional farmers (n=50)		Farmers who quit fair trade (n=44)		Total (n=144)	
	Cases	%	Cases	%	Cases	%	Cases	%
Not confident	26	52.0	34	68.0	25	56.8	85	59.0
Confident	20	40.0	10	20.0	14	31.8	44	30.6
Same	4	8.0	6	12.0	5	11.4	15	10.4
Total	50	100.0	50	100.0	44	100.0	144	100.0

Having asked farmers about their attitude towards their power to change their life, fair trade farmers literally believe that they have power and ability to change and improve their life (83.3%). Conventional farmers, again, are the group that has the least belief that they can improve their life (65.8%). Also, they have the highest percentage of uncertain attitudes towards their future. Fair trade farmers believe that their future will be better off (69.1%), followed by farmers who used to join fair trade (68.8%), and finally conventional farmers (51.0%). It is quite significant for the results of the research that farmers from the fair trade group have been empowered in ways which make them positive about their attitudes towards their lives.

Table 8.8: Farmer's perceptions of their power/ability to change their life

Farmers' perceptions of their power/ability to change your life (n=128)	Fair trade farmers (n=48)		Conventional farmers (n=48)		Farmers who quit fair trade (n=42)		Total (n=128)	
	Cases	%	Cases	%	Cases	%	Cases	%
Have power to change	40	83.3	25	65.8	34	81.0	99	77.3
Not be able to change	4	8.3	6	15.8	6	14.3	16	12.5
Not sure	4	8.3	7	18.4	2	4.8	13	10.2
Total	48	100.0	48	100.0	42	100.0	128	100.0

Table 8.9: Farmers' perceptions of their future of their profession

Farmers' perceptions of their future of their profession (n = 154)	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade (n=48)		Total (n=154)	
	Cases	%	Cases	%	Cases	%	Cases	%
Better off	38	69.1	26	51.0	33	68.8	97	63.0
Do not know	8	14.5	13	25.5	9	18.8	30	19.5
Worst off	4	7.3	8	15.7	5	10.4	17	11.0
Same	5	9.1	4	7.8	1	2.1	10	6.5
Total	55	100.0	51	100.0	48	100.0	154	100.0

4. Social dimensions

From the interview, 28.8% of responses stated that they feel that they are accepted, receive help among members, and receive training and other help from the project. From the interview with leading members of the NAG, they say they are proud of their group, especially when people come to talk to them and learn about their work. They have a feeling of group belonging and are willing to help other members.

A number of related questions were asked to farmers about issues in relation to social dimension of fair trade.

4.1 The timing of paddy sales

From the interview with farmers undertaken during the period January to the end of February 2000, 39 of the 154 households had not sold paddy (13 cases from each group of farmers). The remaining farmers had started selling paddy after harvesting. Although the interviews with farmers were carried out over a limited period, the data was very significant in that it shows that the majority of farmers sell paddy from November till December, as soon as they finish harvesting. It is commonly known that the price of paddy is lowest from December to January. This is simply because it is the time both when paddy is plentiful and farmers are willing to sell their paddy. They gave reasons for selling paddy as follow.

4.2 Reasons for selling paddy

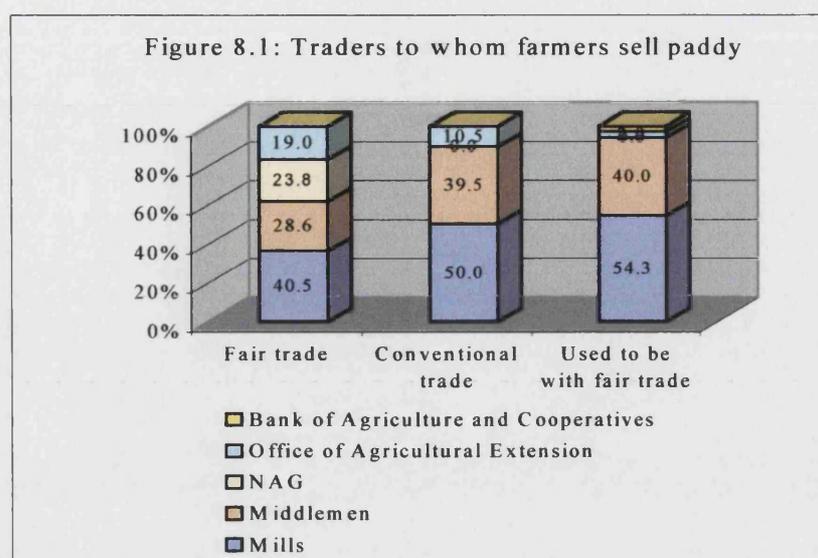
The reason why the majority of farmers sell their rice straight away after harvesting is because they need to use cash either to pay hired labour (49.1%) or to repay back debts (35.1%). Other reasons that were identified are: buyers want to buy, price satisfaction, lack of storage space, convenience, and the fear that paddy might lose weight.

4.3 To whom farmers sell paddy?

Having asked farmers about their attitude towards middlemen, 98% of farmers responded that middlemen take advantage of farmers. All of the farmers stated that they need fair trade where farmers receive a fair price for their paddy. However, of 115 households, 47.8% still sold paddy out to mills and 35.7% sold paddy to middlemen. The other 20.9% sold to the Office of Agricultural Extension (11.3%), the NAG (8.7%), and the Bank of Agricultural and Cooperatives (0.9%).

Of fair trade farmers, 40.5% of them sell paddy to mills, 28.6% to middlemen, 23.8% to the NAG and 19.0% to the Office of Agricultural Extension. Meanwhile 50.0% of conventional farmers sell their paddy to mills, 39.5% to middlemen and 10.5% to the Office of Agricultural Extension. Similar figures emerge for farmers who used to be with fair trade group. Of these 54.3% sold their paddy to mills, 40.0% to middlemen, 2.9% to the Office of Agricultural Extension and Bank of Agricultural and Cooperatives (figure 8.1).

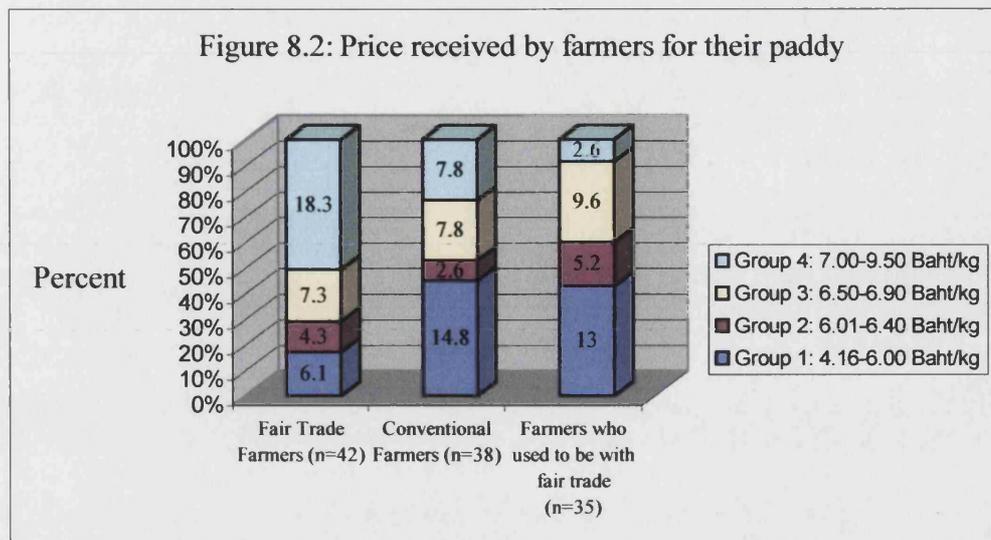
From these figures, it is clear that fair trade farmers have less contact with middlemen but sell their paddy directly to more reliable sources compared with the other two groups.



4.4 Price received by farmers for their paddy

By dividing the price that farmers get into 4 quartile groups, it is obvious that fair trade farmers get paid more for their paddy as a result of the 'fair price'. 44.7% of conventional trade farmers and 38.5% of farmers who used to be members of fair trade receive the lowest quartile, while 50% of fair trade farmers are in the highest quartile (figure 8.2)

Those facts can be interpreted in 2 ways. Firstly, fair trade offers significant financial benefits to farmers because fair trade farmers receive more than conventional farmers. Secondly, regarding the distribution of financial benefit, it seems that fair trade does not yet necessarily give financial benefits to farmers as half of its members still do not get higher prices (the issue of price difference has already discussed in chapter 7).



4.5 Reasons why farmers sell paddy to particular traders

The majority of farmers (61.9%) sell rice to traders for reason of convenience. An important aspect of the convenience is that farmers do not have to pay transportation costs because traders collect the paddy. The second main reason (21.0%) why farmers sell to traders is price satisfaction. Interestingly, price satisfaction is the first concern of fair trade farmers. It is significant that farmers from fair trade groups are more satisfied with the price they receive for paddy than the other two groups. 16.2% of fair trade farmers trade with the NAG because of the feeling of group belonging. This phenomenon can be seen as an achievement of fair trade development. The other reasons that were stated were the desire to use money immediately (6.7%), they have previously used the trader (1.9%), and being indebted to the trader (1.0%).

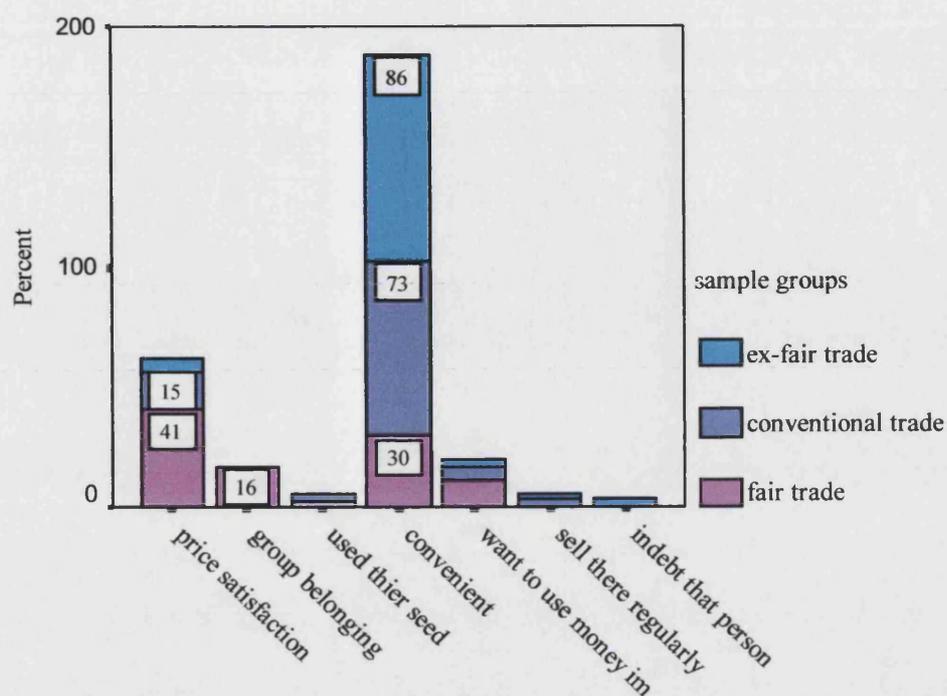


Figure 8.3: Reasons why farmers sell paddy to particular traders

4.6 Farmers' perceptions of their bargaining power.

77% of responses say that farmers have no bargaining power over the selling price of paddy. 7.9% of responses say that farmers have bargaining power. The other 15.1% of responses say that farmers have some bargaining power. Of those 15.1%, the reasons given are of follows: 6.6% of responses say they have some bargaining power if they sell paddy through the NAG, 5.3% of responses say they have some bargaining power if their paddy has good quality, 3.3% of responses say they have some bargaining power if they sell paddy in big lots.

From the reasons that farmers stated it can be seen that majority of farmers do not think that they have bargaining power the paddy price. Even in fair trade farmers, only 5.3% believe that they can bargain about price. This is perhaps because price determination is done by the leaders of the farmers group with SFS and Green Net. The rest of farmers do not participate in the process of price setting. They are rather more a recipient of the policy. However, having said that, there is no intention to

criticise whether the 'fair price' is fair. It is obvious from the finding that fair trade farmers are more satisfied with price than the other two groups.

4.7 Farmers' access to government help

In this research, it was found that the majority of farmers receive no assistance from the government. Having asked farmers about attitudes towards government and the rice policy, 75% of respondents stated that public investment in infrastructure is not enough, especially in terms of irrigation systems. 52.9% of respondents say that they never receive any help from the government. Among the 47.1% of respondents that receive help from the government, there are only 39.2% of respondents among conventional farmer while fair trade farmers (58.2%) receive the most support.

Rice and paddy intervention policies are rarely recognised by farmers. 83.2% of respondents say they never receive any help under the scheme; 96.2% of respondents say that the scheme is not effective. Farmers do not benefit from the scheme. 3.8% of respondents do not believe that the government can help or is willing to help farmers.

4.8 Social groups to which farmers belong

Having asked farmers if they are members of any social group or organisation, it was found that most of the families engage in at least one social group⁵. The most popular one is the Bank of Agriculture and Agricultural Co-operatives where 66.88% of farmers are members. Saving groups or credit unions are the second most common group where 43.5% of farmers are members.

⁵ It is important to note that this analysis is based on collective household responses.

Table 8.10: Social groups to which farmers belong

Social groups to which farmers belong (n=154)	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade (n=48)		Total	
	Cases	%	Cases	%	Cases	%	Cases	%
Bank of Agriculture and Agricultural Co-operatives	37	67.3	34	75.6	32	71.1	103	66.88
Saving group, credit union	34	61.8	17	37.8	16	35.6	67	43.50
Natural Agricultural Group	55	100.0	0	0	0	0	55	35.71
Women Group	4	7.3	7	15.6	6	13.3	17	11.04
Agricultural Co-operative	6	10.9	0	0	5	11.1	11	7.14
Farmer Group	6	10.9	1	2.2	3	6.7	10	6.49
Agricultural Extension Centre	2	3.6	3	6.7	0	0	5	3.25
Funeral Fund	3	5.5	1	2.2	1	2.2	5	3.25
Village Volunteer	3	5.5	1	2.2	0	0	4	2.60
Marketing Group	3	5.5	0	0	1	2.2	4	2.60
Poverty Elimination Project	1	1.8	2	4.4	0	0	3	1.95
Subdistrict Administration Staff	1	1.8	0	0	2	4.4	3	1.95
Farmer Central Market	0	0	2	4.4	0	0	2	1.30
Fishery Cooperative	0	0	1	2.2	0	0	1	0.65
Total	155	281.8	69	135.3	66	137.5	290	188.3

From table 8.10, it is very interesting to see that fair trade farmer, in average, belong to approximately three social group (281.8%) while conventional farmers as well as farmers who quit fair trade, in average, belong to one to two social groups (135.3% and 137.5% respectively).

Farmers were asked about reasons, their expectations, or benefits that they can get as a members of the group. The very significant reason for their decision to be members of a group concerns access to loans (87.01%). 23.38% stated the saving interest that they can earn from the saving group, and 20.78% stated access to farm inputs. This issue is very interesting as it can be interpreted as meaning that fair trade farmers are in a position where they can acquire help or service by using these networks, whereas conventional farmers as well as farmers who quit fair trade do not have such sources of help.

Table 8.11: Reasons that lead farmers to join social groups

Reasons that make farmers join social group (n=154)	Fair trade farmers (n=55)		Conventional farmers (n=51)		Farmers who quit fair trade (n=48)		Total	
	Cases	%	Cases	%	Cases	%	Cases	%
Access to loan	51	92.7	41	91.1	42	93.3	134	87.01
Saving, saving interest	11	20.0	10	22.2	15	33.3	36	23.38
Access to farm input eg. fertiliser, manure, seeds	13	23.6	12	26.7	7	15.6	32	20.78
Gain knowledge	25	45.5	1	2.2	2	4.4	28	18.18
Reduce cost of production	15	27.3	0	0	2	4.4	17	11.04
Market with good price	8	14.5	2	4.4	0	0	10	6.49
Additional jobs, additional income	2	3.6	1	2.2	0	0	3	1.95
Free medical care for family members	1	1.8	1	2.2	0	0	2	1.30
Assistance for fishery eg. help to build fish ponds	0	0	1	2.2	0	0	1	0.65
Total	126	229.09	69	135.29	68	141.67	263	170.78

4.9 Sources of Farm Technical Help

63.8% of farmers stated that they receive farm technical help and 36.2% of farmers stated that they never receive any farm technical help from any sources. Having examined the percentage of farmers that receive or do not receive any technical assistance within each group, the numbers show that the majority of farmers who have not received any help are conventional farmers. 78.0% of them never receive any assistance, while only 3.6% of fair trade farmers and 29.8% of farmers who used to belong in the fair trade group stated that they receive no assistance.

For fair trade farmers, 92.7% of them receive some technical assistance from the NAG, 43.6% from the Provincial Agricultural Extension, 7.3% from kin and neighbours, and 1.8% from the Provincial Rice Research Station. For those conventional farmers that received assistance, the major sources of technical help are from the Provincial Agricultural Extension Office (22%) and kin/neighbours (4%). For farmers who have quit fair trade, the main sources of technical assistance are the Provincial Agricultural Extension Office (46.8%), kin/neighbours (12.8%), and the Provincial Rice Research

Station (2.1%). This finding is significant, showing that fair trade farmers are in a better position to get access to farm technical assistance compared to the other two groups.

Table 8.12: Farmers' sources of farm technical assistance

Sources of farm technical assistance (n=152)	Fair trade farmers (n=55)		Conventional farmers (n=50)		Farmers who quit fair trade (n=47)		Total (n=152)	
	Cases	%	Cases	%	Cases	%	Cases	%
Provincial Rice Research Station	1	1.8	0	0	1	2.1	2	1.3
Provincial Agricultural Extension Office	24	43.6	11	22.0	22	46.8	57	37.5
Kin, Neighbours	4	7.3	2	4.0	6	12.8	12	7.9
NAG/ Farmers' groups	51	92.7	0	0	0	0	51	33.6
Total	80	145.5	13	26.0	29	61.7	122	80.3

4.10 Farmers' sources of price information

From the fieldwork, it appears that the majority of farmers receive price information from mills. Neighbours are the second most important source of price information. Radio and television also has a role in informing farmers about rice prices, followed by middlemen, government officers, and farmer groups respectively.

Table 8.13: Farmers' sources of price information

Sources of price information (n=151)	Fair trade farmers (n=55)		Conventional farmers (n=48)		Farmers who quit fair trade (n=48)		Total (n=151)	
	Cases	%	Cases	%	Cases	%	Cases	%
Mills	29	52.7	22	45.8	21	43.8	72	47.7
Neighbours	8	14.5	17	35.4	21	43.8	46	30.5
Radio/TV	14	25.5	14	29.2	16	33.3	44	29.1
Middlemen	8	14.5	11	22.9	10	20.8	29	19.2
Government Officers	12	21.8	5	10.4	4	8.3	21	13.9
Farmers Groups	11	20.0	0	0	0	0	11	7.3
Total	82	149.1	69	143.8	72	150.0	223	147.7

The main source of price information of fair trade farmers is still mills. This can be because the majority of farmers do partly organic farming and partly conventional farming. Hence farmers sell partly of their paddy to mills as well as to the fair trade organisation. Also mills are located all over the rice growing areas. With the high degree of competition among milling business, most mills advertise their buying price on a big and noticeable plate in front of their mills. Moreover, the price structure of fair trade rice is determined from market prices. Therefore farmers automatically know the market price offered by the fair trade organisation.

By comparing sources of information between fair trade farmers and conventional farmers, it is interesting to find out that farmers who are members of the fair trade farmers received significantly more information from government officers. This finding is parallel with the fact that Surin province has been campaigning through the 'organic city' to promote its jasmine rice trade and to support organic agriculture. This seven year project is one of the major projects initiated in Surin province and follows the King's initiative of 'self sufficient agriculture'. It emphasises the need to move from chemical agriculture to organic agriculture, which will subsequently reduce the cost of production and also benefit the people and the environment.

It is interesting to see that conventional farmers and farmers who used to belong to the fair trade group are the groups that have significantly less contact with government officers. Moreover, they have not received price information from farmers groups. Those two groups of farmers generally rely much more on neighbour and middlemen comparing to fair trade farmers.

5. Environmental Dimension

Before we begin this section, it needs to be much clear that this research has no intention of undertaking a technical study of the environment and of medical and health issues related to chemical and pesticides in agriculture. This is because such issues require a high degree of specialisation. To deal with such issues, it seems to be more appropriate to use the secondary data. The fieldwork rather deals with perceptions of changes after shifting from chemical farming to organic farming.

The area with which the fair trade project operates has many severe environmental problems. The quality of soil is poor. Drought and floods happen regularly. There is nothing much that farmers can do about drought and floods. Rather it is soil quality that farmers can improve. As data from the survey indicates, 39% of fair trade farmers state that they have a better environment, more diversity, and the quality of soil is improved. Reducing the amount of chemical pesticide and insecticide use, and substituting for these with manure and compost not only results in a better soil quality but also leads to better health of farmers and better quality rice for their household to consume and to sell to consumers.

It is commonly known that agricultural chemicals are considered one of the most important farm inputs. They provide increased certainty of output. Herbicides, insecticides, fungicides, and fertilisers have become standard tools in virtually all types of production agriculture (Murphy, 1992). Thailand has been following the path of modern agricultural development for more than four decades. Agricultural chemicals have become widely used to increase productivity. Kaosa-ard and Pednekar (1996) point out that between 1976 and 1991, national fertiliser consumption rose from less

than 700,000 tonnes a year to over 2.5 million tonnes, with average application *per* unit of cultivated area increasing from a little over 40 kilogram *per* hectare to over 110 kilogram *per* hectare. In 1993, chemical fertiliser consumption in agriculture had risen to 3,195,576.

Table 8.14: Fertilisers and pesticides use in Thai agriculture

Category	(unit: tonnes)	
	1976	1991
Fertiliser (N,P,K)	664,391	2,487,082
Pesticides	12,400	59,578
Insecticides	8,181	19,539
Herbicides	2,224	32,926
Fungicides	1,700	5,220
Others	294	1,893

Sources: Kaosa-ard and Pednekar (1996:22)

Popular environmental awareness in Thailand gained momentum in the late 1980s when a number of environmental problems started coming to the fore (Kaosa-ard *et al.*, 1995:86). In the case of agriculture, it is argued that the green revolution and cash-crop agriculture do not fit well with Thai society (Ramitanondh, 1996). The Green revolution has influenced farmers to use modern technologies together with high yield seeds and high yields need to be sustained with large amounts of chemical fertilisers, pesticides and insecticides. A number of advocacy groups devote their work to promoting sustainable agriculture and more environmentally friendly farming methods. Those movements vary in their focus, ranging from integrated farming, a low external input farming method, to purely organic farming methods. However, they all share a common core of environmental concerns.

It is argued that despite its contribution to increased yields, many effects of the Green Revolution and modern agriculture, especially high external input agricultural development, have been of far less benefit for the environment and society. A report prepared by the United Nations Conference on Trade and Development (UNCTAD) on "Organic Production in Developing Countries: Potential for Trade, Environment

Improvement, and Social Development” states two crucial adverse environmental and social effects of this High External Inputs Agriculture (HEIA) that have come under scrutiny: a). HEIA practices affect the environment and human health, and b) a further marginalisation of traditional, frequently more environment-friendly farmers unable to compete with HEIA.

It is pointed out that pesticides, where used correctly, can save up to 40% in crop losses; however, when pesticides are mal-, mis- or over-used the environmental and public health consequences can be very considerable (Richardson, 1998). Excessive dependence on external inputs has undermined the self-sustainability of eco-systems in agricultural areas. Moreover, environmentally insensitive practices and misuse of chemicals have frequently resulted in number of negative environmental externalities, such as the destruction of forest areas, the extinction of flora and fauna, soil depletion and erosion, freshwater depletion, contamination of air, soils and water courses, losses of bio-diversity, and damage to workers’ as well as consumers’ health (Pingali and Rosegrant, 1994; Ramitanondh, 1996; TEI, undated, UNCTAD, 1994, 1996).

The relationship between agricultural chemical use and farmer health has been studied extensively, particularly with regard to serious chronic diseases such as cancer. Many studies reveal that farmers have a higher level of incidence of leukemia, Hodgkin’s disease, non-Hodgkin’s lymphoma, and other cancers that have been linked to agricultural chemicals (Blair *et al.*, 1993; Blair and Zahm, 1991; Davis *et al.*, 1992; Pimmentel *et al.*, 1992). A number of less serious health disorders have been linked with occasional exposure to agricultural chemicals, including respiratory problems (Murphy, 1992; Tucker and Napier, 2001; Wadud *et al.*, 1998). Also large numbers of farmers suffer from acute ‘pesticide poisoning’ symptoms as a direct result of pesticide exposure including headache, rash, blurred vision, difficulty in breathing, skin lesions, and tingling in fingers (Szmedra, 2001). Also research at the International Rice Research Institute (IRRI) in the Philippines has documented similar type of illness in rice farmers. It is pointed out that farmers are unable to make the link between chronic illness and pesticide exposure (Rola and Pingali, 1994). Moreover, it is pointed out that agricultural chemical use may be posing significant risks to non-farm consumers.

Avenues of possible public exposure to agricultural chemicals include residues on farm produce, physical airborne drift of farm chemical during application, and runoff or leaching of pesticides and fertilisers from farm fields to surface and groundwater used for drinking supplies (Davis *et al.*, 1992; Regenstein, 1993).

In Thailand, pesticide poisoning is common among farmers. A survey of 250 government hospitals and health centres in 60 provinces in 1985 revealed that almost 5,500 people were admitted for pesticide poisoning, of whom 384 died (Farrington and Lewis, 1993). Similarly, Ramitanondh's (1996) study "Farmers' Adaptation to Alternative Agriculture: Case studies of farmers in the four regions of Thailand" states that one of the reasons that lead farmers to take up new alternative agricultural practices is because of health problems resulting from the use of pesticides. He points out that the problem is most apparent in the case study of "elevated irrigation fruit farming" in the Bangkok region where the use of chemical fertilisers and pesticides was extensive. This resulted in the number of deaths among growers and workers increasing significantly, and it became a turning point for other fruit growers to practice sustainable agriculture.

A report from Surin Provincial Office state causes of death with population. Although there is no clear report about misuse or poison of agrochemical, there are a number of possible causes that may be related to agrochemicals.

Table 8.15: Number of deaths by principal cause (1998)

Causes	Cases	Ratio <i>per</i> 100,000
1. Heart disease and septicaemia	872	63.08
2. Cancer	674	48.76
3. Accident	513	37.11
4. Other infection	272	19.68
5. HIV AIDS	270	19.53
6. Intestinal, stomach infectious diseases	226	16.35
7. Tuberculosis	208	15.05
8. Pneumonia and other diseases of lung	175	12.66
9. Cerebrovascular diseases	139	10.06
10. Diabetes mellitus	121	8.75

Source: Surin Provincial Office (1999:18)

Farming systems which do the natural environment little or no harm and which rely on low levels of external inputs are argued to be the best long term solution as it can make farming safer, more sustainable in the long term and, in some circumstances, more economically viable (Farrington and Lewis, 1993). A simulation analysis showed that restricting the use of insecticides that posed the greatest health risk would increase both the health and productivity of Philippine rice farmers (Antle *et al.*, 1998a).

As compared with conventional agriculture, organic agriculture, as well as other forms of sustainable agriculture, claim to be more environmentally friendly. The use of organic production methods entails environmental benefits, makes this system more environment-friendly than conventional HEIA. It is pointed out that practicing organic agriculture can enhance three basic functions of the environment – supplier of resources, assimilator of waste, and provider of services (UNCTAD, 1996:8).

“1. “Supplier of resources” function of the environment

In the context of the environment’s capacity to supply resources, organic farming has two main advantages as compared with high inputs agriculture: better capacity for soil conservation and improvement, and lower usage of energy.

Organic farms are found to have a significantly higher organic matter and nitrogen content than the soil of conventional farms. Due to lower erosion, the soil of organic farms also has a larger and more active microflora, better tilth and soil structure in terms of a lower bulk density and a higher respiration rate, and a thicker layer of fertile topsoil. Organic farming thus is more effective in maintaining productivity and tilth of the soil and reducing the rate of erosion.

Organic agriculture offers significant opportunities to reduce fossil fuel consumption. Possible energy savings are estimated at as much as 50% and stem particularly from the fact that (a) organic farmers do not use synthetic fertilisers which require large amounts of energy to produce, (b) cultural practices are less energy-intensive (e.g. human force and animal traction are often used instead of energy-consuming machinery).

2. "Assimilator of waste" function of the environment

Unlike easily soluble synthetic fertilisers, manure and compost used in organic agriculture act as slow-release agents. Moreover, an improved structure of soil enhances its capacity of water retention, drainage and aeration. As a result, less leakage of nutrients occurs, leading to lower levels of water pollution. In the same vein, pollution due to toxic pesticides and herbicides used in conventional production is inexistent under organic practices. Moreover, emphasis is put on recycling farm wastes largely eliminates the problem of waste disposal.

3. "Provider of services" function of the environment

Organic farming offers advantages in terms of better care for landscape. Moreover, the maintenance on organic farms of a wide range of plant types and species and the use of sustainable agriculture practices preserving natural habitats lead to an increased biological diversity. Important wildlife benefits are there fore frequently attributed to organic agriculture systems."

6. What are the non-financial effects of fair trade?

The benefits of fair trade can be seen as deriving from three sources. Firstly, the developmental work of local NGOs, providing training, seminars, and workshops for farmers. In short, this work empowers and enhance producer's capacity. Secondly, benefits come from the results of adopting sustainable agriculture methods. This improves farmer's health, environment, and farmers' quality of life. Finally, benefits come from implementing fair trade principals. This creates access to a fair market, a fair price, and better terms of trade for producers.

One of a major achievements of fair trade is that it provides a network for farmers to get access to technical assistance and access to fair trade markets. This is what Narayan (1997) called 'social capital'⁶. As stated earlier, fair trade farmers stated that they gain knowledge from training, seminars and workshops that SFS and Green Net provide. There is in no doubt that these NGOs have come to play a crucial role in rural development, conducting a number of activities for farmers all year round. For example, introducing farmers to green manure, appropriate crop rotation and integrated farming, integrated pest management methods, and training on compost production.

The interesting point is that farmers from the fair trade group seem to be more satisfied with their life compared to the other two groups. They have better health. Improved health under sustainable agriculture farming is obviously directly beneficial to farmers. They are also have assess to service and help from their social groups. This can be explained by the facts that fair trade has brought a better environment and social conditions to farmers. Beyond that, it also benefits consumer in the form of organically-grown and chemical free products. This is a direct benefit to the public and society in general.

It is important here to refer back to the finding in chapter 6 that there are a number of farmers who dropped out from the NAG. This implies that a number of barriers

⁶ Social capital is defined as the web of groups, associations, networks, and norms of trust at the community level that form the social underpinnings of poverty and prosperity (Narayan, 1997).

prevent the NAG from fully meeting the needs of its members. It is the case in Thailand that farmers are generally unaware of the actual short or long-term exposure hazards associated with many pesticide products in common use. Many farmers substitute pesticide use for family labour, and there is a blatant ignorance of the acute and chronic health impacts of pesticide use in farm population⁷.

Although farmers' health had a significant impact on the productivity of rice farms, and that pesticide use in rice production had a significant impact on farmers' health as well as the environment, farmers are concerned more about the potentially severe economic risks of not using chemicals for production. Farmers themselves must be pragmatic about the countervailing risks associated with significant reduction or elimination of chemicals during the production process. Declines in yields and crop quality are likely to be among the short-term consequences of significantly reducing agricultural chemical use. As discussed in chapter 6, many farmers will not view reduction of agricultural chemical use as an economically prudent risk-avoidance measure. Indeed, it is highly likely that most farmers view the use of farm chemicals with much less alarm than chemical-free production systems. This is particularly true when the risks of chemical use are uncertain and the risks of not using them are very high.

7. Conclusion

It is not only through financial development that fair trade made a contribution to producers, but it also contributes to psychological, social, and environmental development: perhaps their combined value is more significant than the financial aspect, if it could be properly quantified.

If a summary statement of the non-financial aspects of fair trade is needed, empowerment and capacity building seems to be the best answer that available. These

⁷ Van Der Hoek *et al.* (1997) argues that hazardous practices, particularly when spraying pesticides were due to the impossibility applying recommended protective measures under the local conditions, rather than to lack of knowledge. In the same vein, Antle and Pingali (1994) explain that the humid tropical rice paddy environment makes farmers' use of protective clothing minimal.

can be seen as the major achievement of the fair trade project. From the survey, apart from the benefit to farmers' health, they state that after joining the fair trade project they gain knowledge from training, seminars, and workshops given by the group. Fair trade has encouraged a learning process for farmers. This learning process can empower farmers in many ways. Firstly, by providing training for farmers, they know more about farm management. Fair trade creates a learning sphere and works hand in hand with producers. Fair trade has contributed many social benefits to producers. Farmers gain acceptance. They learn to help other members. They get training and help from the project. Secondly, by providing farming inputs, farmers could better use opportunities to improve their farms. Thirdly, by providing access to a new market, farmers can learn how to work in a group and learn how to conduct a fair trade project. All in all, fair trade project has brought significantly capacity building to its members.

The next chapter looks at fair trade specifically on management issues. In practice, there is always a potential conflict between the non-financial dimension and the business dimension. The chapter will examine the shifting notion of NGOs work, that is the move from development towards business. It questions whether fair trade should be welfare oriented or more business-like.

Chapter 9

Fair Trade Management: Welfare Oriented Versus Business-like?

1. Introduction

Chapter 7 and 8 examined the financial and non-financial benefits of fair trade. The findings suggest that fair trade has brought benefits to producers. However, it is important to note that there are a number of poor farmers who dropped out from the group as they cannot comply with the regulations of the group. These regulations often emerge from pressures from the North, for example on the issue of organic certification, and quality and price of products.

The fact that fair trade networks involve many different actors including consumers, importers, fair trade organisations, local NGOs, farmers groups and producers. This all makes fair trade management complicated. Every single actor, although sharing the common principal of fair trade, places a different emphasis on their work. Some fair trade organisations are more welfare oriented (the emphasis of their work is on improving the livelihoods of producers) while others are more business-like (the emphasis of their work is on developing products and complying with the market's needs). This raises the difficult issue of possibly contrasting objectives, and ultimately, of having to prioritise between them. It is also the case in this study that the demands of fair trade importing organisations have an influence over the local NGOs and farmer organisations.

There are three sections in this chapter. The first section examines the shifting notion of NGOs' work, that is the move from development towards business. It asks what is the appropriate role of NGOs and fair trade organisations and to what extent can fair trade organisations do business? Can NGOs and commerce in fact bridge the ideological divide and find enough common ground on which to build strategies that genuinely improve rural livelihoods? And how efficient can these be? The second part of this chapter looks at the empirical data drawn from the fieldwork. It will look at the

management of fair trade from the view point of institutions within networks. The last section is dedicated to discussion of whether fair trade should be welfare oriented or more business-like.

2. The shifting notion of NGOs' work

2.1 The shifting notion: from development towards business

NGOs have been traditionally described as the third (Hulme, 1994), voluntary (Korten, 1987, 1990), private (Uphoff, 1995), non-profit (Holloway, 1989,1998), or independent (Fowler, 1997) sector. In broad terms, they share an understanding that the state, market and civil society are separate social spheres, and that each has distinct primary agents, i.e. government, business and voluntary sector respectively. As table 9.1 indicates, these sectors differ from each other in almost every aspect:

Table 9.1: Comparisons of organisations in different sectors

Characteristic	Sector		
	Government	Business	Voluntary ¹
Relationship to those served based on:	Mutual obligation	Financial transaction	Personal commitment
Duration:	Permanent	Momentary	Temporary
Approach to external environment:	Control and authority	Conditioning/isolation	Negotiation – integration
Resource from:	Citizens	Customers	Donors
Feedback on performance:	(in)direct politics	Direct from market indicators	'constructed' from multiple users

Source: Fowler (1997:27)

Pearce (1993) summarises claims that have been made about NGOs, based on their supposed capacity to do the following: democratise development, reconstruct or construct 'civil society', act as social mobilisers, deliver services more efficiently than

¹ Service providers, not mutual benefit.

the state, be more flexible, show greater capacity for innovation and closer identification with targeted sectors of aid, and, finally, contribute to strengthening the development model offered by the private sector.

The most well known aspects of NGOs can be summarised as service delivery, poverty reach, participation, and empowerment. In relation to agricultural and rural development, traditionally NGOs most common techniques in agricultural and rural development have been semi-subsistence agriculture, small farm-based agribusiness, non-farm employment, and finally social community service (Bebbington and Thiele, 1993; Carroll, 1992; Riddle and Robinson, 1995). Farrington and Bebbington (1993) distinguish between two wider goal orientations within which these technical actions are expressed among NGOs that work on sustainable agricultural development: the more orthodox production-oriented approaches which transfer technological packages into new environments without adequate consideration of local context, and the more grassroots sensitive approaches, which draw down what is appropriate from the options available, and adapt it to local circumstances.

However, there has been a significant shift in NGOs' work. Farrington and Bebbington (1993) point out an additional component of the socio-economic dimension in NGOs work, i.e. the degree to which NGO approaches have become market-oriented. They highlight that it would be tempting, for instance, to argue that production-oriented approaches reflect attempts to increase market orientation, while pragmatic agro-ecological approaches are less so. Their note is significant to the study of fair trade and is particularly relevant for this study where farmers are encouraged to do organic farming to serve the fair trade market in Europe.

For some NGOs, developing alternative marketing channels is believed to be a means to achieve sustainable development. Many NGOs have sought to establish a more direct relationship between producers and consumers, thus shortening the trading chain by cutting out middlemen. As a result, a more direct vertical integration emerges with the NGOs themselves serving as intermediaries between producers and markets (Beckman, 1998; Carroll, 1992).

Kindness and Gordon (2001: 5) emphasise the roles of NGOs in agricultural marketing in developing countries. They explain:

“When extension agents, researchers and development organisations working in rural areas ask farmers to prioritise their problems, agricultural marketing is repeatedly raised as one of the most important problems faced. It may arise in the context of the promotion of new crops or productivity-enhancing technology, or it may be felt particularly acutely in remoter areas poorly served by commercial traders, where parastatals no longer operate. NGO marketing interventions typically aim to fill critical gaps in the marketing system or address the power imbalances”

Kindness and Gordon (2001:5)

It is believed that social objectives and commercial objectives are not mutually exclusive and many NGOs and CBOs pursue both. The fair trade movement is a good example of this. Fair trade organisations use commercial methods to generate social development benefits through improved terms of trade². The important thing is to balance potential marketing success with the social benefit needs of the beneficiaries (Kindness and Gordon, 2001).

Gibson (1993:194) believes that commercial strategies can serve development objectives. He argues that NGOs appear to have distinct advantages in pursuing income-generation programmes. For example, they are smaller, more flexible, innovative organisations. Furthermore, selective use of subsidies can still lead to sustainable and successful marketing initiatives. He concludes that:

² Although many NGOs share similar altruistic goals, their approaches vary enormously. This is particularly evident in the extent to which they embrace and harness commercial activities to promote broader objectives, or reject this as a legitimate means by which to achieve social objectives. Moreover, amongst those NGOs prepared to use commercial activities as a means to an end, there can be considerable variability in the role these activities are accorded within the development strategy and the competence with which they are planned and undertaken (Kindness and Gordon, 2001).

“The continuing challenge is to progress from this base so that the economic growth of other developing countries is enhanced, is driven by indigenously owned and indigenously managed enterprises, and reaches the poor and disadvantaged sections of the population.”

Many NGOs start with welfare (or social or altruistic) objectives, in areas such as education, health, water, infrastructure and agriculture, and gradually shift towards a longer-term development focus. With this shift, small business and income-generation activities take on a significant role. Gibson (1993) describes this gradual transformation in terms of a continuum of different actions and attitudes (see table 9.2).

Table 9.2: NGOs' evolutionary path in the development of small businesses and income generation.

From	To
Relief and welfare	Development
Short-term	Long-term
Ideological	Pragmatic
Community-focuses	Individual-focused
Targeted	Self-selecting
Grants	Market interest rates
Amateurish	Professional
Income generation	Small business
Social/ technical	Economic/ business
Instinctive	Strategic
Beneficiaries	Clients

Source: Gibson (1993:186)

Some NGOs turn to be marketing service providers³. They believe that access to profitable markets is a key factor which determines the long-term success of all micro-enterprises and small businesses - something that often suffers from a number of

³ Marketing services are defined as services related to different stages of production and sale, when offered as a package by the same service provider (Mikkelsen, 1999:17).

constraints, such as inadequate technology, geographical isolation, a lack of raw materials and saturated local markets (Coates, 1997; Oostrum, 1998). By providing a way to overcome these constraints, marketing service providers play an essential role in developing the businesses of small and micro producers. The various services may be offered separately, and then may not necessarily be characterised as marketing. The variety of marketing services can be divided into an input phase, occurring prior to production, and an output phase after production (table 9.3).

2.2 The role of fair trade organisations: direct intervention or facilitation?

So what should be the roles of NGOs? Should they become the traders of farm products? Would it be correct of Western NGOs to invest in trade organisations? And who should be able to compete in the market?

As discussed in chapter 3, fair trade's work is highly heterogeneous, being arranged along a spectrum with on one hand 'producer focus' and 'market focus' on the other. Thus classification becomes more complicated due to the fact that some fair trade organisations simply work on marketing activities while some fair trade organisations try to facilitate producers to market for themselves. Kindness and Gordon (2001) explain the marketing role of NGOs and CBOs as lying somewhere along a continuum between being directly responsible for marketing activities to facilitating beneficiaries/clients to market for themselves.

Table 9.3: Examples of ancillary services by sector

	Handicrafts	Agricultural production	Textiles
INPUT PHASE			
Technical assistance/ training	Production techniques/ technology. Cost management.	Seeding, harvesting, natural fertilisers, etc. Technology. Cost management. Production techniques.	Use of new machinery (software for pattern design, fabric cutting machinery, etc.). Cost management. Production techniques.
Product development and design	Changing colours, shape, form, materials according to trends. Introducing new designs.	Developing quality seedlings for organic growth.	Introducing new models and materials according to trends. Developing new patterns.
Raw materials	Selecting and providing required quality. Buying in bulk.	Providing seeds/ seedling.	Buying fabric in bulk. Providing required quality.
Financial services	Provision of raw materials in advance. Advance pay for production. Invoice guarantee.	Provision of raw materials. Advance pay for production. Invoice guarantees.	Provision of raw materials. Advance pay for production. Invoice guarantees
OUTPUT PHASE			
Quality control	Setting standards before production. Rejecting non- compliance, low-quality.	Checking quality in terms of size or freshness.	Setting standards before production. Checking quality, conformity, sizes.
Packaging	Providing uniform and attractive presentation of handicrafts. Preventing damage to fragile goods	Providing uniform presentation. Preserving freshness.	Providing uniform presentation. Bulk packaging.
Transportation	Providing bulk transportation.	Bulk transportation. Refrigerated storage and trucks	Providing bulk transportation.
Market information/penetrat ion	Identifying new buyers. Participation in trade fairs. Market research.	Identifying new buyers. Market research. Information on prices. Contacts to buyers.	Identifying new buyers. Market research.
Paper work/ legal assistance	Export logistics. Taxes/ customs.	Certification of organic products. Export logistics.	Export logistics. Taxes/ customs.

Source: Mikkelsen (1999:17)

They further remark that, within the fair trade arena, the role of, and the marketing channels used by NGOs and/or alternative trading organisations, also varies. Some organisations (such as Oxfam Trading and Traidcraft) take a direct marketing role by acting as wholesalers, with the producers acting as subcontractors producing to order. An advantage of this type of arrangement for producers is that they are guaranteed a volume of sales, thereby minimising their risk. A disadvantage of this, and of outgrower schemes, is that the producers can be dependent on the trader, and may not have access to alternative buyers or markets if for any reason the trader is no longer able to market their produce.

Other NGOs and CBOs play a more facilitative role. They assist individuals, groups and communities to market for themselves. This includes both improving access to, and benefits generated from, existing products and existing markets as well as creating new products and new markets (e.g. through technology development and processing). There are a variety of ways in which organisations facilitate marketing, including: strengthening the capacity of individuals, groups or communities (through group strengthening and training); developing linkages to traders and other stakeholders in the marketing chain (e.g. input suppliers, credit sources and transport agents); and linking farmers to relevant market information. This type of facilitative role is beneficial for a number of reasons: being less interventionist, it is likely to generate more sustainable marketing activities and linkages; it is likely to be achieved at lower cost than if the NGO was more directly responsible for marketing activities; and, therefore, it facilitates reaching a wider audience (Kindness and Gordon, 2001).

2.3 Fair trade management: can business and development objectives be combined?

NGOs are traditionally renowned for their contribution to development especially in rural development. Fowler (1988) enumerates 12 attributes which together constitute NGO comparative advantage. They are better equipped to a) reach the poor, b) promote participatory development, c) match development processes and outcomes, d) facilitate people centred development, e) be flexible, f) strengthen local institutions, g) be cost effective, h) experiment with new ideas, i) adopt patient and strategic perspectives, j)

undertake people centred research, k) foster learning processes, and l) better understand rural reality (Fowler, 1988: 8-9). Their success is rooted in locally-adapted participatory and empowering approaches. For fair trade NGOs, the ability to work in partnership with small inexperienced partners is one of the main strengths of the fair trade movement. Clarity of purpose, entrepreneurial leadership, a sufficient and secure capital base, a built-in market, and a policy of evolutionary growth, are the main factors contributing to the ATO's success (Thomson, 1999).

However, NGOs' experience in development and management practices for the rural poor is highly diverse, containing cases of success and failure. Edwards and Hulme (1992:54) analyse NGO weaknesses in the field of agricultural technology development. They identify two major weaknesses:

- Small size and limited resources limit NGO activity to the applied end of the agricultural technology development spectrum;
- Funding patterns tend to be short-term and donor pressure is towards 'action' and 'results', thus hampering work on issues requiring long-term R&D.

Apart from those two general weaknesses of NGOs, fair trade organisations also face problems in the area of business. Commercial marketing programs demand sophisticated organisation and finance and a thorough knowledge of the commodity system. This in turn calls for specialisation in the management of the grassroots support organisation (GROs) or membership support organisation (MSOs). Carroll (1992) explains the factors that affect the high failure rate of micro marketing projects. First, there are external factors. In general, the projects are heavily dependent on exogenous macro features such as price and trade policies, urban subsidies, or exchange-rate restrictions. Second, there are internal factors. Farmer-run marketing associations or co-ops, for example, have frequent internal problems such as corruption and double-dealing.

Although NGOs have a special contribution to make to building local capacity, Carroll argues that, for all their talk about participation and capacity building, NGOs perform better at delivering services (inputs, seed, health, education, etc.) and promoting an

empowering form of development. However, the people participating and being empowered are not necessarily the poorest – though they may be poor. This is confirmed by the research of Riddell and Robinson (1993) in Africa and Asia who found that NGOs do not reach the poorest of the poor. However, where improvement in economic status did take place, it was modest, and there was little evidence that many beneficiaries had really managed to break out the sorts of self-reproducing spiral of impoverishment.

Carroll (1992) identifies several reasons for the difficulties in reaching the poorest of the poor. Firstly, most of the programs involve small semi-commercial agriculture based on initial access to some productive land, but those at the lowest rural income level have no land and are generally assetless occasional workers and squatters. The widespread view among NGOs is that the landless can only be assisted by (in the short term) employment generation programmes or (in the long term) land reform. This attitude, and the associated implication that such programmes are beyond the capacities of NGOs, reinforces their preference to work with small, semi-commercial farmers who own some land. A second explanation concerns the self-selection process, which is a feature of most GSO and MSO programs. This process tends to focus on those who are more experienced, active, and willing to take risks. To organise and to be organised demands certain prerequisites, which once again restricts participation of the poorest. In the case of fair trade, this is the 'island of wealth' issue, whereby only relatively few Third World producers have the flexibility, skills and management capacity to respond to the constantly changing demand and tastes of Northern consumers (Thomson, 1999). This point is striking. It raises the question of how much fair trade has reached the poor and who are the beneficiaries of the fair trade project.

From a management perspective, Stanton (1993) explains his experience of an NGO's income generating program. He points out that the aims underlying the NGO's income generating programme as to relieve their financial dependence on external donors. That leads many NGOs to embark on some sort of income generation of their own. However, very few seem to have generated significant profits. As a result, the organisations remain more than ever dependent on foreign aid. He highlights the fact that many income-

generating programmes fail to make a profit. This is partly because of the subordinate position of the income generating program in the management structure. The main reason for this lower status is ideological. Income generation as a concept may not necessarily be welcome in welfare-oriented NGOs. He points out that the greater the non-commercial influences, the harder it becomes for the program to make profits. Stanton finally argues that without a separate managerial structure such programs are susceptible to organisational pressures within NGOs to compromise commercial with non-commercial values, leading to weaker performance. This need prevails equally with Northern NGOs, such as Oxfam, which created Oxfam Trading as a separately managed organisation, as it does with their counterparts in the South.

Managing fair trade projects is not simple. As mentioned before, the emphasis of fair trade organisations varies, although they share the same principles. Some organisations have less emphasise on the market and focus more on producers, and vice versa. Working with non-export experienced producers is also difficult. This needs a mutual acceptance within the fair trade network that mistakes will happen. It is in no doubt that this is an important learning process for producers. Beardsley and Parker (1981) report a number of problems encountered by ATOs with their suppliers. These factors subsequently contribute to higher than usual costs for most ATOs:

1. shipments of lower quality goods than agreed;
2. shipments of different goods than agreed;
3. late deliveries (missing important events e.g. Christmas);
4. poor packaging causing damage of goods;
5. mislabelling and a lack of documentation;
6. unresponsiveness to market information or new product ideas;
7. misinformation about sources of supply and producer conditions;
8. high prices;
9. pilferage and infestation;

10. inability or unwillingness to honour agreements (e.g. coffee farmers selling to intermediaries instead of their co-operatives or fair trade partners when prices are temporarily high).

From the point of view of producers, the most common difficulties which they experience with ATOs include:

1. a lack of market-related information
2. unintelligible orders (language differences)
3. the small size of orders
4. low ATO marketing reliability (staff turnover, policy changes, etc.)
5. late remittances
6. a lack of understanding of constraints (which is the root cause of delivery problems).

In addition, Thomson (1999) raises the issue of difficulties in raising the working capital needed to cover advance payment to producers faced by Bridgehead, a fair trade organisation in Canada. Moreover, the company's profitability was threatened by other factors: slower sales growth, underestimated and unexpected costs, the high cost of interest on advance payments and large inventories, and higher than industry average staff costs. These latter were partly needed to maintain the close relations with both producers and customers inherent in a fair trade environment, but are also the result of inadequate attention to costs and strategic planning in an environment of constantly changing markets and margins.

3. Experiences from the fair trade in rice project.

Having explored issues around the shifting approach of NGOs from one that is welfare oriented towards a more business-like approach and its related problematic issues, this section now turns to look specifically at the case of the fair trade in rice project. Some

background about the fair trade project was discussed in chapter 5. In this section, we will focus on management aspects of the project.

The fair trade rice project began in early 1990. However, the first shipment took place in 1992. The delay occurred because of lack of knowledge about how to export rice and the people involved in the project had very limited knowledge of export markets in general. The project did not have a rice export licence, a legal requirement of the Thai government for all rice exporters. They had to search for a rice exporter who was willing to export rice on their behalf. After several unsuccessful attempts, the project finally received a confirmed commitment from the Nanapan Co. Ltd. However, due to a number of difficulties only one container of rice (approximately 15 tonnes) was exported to Claro in 1992.

Moreover, the infrastructure (storage, packing equipment, scale) that the project had was of poor quality and it was impossible to produce rice at the quality of expected by European consumers. The project neither owned nor had contacts with a mill at the beginning. The effort to establish contacts with mills caused the first export shipment to be delayed. Now paddy is milled at a small mill owned by one of the leading members of NAG. The poor quality of the equipment, inappropriate technology and the poor skills base led to a poor quality of rice with a high percentage of broken rice. There was also a lack of knowledge about quality control and problems with underweight and poor quality packages.

The responses from Claro after shipment in 1992 clearly reflected the weaknesses of the export programme. Claro reported on the poor quality of rice, a high percentage of broken rice, unpurified rice containing red seed, unmilled rice, and dust, and underweight packages (the average weight of one kilogram rice was at 960 grams). There were also bugs in every one of the 12 boxes of rice. Moreover, the shipment was sent to the wrong port.

Green Net discussed problems with other stakeholders. Two main problems were identified: first, the export license, and second, the poor quality control of, for example,

rice quality (broken rice) and packing (torn plastic bags and split paper boxes). The first problem (the export license) was solved in 1995. Before 1995, all exports were carried out by Nanapan and Sin-Udom companies on behalf of the farmers group. This was claimed to have created a problem of dependency on the exporters. In 1995, Green Net tried to obtain an export licence and was successful in November. Since then, export has been carried out by Nature Food Co-op. This Co-op signed a contract with Claro to trade only with Claro in the European market.

Problems associated with the quality of rice have continued despite strong commitments from various groups to solve this problem. During 1994-1997, every shipment of rice was followed by complaints from fair trade partners. The problem of under weight packages has occurred regularly. This was because farmers did not have digital scales. They used spring scales and packed the rice manually. Moreover, the box itself was damaged due to the long distant transportation. As mentioned earlier, difficulties in improving the situation resulted from the fact that there was limited knowledge about rice trading and rice export. Delays occurred throughout the process, starting from the milling process, to the packing process, to the transporting process. The breakdown of the vacuum machine, the lack of stock skills, and the lack of transport facilities to move rice from Surin to Bangkok all helped to make the situation even more difficult.

Green Net has attempted to train producers to learn more about quality control by introducing documentary and recording skills to farmer groups. This enables Green Net to analyse problems and identify solutions. By doing so, some problems encountered earlier were overcome. For example, rice quality has improved and the packing method has changed. Also Green Net invested some money to improve major infrastructure and necessary equipment for the project's work. These enhanced the quality of the rice export programme to a more satisfactory standard.

Table 9.4: Problems and standards of export rice (1997)

Problems	Current Situation	EU Standard
Broken rice	21.49%	< 5%
Mix with other types of rice	1.76%	< 3%
Unpurify/dirty	Insects	= 0
	non rice e.g. dust, stone 0.571%	< 1%
Weight	Less than 1 kg.	Average weight = 1 kg.
	Average weight = 0.992 kg	Each bag's weight no
	Weight under 980 grams = 0.71%	less than 0.980 kg.
Broken bags	10%	< 2%

Source: Green Net Report (1997)

However, the problems of packages being under-weight and quality of rice have persisted. This is a controversial issue because the issue of underweight packages occurred from the beginning of the project and has not been solved despite reports, complaints, and warnings from many importers. In 1997, it was agreed to bring commercial principals into practice. That is the product has to be comply with the agreed standard otherwise fair trade partners can charge a fee. For example, in the case of export to CTM (Italy) in 1997, CTM responded:

“Product: Italian law states that rice cannot be sold with a breakage of more than 5% by weight. It’s possible to sell rice with breakage up to 10% if there is a special description of the package. Above 10% it’s illegal to sell it for human consumption. Samples that we took from the April arrival had a breakage of 8% for the whole rice and 14% for the white rice. Please note the 5% maximum in the contract. The law also states a limit of 3% for red and 3% for white grains (unpolished). In the sample we took, we found 8% and 5% respectively. I’m not sure how strict they are on these last 2 items but if there’s a problem with the breakage, the customs can block the imports.

Weight: Of 20 samples taken, only one pack had a weight exceeding one kilo. Almost all the packs had negative weight differences of 10-20 grams, some

coming very close to the legal tolerance of minus 2%. Even though the law permits a negative tolerance, CTM cannot accept a net negative weight difference. After all, we are paying for 1 kg of rice. In the future, if all the packs are again 1% under weight, we'll deduct 1% from the payment”.

Source: Green Net (1997)

CTM suggested that Green Net should take a sample of 20 boxes of rice prior to export to check quality e.g. milling, packing. The final payment for milling and packing would be paid accordingly to the quality of the export. In addition, CTM required Green Net to write the expiry date in numbers only (eg.15/5/99) and the Italian text must include “*prodotto in Tailandia*” and “*riso originario*”. For food exports to Italy, a Fito-Sanitary Document issued by the appropriate authorities in the exporting country is also required. Without this document, there is a real risk of further delays and extra costs might be incurred. Green Net cannot refuse these requests as it wants to maintain this fair trade market.

In 1999, EZA reported the problem of underweight rice and so did Oxfam. Oxfam GB is the first fair trade organization to ask for the reimbursement of costs related to the repacking of underweight rice. From interviews with the Oxfam Fair Trade Team, it is clear that they see this as a necessary measure. Oxfam sees it as part of a learning process where farmers come to learn more about quality control. This is the way to secure certain desired standards and make farmers as well as other actors involved in the fair trade process aware of the problems and to allows them to solve it in order to reach the standard. Green Net responded to Oxfam in the following way:

“Regarding OXT’s order (98-098), I accept the responsibility for under-weight of the rice packed. However, I would like to point to the fact that the deduction is very high (239,311 TBT) representing around 48% of the FOB price. This is almost equivalent to the cost of the rice. With this deduction, it would injure us a substantial loss. As you may already be aware, Green Net earns 16,800 TBT for each shipment, the Nature Food Co-operative earns 16,500 TBT and the

producer group earn 45,500 TBT. Put this together, it only amounts to 78,300 TBT and the rest is the cost we have to pay, e.g. the farmers, workers, packing materials, etc.

The issue of rice underweight was brought to our attention around January 1999 and Green Net has begun an investigation. This led us to the purchase of electronic weight derive in March 1999 with the suspicion that the problem was the inaccuracy of the weight. After the trial, we later found out that there is another problem with the weight of the plastic bag which we must deduct from the total weight. So, the weight issue was resolved around mid April 1999. Unfortunately, the OXT order (98-098) was packed around the first half of February 1999 when we were still investigating of underweight problems.

However, I am also aware about the legal problem in UK as well as in other European countries for selling products with underweight problems and understand that you must re-pack or put new label to correct the weight declaration. But can OXT find other way to correct this problem with cheaper costs? OXT's proposed solution will bankrupt Green Net and the producer groups. Therefore, we request you to review your decision on this matter".

Source: Green Net (1999)

In the same year, Oxfam Belgium stated that part of the rice of a former order was shipped together with the new rice. This would not have caused a problem if Oxfam knew which boxes were from the old and which ones were from the new orders so that they could sell the former first and the latter second. Sometimes they sold the new rice before the old one and the old rice expired before being sold, and customers then asked for a refund. Oxfam therefore recommended Green Net to clearly mark the expiry date on the outside of the boxes.

Although it may seem that the majority of problems in export occurs from the supplier's side, importers sometimes face difficulties too. Financial difficulties and delay in

payments were the core problems in 1996, 1997 and 1998. Claro's payment for example was delayed due to internal problems. In 1999, Green Net attempted to sort out the payment problem. Traditionally the payment agreement was quite loose. Claro paid 20% advance payment after the order was confirmed, 30% after receiving the goods, and 50% after 60 days. In September 1999, Green Net asked for 25% advance payment 7 days after the confirmation of order, 25% payment 7 days after shipment, and 50% after 90 days after shipment. Claro agreed to do so. Claro also intended to increase their pre-payment - 50% advance payment of all orders – the following year. The other half of the balance was to be paid 60 days after the goods are received.

There is also the problem of erratic demand. In 1998, the order for organic rice was less than the amount of rice that NAG expected to sell to the fair trade market. This caused a problem for Green Net, as well as SFS and NAG. Farmers felt insecure about the project. Farmers who suffered most were farmers who grew indigenous rice on the suggestion of the SFS promotion team after the high demand from fair trade partners in the previous year. This indigenous rice can not be sold in the local market as people in Thailand prefer Jasmine rice to any other kind of rice. Farmers then had to keep the rice for household consumption. Farmers who grew Jasmine rice suffer less from the drop in demand from the fair trade market as farmers can sell the rice to the mill anyway.

It is noticeable in this research that the trend of fair trade management has moved towards market orientation. Farmers have to produce in ways that satisfy the fair trade market. In other words, producers are told to follow the market trend. Fair trade partnership can be obtained only if farmers have achieved the requirements by the market. Another incident in support of this notion is that Tatoon Group, one of the farmer groups, borrowed money from Green Net to invest in a small rice noodle plant. Green Net offered money, support, advice about hygiene, and helped the group improve the quality of the noodle by using indigenous rice which make the noodle more sticky and colourful. With the aim of finding a niche market, Green Net proposed that all rice used for noodles had to be organic, preferably with the organic certificate. The pressure is now back on producers since they have to convert their farm to organic farming and

apply for organic certification as soon as possible. Green Net emphasises the need to impress on farmers that organic conversion is a long process, taking at least 3 years. Green Net also invests in the process of organic conversion because they cannot export products as organic products unless they are certified. Once it is certified, Green Net can export products to many places as the demand is high, particularly in European countries. However, nowadays few farmers grow indigenous rice because its market price is very low compared to jasmine rice. It also has a very low market demand. Farmers are afraid about the uncertainty of the indigenous rice market. If Green Net refuses to buy it, farmers would suffer the most.

Regarding the high cost of production, the issue of 'co-operation and do it by yourselves' was raised by Claro. It questioned when is it wiser and cheaper to co-operate with commercial people, and when is it better to work on your own. This is because the cost of fair trade rice is much higher than conventional rice. For example, Thai rice in a UK supermarket costs approximately £1.3 *per* kilogram, while fair trade rice in Oxfam costs £2 *per* kilogram. How can we explain this difference? One set of explanations lie in the fact that, for fair trade rice's small scale of operation, the cost *per* unit of mill, containers, etc. is still high. Claro gives the example of honey that it has for years been handled by a commercial company on Claro's behalf, including quality control, storage, filling of honey pots, and distribution of whole pallets. There is a service fee involved, but it is still cheaper than doing it themselves, considering that they would have to buy equipment, and train and employ people. The volume is too small to do it themselves professionally.

This has become an issue because farmer groups want to have their own mills. It is quite understandable why farmers want to do so. As stated in chapter 7, farmers feel that they are oppressed by rice millers who offer farmers a low price for their paddy and farmers feel they do not have any bargaining power. However, the fact is that operating rice mills is not easy. It requires engineering as well as marketing knowledge. Most of the successful mills in Surin have been in operation for two generations and are all run by Chinese families. Millers all agree that the new milling technology makes the milling

process more efficient and produces better quality rice. However, operating these mills requires an investment of at least 70 million baht.

Small scale mills cannot compete in the rice business. However, this type of mill exists at the village level. Owners of small scale mills normally do integrated farming e.g. rice farming, pig farming, chicken farming, and use the by products from the milling process as food for their animals. The efficiency of small and large scale mills is also different. The efficiency of a small scale mill is very low compared to medium scale and large scale mills. A small scale mill can transform paddy to rice at a rate of 50%, while a medium scale mill can do it at 66%. The broken percentage of rice is also much higher for small scale mills. Moreover, the cost of milling is 0.5 baht *per* kilogram of rice for small scale mills, and 0.10 baht *per* kilogram for large scale mills. Since NAG does not own its own mill, the efficiency of using the mill with operation cost 5 times higher than the average cost, and the capacity to turn paddy to rice 16% lower than the average capacity is questioned.

Now let me turn to the dilemma of 'co-operation or do it by yourselves'. Pressure from the market tends to lead to the adoption of the method that keeps the cost as low as possible or that is at least able to compete in the market. Claro suggests that in order to cope with high costs, additional sales need to be made. This would mean selling outside the alternative shops and embracing the normal commercial world. However, this is only possible if normal commercial rules can be followed. Claro emphasises that the most crucial issue for the future development of the fair trade project is the quality and price of rice. Fair trade needs to maintain the distinction between its product and conventional rice, while achieving a competitive price. It also needs to improve the effectiveness of fair trade work to reduce the cost. Reliability has to be taken into account. Delays are not acceptable.

Standards e.g. organic certification, and fair trade mark have emphasised by Claro. The high cost of certification (particularly if done by foreign consultants) and the limited in-

country capacity of local certifiers is said to be problematic⁴. Moreover, such certifications have created a local conflict. Some local organisations argue that such standards are set from a western point of view with a lack of understanding of local context (see chapter 7).

4. Fair trade management: which way now?

We have discussed the shifting notion of NGOs work, the move from development toward business corporation in section 1. Experiences from the fair trade in rice project have been discussed in section 2. The findings have shown inefficiency in terms of business management in the fair trade project. In this section, I would like to return to the question of whether fair trade should be more welfare oriented or should it be business-like.

NGOs and CBOs increasingly see business development and the promotion of viable commercial activities as a legitimate way to achieve broader social objectives, whilst reaching a wider audience and promoting sustainability. The ability to work in partnership with small inexperienced partners is touted as one of the main strengths of the fair trade movement, yet the pressure of competition in markets from large corporations with lower capital costs, economies of scale and well-developed distribution channels often pushes ATOs in directions which favour compromise in this key area. Evidence suggests that the operating costs of fair trade organisations are considerably higher than those of conventional ones. This is partly because of the large network involved is more expensive than the normal commercial retail network, as it needs to maintain close relations with both producers and customers inherent in a fair trade environment. It is also pointed out that fair trade organisations do not pay adequate attention to costs and strategic planning in an environment of constantly changing markets and margins which could lead to many underestimated and unexpected costs in fair trade work (Thomson, 1999).

⁴ At the moment farm inspection is undertaken by 'Organic Agriculture Certification Thailand' (ACT). For export purposes, KRAV, Sweden is a certifier for ACT.

Gibson and Tomesen (1999) point out that there are two competing arguments here to which no clear answer emerges. First, it is argued that the obstacles to export and trade – networks and information at a local and international level – are so large that only substantial and continued external investment can overcome them. Moreover, the potential benefits from access to lucrative markets make high costs justifiable. Second, it is argued that the focus on exports is actually inappropriate; small enterprises develop through learning and growing in local and then national markets before the export challenge is taken up; by encouraging business to short-circuit the normal business development and learning process and to go straight to exports they are left dependent on subsidy-supported services.

These arguments are obviously rooted in the historical view of fair trade. Fair trade historically emerges from the willingness of the North to help Southern producers. Hence, it is then concerned with international trade. Fair trade is in fact not necessarily about international trade; not necessarily about the North and the South. It can also be about urban and rural, or simply about producers and consumers. It is true that in order to export, external support is needed, financial as well as technical. However, it is argued that international markets can be developed in conjunction with domestic markets. Which one should start first may not be relevant to success or failure of the project. In some projects, chances to trade are offered by ATOs, while some projects operate locally. However, the most important thing is getting a foot in the door of the fair trade market as ATOs tends to depend on products from a relatively small number of producer partners for a large proportion of their sales.

Moreover, ATOs need to be aware about the limitation of the solidarity approach which used to be the main driver of fair trade sales. Tallontire (2000) points out that the message to consumers was frequently politically motivated; their purchase was seen as an expression of solidarity with the producer or producing country. While solidarity trading did reach a committed band of alternative consumers, it had some internal limitations, and as the international political climate changed, the solidarity message become less tenable. The producer focus of earlier periods was associated with the neglect of the consumer. As profits dropped and some ATOs faced bankruptcy many

ATOs began to look towards consumer needs and to balance these with those of producers. Consumer marketing, product development, and product quality all became important concerns of ATOs, marking increased commercial awareness. Despite some internal discomfort with marketing, it came to be seen as a useful tool for the development of the ATO business and the benefit of producers. Experiences from many ATOs seem to point the trend of fair trade in the same direction. This commercial focus cannot be pursued effectively unless ATOs are also 'business-like' in their approach.

Although Kindness and Gordon (2001) stated that the role of fair trade organisations lies between being directly responsible for marketing activities or to facilitate beneficiaries to market by themselves, in practice it is impossible to distinguish or separate the marketing and facilitation roles. The majority of fair trade organisations carry out both roles, and they have to balance their objectives. And this is the main root of tensions within fair trade: whether market or people are the first concern for fair trade, as there is a potential conflict between business objective and development objective within and between fair trade organisations. Moreover, there are also different definitions of the term 'fair'. What will make it 'fair', 'fair' for whom, and how 'fair' should it be are other matters that still have no absolute answer.

Tensions in the management of fair trade project can be found within organisations as well as between organisations. Internal tension exists where field staff who tend to be more producer-focused and marketing staff who tend to be more market-focused find difficulties working together. Similar tensions can also be formed between organisations where there are differences in work approaches. For example, international NGOs e.g. Claro, Oxfam, KRAV tend to be more market-oriented while local NGOs or CBOs e.g. SFS and NAG are more welfare oriented and more producer-focused. Having said that, it does not mean that international NGOs do not work on welfare, but the emphasis on the market is higher than for local NGOs.

Generally fair trade work requires collaboration within the fair trade network that involves both international NGOs, which are mainly importers or trading partners, and local NGOs, which work hand in hand with producers. Edwards and Hulme (1995) point

out that, under NGOs network collaboration, there are inevitably some differences in their understanding about purpose and role, perspectives on development, ability to sanction, levels of understanding about the organisation itself, as well as diverse expectations about responsiveness, acceptable levels of service, time-scales for results and impact. The fair trade network is no exception in this sense.

Definitions of objectives and decisions of what approach may be appropriate for fair trade organisations under one network have to be negotiated among a wide range of actors within the fair trade network. These organisations should ultimately clarify their position whether to become a fair trade organisation with emphasis on market, or an NGO, supporting peasant issues and promoting ecologically and socially sustainable agriculture. And it is quite problematic to keep both aspects under one organisational form for various reasons including clarity of perspective, accountability, correct assessment and business operations according to market forces.

5. Conclusion

The principal of fair trade involves the combination of development and business. However, due to the heterogeneous nature of fair trade projects as well as the emphasis in work that fair trade organisations aims to achieve, it makes fair trade unclear of its approach. Fair trade projects, in practice, are faced with a number of problems. Fair trade organisations that have their roots from welfare work are faced with a problem of lack of ability to manage business while organisations that focus themselves on marketing tend to be less concerned about the livelihoods of producers. Moreover, within the organisations themselves the conflict may arise between the marketing section and development section. In any fair trade project, there are a number of organisations involved, varying in their emphasis. Integrated and consistent efforts to satisfy everyone's needs are complex and difficult. This results in the complication and difficulties in managing the compromise among the contrasting objectives, and ultimately having to prioritise between them.

Fair trade organisations have to ultimately ask themselves about the aims of their work. What are their abilities to be and abilities to do. It is important for fair trade organisations to be clear about their objectives. Fair trade work has its specific identity, values and mission. Although there has been a shift from welfare or social objectives towards more business-oriented objectives in recent years, the two goals still have to be carried out hand in hand. Fair trade cannot be totally about business. It is also about human and social aspects of development. It is critical to be able to show to producers, customers, staff and other actors in the trade network that fair trade practices can deliver on their commitments. The continued success of fair trade clearly depends on the ability to demonstrate that fair trade is really fair and is different from conventional trade. If there is no proof, fair trade will be 'fair' only in rhetoric and continued support would be threatened.

Conclusion

This concluding chapter gives an overview of the discussion developed in the previous chapters. The remaining space is then dedicated to theoretical implications and policy recommendations.

In the first part of this thesis, we review the literature on the rice market and rice trading (chapter 1), the importance of rice for Thai economy and society (chapter 2), and provide an overview of fair trade (chapter 3). Chapter 1 shows that rice is a staple food for over half of the world population, and still accounts for an important share of total economic activity in many developing countries. However, the rice market is structurally thin and volatile, and subsequently sensitive to price fluctuation. Moreover, rice is a politically sensitive issue in rice consuming countries. The instability of this market can have severe effects on the livelihoods of poor people across the world. Governments in rice consuming countries spend a considerable part of their budgets on rice market intervention. This represents a policy dilemma: how to balance the interests of poor producers with those of poor consumers. A rise in prices will reduce rice consumption and adversely affect poor people's nutrition status. Conversely, low prices favour poor consumers, but result in financial hardship for farmers and their families. Much evidence points out that policy in developing countries tends to have a urban-bias.

Chapter 2 looks specifically at the case of Thailand. Rice is the most significant commodity for the Thai economy and society. In the 1990s, almost 60% of the total Thai labour force was engaged in agriculture and most produced rice as a main or subsidiary crop. Rice trading is a big business in Thailand, as it is the world's biggest rice exporter, with approximately a 30% share of the world rice market. However, despite the centrality of rice in the Thai economy, farmers have remained poor and marginalised. The price offered for their produce does not always cover the cost of production. In the Northeast, farmers' livelihoods are highly unsustainable. Moreover, the return from rice farming is low. There are several factors that contribute to this. First, farming in the Northeast is rain-fed and its yield is among the lowest compared

to other regions in Thailand. Second, farmers sell paddy as soon as it is harvested, during the period in which the price of paddy is lowest. Third, poor farmers do not have transportation. Hence they sell paddy to middlemen because they do not have to pay for transportation to bring the paddy to the mills. Moreover, government intervention rarely has positive effects for the poor. These farmers are highly marginalised and rarely get any assistance from the government. The ability of these rural communities to access remunerative markets is a critical determinant of incomes and well-being.

Next, we move onto look at the principal of fair trade in chapter 3. Fair trade attempts to bring more benefit to the poor by establishing a fair trading relationship with producers. The aim of fair trade is significantly different from traditional economic objectives. It brings the non-economic criteria of equity to the distribution of profits and benefits of trading. Fair trade principles contain at least three dimensions. The financial dimension is the first and core dimension of 'trade'. Fair trade projects can only be sustained if their financial performance is viable and this is a pre-requisite for other benefits going to producers. Second, the environmental dimension has become increasingly important in fair trade movements particularly in the case of organic farming. Finally, the social dimension is the core of 'fair' trade.

The second part of this thesis aims to determine if fair trade is a feasible alternative for farmers. This comprises 6 chapters covering research methodologies (chapter 4), the fragility of the livelihoods of Surin farmers (chapter 5), and research findings (chapter 6-9). The findings in chapter 6 suggest that, in comparison with conventional trade, the system operated by fair trade shortens the trading chain quite significantly. Also the trading network of the fair trade market is less complicated than that of conventional markets. This finding supports the fair trade movement's arguments that fair trade aims to trade more directly with producers. In fair trade networks, there is no middleman involved. However fair trade organisations themselves perform multiple functions, which include development and business. The relationship between actors involved in the fair trade network is more 'producer focussed'. Although the claim of 'equal partnership' might not be totally true, producers are respected and have

significantly more bargaining power than these in conventional trade networks. However, financial analysis is still obscured as there seem to be lack of transparency in fair trade network as fair trade operates through ‘trust’ among organisations within the network.

What is the impact of fair trade on producers? In chapter 7-8, the analysis shows the positive effects of fair trade for participants. However, fair trade in organic rice may not necessarily and always increase incomes for farmers. Shifting from conventional farming to organic farming contains some risk of falling yields, and the cost of conversion is high. Many farmers, particularly those who are very poor, cannot afford to carry these risks. Subsequently, the distribution of financial benefits remains uneven among members. Some farmers are very successful and get financial benefits from fair trade and an organic premium, while many farmers are struggling to move from conventional to organic farming. However, the financial benefit is not the only aspect of fair trade. It also contributes to psychological, social, and environmental development. Farmers gain knowledge from training, seminars, and workshops given by the group. Fair trade has encouraged a learning process for farmers. In addition, fair trade provides access to new markets.

In terms of fair trade management, chapter 9 shows that fair trade organisations themselves face a number of difficulties. The most common problems alternative trade organisations have with suppliers include low quality goods, late deliveries, poor packaging, mislabeling, lack of documentation, failure to act upon marketing information, and high operational costs. Suppliers, in turn, complain that fair trade organisations fail to supply reliable market information, do not remit profits on schedule, and do not fully understand suppliers’ constraints. It is evident that in the future fair trade management will become increasingly ‘business-like’ in order to be financially viable, and that raises the difficulty of compromising the development objective.

Concluding Remarks

As mentioned earlier, there is a limited amount of research on fair trade. This makes researching this topic challenging and exciting, as there are unexplored areas to examine. Below is a list of interesting issues derived from this research, and which may form the basis for future research.

1. Fair trade as a contested terrain

Although alternative trade initiatives vary considerably in their focus and scope, their common goal is to link financially, socially and environmentally conscious consumers in the north with producers with more socially just and ecologically sound production strategies in the south. The creation of these new social bonds between consumers and producers represents a challenge to the conventional trade relations that foster the exploitative practices characteristic of the current global agro-food system. However, this research argues that such strong commitments in fair trade movements also brings some weaknesses. First of all, fair trade's objectives involves three different dimensions: financial, social, and environmental. It is not easy to balance such objectives. The trend in fair trade development has shown that fair trade is only viable if it employs a 'business-like' approach. However, such a commercial approach is not viable if there is no proof that the trade is fair. On the other hand, if non-financial goals take the lead in fair trade, a subsidy is needed to maintain the high cost of production in fair trade.

It is pointed out by Raynolds (2000:297) that the alternative trade movement's strategy of operating 'in and against market', questioning the market devaluation of people and nature and yet doing so through market channels, appears both powerful and contradictory. As he says:

“As a market based movement, alternative trade in agriculture faces many of the pitfalls of other consumer movements. There is clearly a risk that alternative trade will lost its progressive thrust if the purchasing practices of self-interested wealthy consumers are permitted to guide the movement,

undermining its democratic basis and re-enforcing the traditional subordination of southern producers to the dictates of northern consumers (Cenival, 1998)".

If we look further to fair trade principals, they involves the combination of development and business. However, due to the heterogeneous nature of fair trade projects and the objectives of these projects, the meaning 'fair trade' becomes unclear. It seems that fair trade organisations that have their roots in welfare work are faced with difficulties in managing business, while organisations that emphasise marketing tend to be less concern about producers. Moreover, conflict can occur within the organisations themselves e.g. between the marketing section and the development section. In addition, as fair trade works in form of a network, there are a number of organisation involved and their work varies in its emphasis. Integrated and consistent effort to satisfy everyone's needs are complex and difficult. This results in complications and difficulties in reaching a compromise between the contrasting objectives, and ultimately having to prioritise between them.

2. Fair trade and its complexity

Fair trade is in fact not a direct link between producers and consumers. Its networks involve a number of actors. Consumers or even some fair trade organisations in the north rarely know about the producer groups in the south. Similarly, producers in the south do not know much about the fair trade market. Market information is rarely available to producers in a form which is suitable to their particular levels of education, skills and language capacities. It is clear in this research that there is a serious lack of information at different positions in the network and a lack of communication between them. Moreover, as fair trade networks involve a number of actors, differences in philosophy, or personality conflicts can disrupt business operations.

The impact of fair trade is difficult to measure. This is because we cannot make a distinction between the effect of fair trade and the effect of other developmental work that is embedded in NGOs' activities. In the case of fair trade in organic produce,

impact assessment is further complicated as there is no clear distinction between the impact of fair trade and the impact of organic farming. Access to materials and credit is an obvious positive effect derived from social organisation at the production level. The fair price is the direct benefit of fair trade. The organic premium is the direct benefit of organic produce. Also, economic benefits may derive from price premiums. Since the fair trade and certified organic movements tend to channel directly to the importers in the north, thus avoiding the traditional merchant capital intermediaries, they receive additional economic advantages by capturing better prices. However, are these benefits accruing from fair trade? Or are they the result of the 'learning environment' that NGOs provide, personal belief, or farm management. Moreover, evaluation can be done from different perspectives such as from the producers, the consumers, or the fair trade intermediaries point of views. So what criteria will be used and from what perspective will be appointed are still open to debate.

3. Fair trade organisation as an intermediaries

The majority of so call 'fair trade organisations' are in fact NGOs. As chapter 7 shows, NGOs are increasingly engaged in income generating programmes. These fair trade organisations play a crucial role as catalysts in the trade process. In this research, farmers are not in a position to manage their own businesses. This is why assistance from fair trade organisations is important. They play a crucial management role in the trade network as farmers do not have enough managerial skills to manage the whole export process by themselves. The fair trade intermediaries focus their work on providing a marketing channel and skills training (e.g. quality control), while some fair trade organisations play the role of supporting and empowering farmers. At this stage, there is a high degree of dependency in the fair trade network e.g. between suppliers and importers.

The emphasis of NGOs has seen a shift from welfare-oriented towards a more business-like approach. Subsequently, there is lack of clarity of purpose in fair trade organisations. Moreover, this raises difficulties about the future roles of fair trade organisations. Should fair trade organisations maintain the tradition, welfare oriented

approach or NGOs or become business-like? Should fair trade organisations continue to be 'fair trade' traders or should they empower producers to achieve a stage where they can manage their own business, ensure that have enough skills to do so, and eventually withdraw from the cycle of trade and move on to empower other disadvantaged producers?

It was also found that the cost of fair trade production is higher than that of conventional trade. This is perhaps because working in the form of networks of both suppliers and distribution outlets is more expensive than normal commercial retail networks. Also educational activities are frequently more elaborate (and expensive) than strictly commercial promotions. Subsequently, fair trade organisations still use 'subsidies' that exist in the form of inexpensive money, written-off loans, donated facilities, exemption from corporation taxes, and lower operating costs because of non-profit status, volunteer labour and lower salary scales. In addition, fair trade organisations also employ 'mark up' price setting strategies to cover their costs. We therefore have to ask how the high profit margin in fair trade market is distributed, and how subsidies are being used.

4. Fair trade and sustainable livelihoods

Rural livelihoods are complex and diverse (Bernstein et al, 1992; Bryceson, 1996; Carswell, 1997; Ellis, 1998; Hussein and Nelson, 1998; Scoones, 1998; Promphakping, 2000). A survey carried out by the International Rice Research Institute (IRRI) in key rice-farming areas during the mid to late 1980s found the average farm income to be around US\$1,000 per annum, of which 40-60% came from rice cultivation. Moreover, a large proportion of the non-farm income of rice farmers came from providing wage labour in the farming, processing, trade, and transport of surplus rice. Although rice is clearly important, generally it is not the sole source of paddy farmers' income (Hossain, 1996). In low-income labour surplus countries, paddy cultivation is done manually and uses approximately 150 days annually of labour per hectare. To transplant seedlings and control weeds alone requires 80 days of labour per hectare.

Outside the farming season, farmers are involved in a number of activities ranging from diversifying their agricultural enterprises, e.g. integrated farming, raising cattle through to non-agricultural enterprises, e.g. casual waged labour. Fair trade can only provide a fraction of farmer's livelihoods. While rice growing persists, households have diversified their means of livelihoods production to different non-agricultural activities. The diversification of livelihood strategies appears to be influenced by gender, age and skills. For example, rice growing appears to be associated with the survival of the older generation; male labour is for construction work; city-ward migration is underlined by youth labour; while aged-female labour (over 45 years old) is predominant in casual waged employment in agriculture. (Promphakping, 2000).

Within a village or a farmer's group, there is a high degree of heterogeneity, such as class and gender. Fair trade seems to overlook this factor and assumes that those farmers who are in fair trade are poor and marginalised. In fact the real 'poor' tend to be left out of the group because they cannot meet the requirements to be able to trade in the fair trade network. The fair trade project may not always be suitable for all producers and may not necessary benefit every farmer. Therefore, fair trade is another option for producers to diversify their livelihoods.

5. Should fair trade be organic fair trade?

The certified organic and fair trade movements are founded on two distinct philosophies. While the organic movement is concerned with revealing the ecological conditions of production, the fair trade movement is concerned with the social conditions of production. The organic movement taps mounting consumer concern over health and food safety issues, but has historically been detached from social justice issues (Murray and Raynolds, 2000; Raynolds, 2000; Rice, 2001).

Nevertheless, despite the tendency of activities, academics, and the general public to divorce such issues, we hear clear messages from interdisciplinary efforts that social well being and environmental health are inter-related. There are signs that the two movements are forging a common ground in defining minimum social and

environmental requirements. (Blaikie, 1985; Raynolds, 2000; Thrupp, 1996; Vandermeer and Perfecto, 1995).

The contribution of organic farming to environmental protection has been widely studied. It is clear that a variety of general environmental benefits can be expected, ranging from conservation of the soil resource, wildlife and non-renewable resources to reduced pollution. Yet not every farmer can adopt organic farming methods. A key factor inhibiting the adoption of organic farming, despite the premium market and the other benefits, is concern about the implications of conversion. The process of transition to organic systems involves the restructuring of the whole farm business, the extent of which is likely to be greater for specialized than for mixed farms. It is a complex process involving a high degree of innovation and learning on the part of the farmer, as well as some financial expense. The costs include conversion-related investments and information-gathering expenses, as well as the loss of income and additional costs arising from additional yield reductions as biological processes become established; the trial of new enterprises and techniques; errors resulting in higher than necessary yield reductions; and restricted access to premium prices during the conversion period. In many cases, it is difficult to see these costs as a form of investment by the farmer in future higher returns because there is no guarantee of improved incomes in the long run.

6. Policy implications

In order to suggest policy implications, we shall step back and look again at the definition and aims of fair trade. Fair trade is defined as “an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seems to do this by providing better trading conditions by awareness raising and by campaigning”. From its definition, it is clear that fair trade is aimed at excluded and disadvantaged producers.

This research found that despite a number of contributions that fair trade has made to rice producers, the benefits of fair trade do not yet reach the poorest of the poor. Although, fair trade provides access to markets in which small producers can learn to trade in a relatively protected environment, it is found that fair trade is not an alternative but rather a parallel trade, complementary to the conventional trade. Farmers cannot rely entirely alone on fair trade market. They just use fair trade as an additional way to pursue their livelihoods. Fair trade farmers still mainly sell their paddy with conventional traders e.g. mills and middlemen. Moreover, the majority of fair trade farmers are still engaged in both conventional farming and pesticide-free farming, and have not yet converted their farm to organic farming. One could ask why fair trade cannot be an absolute alternative trade for farmers. This is perhaps because of the small scale of operations and the limitations of the fair trade market. Another reason is the regulations that many poor farmers cannot comply with (e.g. organic farming) due to financial difficulties, and that bar them from converting their farming methods from conventional to organic. So what can be done to extend the benefits of fair trade to poorer farmers?

6.1. If organic farming is required, some form of consistent subsidy is needed to support the marginalised farmers who are willing to comply with the regulations of the fair trade organisation but do not have the material capacity to do so. As discussed in chapter 6, a number of farmers have dropped out from the fair trade organisation. The most frequently cited barrier is financial difficulties. This group of farmers should, in theory, be the target producer group if fair trade is about helping marginalised farmers to gain access to the fair trade market.

However, it seems to be the case that assistance provide by NGOs depends on the grant they get from donors, that is they have limited resources and rely on outside funding. It is therefore beyond the capacity of local NGOs to solve financial problems, and the simple strategy of reducing expenses will cut the services they provide, or ultimately cause them to choose to work with producers who can comply with NGOs' requirements. However, such an approach will affect farmers who are struggling and depend on the assistance and the market from fair trade.

6.2. In order to broaden the impact of fair trade, market diversification is needed. There are a number of ways to achieve this. For example, fair trade organisations need to find suitable products for suitable markets. Unlike fair trade coffee and tea, rice does not gain a considerable market share in Europe. This is perhaps because it is not a main part of the European diet, and from the perspective of Thailand, the volume of the international trade is significantly lower than domestic trade (see chapter 2). One possible alternative is therefore to promote fair trade for the domestic market as well as to promote fair trade in rice in rice consuming countries. In addition, other fair trade products should be promoted. This could bring significant benefits for producers.

6.3. The findings in chapter 6 suggest that there is a high level of dependency in the fair trade network e.g. between NAG and SFS, SFS and Green Net, and Green Net and Claro. This brings a crucial disadvantage in the sense that producers may not have access to alternative buyers or markets if the current buyers are not longer able to market their produce. Therefore, in the long term, more support should probably go to grassroots organisations that aim to empower producers, as ultimately it is probably desirable that producers should be able to manage their own community business rather than depending on fair trade organisations. NGOs should play a more facilitative role, that is to assist individuals, groups, and communities to market for themselves by strengthening the capacity of producers; developing linkages to traders and other stakeholders in the marketing chain; and linking farmers to relevant market information. This approach is likely to generate more sustainable marketing activities and linkages.

6.4. Chapter 9 has shown that the future of fair trade is moving towards a 'business-like' approach. However, NGOs face a number of difficulties in doing business. So perhaps other forms of 'socially responsible business' need to be promoted in conjunction with fair trade. Adopting a more 'business-like' approach is probably the way to achieve cost efficiency. However, it is also important that such businesses do not exploit society and the environment. NGOs are perhaps still oriented toward a development rather than a business approach. In the future, there might be a way to promote the collaboration of business enterprise and local NGOs.

7. Further research

As stated earlier, there has been limited research on fair trade. There is need to improve the quality and diversity of studies on fair trade. Comparative study is highly recommended for further research. As far as I am aware, there is no comparative research in fair trade. So how do we know that fair trade is better than conventional trade? How do we know that fair trade is better than contract farming? How do we know that fair trade is better than government price intervention? How do we know that one fair trade project is better than another?

In comparative research, we have to be cautious when it comes to data analysis. It is found that in practice there is no straight forward way to ensure that 'like' is compared with 'like', as the social sciences are not about to achieve such experimental circumstances. For example, some farmers implement integrated farming methods together with organic farming. Hence, they can utilise the rotation crop for compost. Some farmers, however, do not have enough land or family labour, so they have to hire labour to do organic farming, as well as buy manure and compost for their farm. These two types of farming methods reflect different costs of production.

There are a number of ways that a comparative study may enhance the analysis. For example, a) compare fair trade and non-fair trade; b) compare fair trade across commodities; c) compare organic and non-organic; d) compare price influenced-participants and non-price-influenced participants (ideology based comparison)¹. However, researchers have to be careful in determining which factors should be included in the analysis, so as to ensure any farms under study are as comparable as possible. For example, a) location e.g. soil type, climate, topography, altitude; b). farm characteristic e.g. size, layout, land tenure; c). financial circumstances e.g. capital availability, interest payments, rents, cash flows; d). production e.g. breeds, varieties; e). marketing e.g. processing, distribution, distance to markets; f). managerial influences e.g. experience, ability, education, motivation.

Moreover, the present research only covers one year, which means that the results may be strongly influenced by particular climatic, economic or other exogenous factors prevailing in that year. It is suggested that there should be follow up research, or a longer period of study over several years, preferably encompassing one or two rotations, in order to account for impact of the variability of climatic and other exogenous variables. Also, the study should be conducted on a sufficiently large scale, preferably on a farm scale, with the appropriate human input measures recognising management and social, as well as labour influences, so that the experiment is not divorced from the environmental and management 'context'. This should include farmers' objectives, which are critical to the functioning of the farming system (Lampkin, 1994).

More research is required on disadvantaged producers. This is because the majority of fair trade impact assessments tend to focus on fair trade beneficiary groups, resulting in their emphasising the benefits from fair trade, at least from the fair trade premium. Such research can cause policy makers to exaggerate the positive impacts of fair trade and overlook 'real' disadvantaged producers. Results from the research will be an essential means for fair trade to determine the appropriate assistance for poor producers. More research is also needed on the much neglected issue of the risk and uncertainty involved in fair trade. For example, perceptions that organic farming is more risky act as a significant barrier to its adoption by many farmers. Related human, sociological and institutional factors affecting the adoption of organic farming, including the role of appropriate information, and extension services as well as institutional 'credibility', rather than direct financial support, would also merit further research.

There are some aspects of fair trade, such as the issues related to fair trade importers that are not well covered in this research. Very limited information regarding prices and linkages within the fair trade network, both financial and social are presented here.

¹ This may effect their cost of production because if farmers do organic farming because of the price-influence (not because of trying to be less dependent on inputs), farmers might end up buying manure and compost rather than using inputs derived within farms.

Moreover, an unduly optimistic picture is portrayed of accountability and transparency issues in terms of the subsidies and distribution of profit involved in fair trade. Although such issues may be difficult for researchers to inquire about, they are worth exploring.

Appendices

Appendix 1: Interview Guide for Farmers

Name of Interviewer:

Name of Interviewee:

Date of Interview:

Place/ Address:

ID:

Village Code:

Section 1: Interviewee's Profile

1. Please give details of your household members

No	Name	Sex	Age	Status	Relation with Household head	Highest Education	Main Occupation				Supplementary Occupation				Total Income (Baht/ year)
							Job	Place of Work	Type*	Wage/ Income	Job	Place of Work	Type*	Wage/ Income	

* 1 = commuter

2 = seasonal

3 = yearlong

Section 2: Social Aspects

2. Does any member of your family join or have any position in a social group?

1. Yes

2. No

If yes, please give detail

Name	Groups*	Position	Benefit of membership

Section 3: Physical Aspects

3. How many rai of land do you have?

Own rai

Rent rai

4. How many rai of land do you allocate to rice production?

.....

-
- * 1. religious or spiritual group (e.g. temple, informal religious group, religious study group)
 2. cultural, social, emotional/support group (e.g. art, music, festivals, film, emotional support youth, elderly)
 3. sports groups (e.g. football, soccer)
 4. basic services groups (e.g. health, education, nutrition, infrastructure, roads, water, sanitation, literacy groups, study groups)
 5. ethnic based groups (e.g. caste, tribe, indigenous, community organisations)
 6. community organisation, neighbourhood committees
 7. finance, credit, saving groups
 8. production group (e.g. cooperatives, farmers, vendors groups)
 9. unions, labour unions, trade unions
 10. political party
 11. professional association (eg. doctors, lawyers, teachers associations)
 12. business, manufacturing associations
 13. social movement, protest movement
 14. other groups

5. Type of house

- | | |
|---|--|
| 1. <input type="checkbox"/> Hut | 2. <input type="checkbox"/> Single storey, thatch roof |
| 3. <input type="checkbox"/> Single storey, zinc roof | 4. <input type="checkbox"/> Single storey, tile roof |
| 5. <input type="checkbox"/> Wooden house on stilts with concrete foundation | |
| 6. <input type="checkbox"/> Brick house | 7. <input type="checkbox"/> Two stories |
| 8. <input type="checkbox"/> Other, please specify..... | |

6. Type of latrine

- | | |
|--|---|
| 1. <input type="checkbox"/> Latrine inside the house | 2. <input type="checkbox"/> Latrine outside the house |
| 3. <input type="checkbox"/> Ground pit latrine | |
| 4. <input type="checkbox"/> Other, please specify..... | |

7. Farm properties (tick as many as apply)

- | | |
|--|---|
| 1. <input type="checkbox"/> Cart | 2. <input type="checkbox"/> Walking tractor |
| 3. <input type="checkbox"/> 4-wheel tractor | 4. <input type="checkbox"/> Thresher |
| 5. <input type="checkbox"/> Water pump | 6. <input type="checkbox"/> Dryer |
| 7. <input type="checkbox"/> Storage Facilities | |

8. Non-farm properties (tick as many as apply)

- | | |
|--|---|
| 1. <input type="checkbox"/> Big jar | 2. <input type="checkbox"/> Radio |
| 3. <input type="checkbox"/> Television | 4. <input type="checkbox"/> Bicycle |
| 5. <input type="checkbox"/> Motorcycle | 6. <input type="checkbox"/> Pick-up car |

9. Number of cattle

- | | |
|---------------|-------|
| | |
| draft animals | |
| ducks | |
| hens | |
| pigs | |
| fishes | |

Section 4: Financial Aspects

4.1: Asset and Debt

10. Does your family have any asset (eg. bank deposits)?

1. Yes

2. No

If yes, please specify.

Source of asset	Amount/value (Baht)	Interest (%/month)

11. Does your family have any debt?

1. Yes

2. No

If yes, please specify.

Source of loan	Purpose of the loan	Amount (Baht)	Terms of contract

4.2: Farm Income

12. Household farm income

Types	Area (rai)	Harvest (time/year)	Yield (kg/rai)	Total production (kg)	Purpose*	Quantity (kg)	Price/ kg	Income from selling
Crops								
1. Rice								
2.								
3.								
Livestock								
Others								

-
- * 1. home-supply
 2. pay debt in kind
 3. sale
 4. keep seed, stems.
 5. give away to friends and relatives,
 6. others

4.4: Household expenditure

16. Please give details of your household expenditure

Index	Expenditure	Amount (Baht)
1	Production cost	
	1.1 rice	
	1.2	
	1.3	
	1.4	
2	Daily expenditure eg. food and beverage	
3	Gas and electricity	
4	Water	
5	Rent	
6	Social event	
7	Entertainment	
8	Education fee	
9	Cloths	
10	Debt Repayment	
11	Others	

17. What is the balance between your household income and expenditure in last five years (please tick as appropriate)?

Year \ Balance	Income more than expenditure, with some saving	Income is about the same as expenditure, no saving	Income less than expenditure
1999			
1998			
1997			
1996			
1995			

18. If your family had financial problems, who would be the first person you asked for help? Why?

- 1. Relatives
- 2. Village header
- 3. Social groups, please specify.....
- 4. Bank
- 5. Loaner
- 6. Government officer
- 7. Other, please specify.....

Because.....

Section 5: Rice Production

5.1: Natural Resources

19. What are the most important natural resources for rice production?

- 1.
- 2.
- 3.

20. Do you satisfy with the allocation or distribution of those natural resources? Why?

.....

5.2: Rice Cultivation

21. How many years have you been doing rice farming?

.....

22. How many cropping season/year can you do rice farming? Why?

.....

23. Cultivation practice

1. Transplant 2. Broadcast 3. Both

24. You did not broadcast rice because (choose as many as apply, then **Skip to 27**)

1. No knowledge about practice 2. Unreliable yield
 3. Inconvenient to work in the field 4. Other, please specify.....

25. You broadcasted rice because (choose as many as apply)

1. Lack supply of household labour
 2. No need to hire labour, thus low expense
 3. Follow successful examples
 4. Other, please specify.....

26. Does broadcasting yield higher than that of transplanting?

1. Yes because.....
 2. No because.....

27. Rice varieties (If you did not grow hybrid varieties, **Skip to 30**)

- 1)..... 1. Local 2. Hybrid
 2)..... 1. Local 2. Hybrid
 3)..... 1. Local 2. Hybrid

28. If you grew hybrid varieties, where did you get the seed? (choose as many as apply)

1. Provincial Rice Research Station
 2. Provincial Agricultural Extension Office
 3. Kin and/or neighbours
 4. Self-supply
 5. Other, please specify.....

29. You grew hybrid varieties because (choose as many as apply, then **Skip to 31**)

1. Dietary preference 2. High yield
 3. Desirable market price 4. Other, please specify.....

30. If you did not grow hybrid rice, it was because (choose as many as apply)

1. Cost of seed was high 2. Difficult to find seed
 3. Additional cost of chemical inputs 4. Not dietary preference
 5. Other, please specify.....

31. Do you plant the same variety every season? Why?

.....

32. Did you share crop with kin?

1. Yes Please specify the agreement.....
 2. No **Skip to 34**

33. Why did you share crop with kin? (choose as many as apply)

1. Lack supply of household labour 2. No land
 3. Other, please specify.....

43. If no, why (choose as many as apply)

1. Unnecessary, had enough manure, and fine quality of soil
2. High cost of chemical fertiliser
3. Cost was affordable but inconvenient to purchase
4. Other, please specify.....

44. Did you apply pesticide?

1. Yes **Skip to 46**
2. No

45. If no, why (choose as many as apply)?

1. Unnecessary, none or small number of pests
2. High cost of pesticide
3. Cost was affordable but inconvenient to purchase
4. Other, please specify.....

46. Was your household self-sufficient?

1. Yes
2. No

47. Did you receive any technical assistance on rice production?

1. Yes
2. No

48. Who gave it to you?

1. Provincial Rice Research Station
2. Provincial Agricultural Extension Office
3. Kin and/or neighbours
4. Self-supply
5. Other, please specify.....

5.3: Cost of Rice Production, Capitalisation, and Credit Sources

49. Cost of rice production (for the 1998-1999 cropping year)

Items	Unit	Baht/unit	Total (Baht)	How did you buy/ pay? ¹	Source of capital ²	Terms of contract
Cash Cost						
Rent for land						
Seeds, planting materials						
Fertiliser						
Manure						
Pesticide/ chemicals						
Rent for ploughing machine						
Fuel and oil for ploughing machine						
Hire of labour						
Transportation to markets						
Electricity for the water pump						
Sacks/baskets/containers						
Interest payment on crop loan						

¹ 1 = Cash, 2 = Credit

² 1 = Savings, 2 = Bank of Agricultural and Cooperative, 3 = Commercial Bank, 4 = Cooperative, 5 = Local merchants, 6 = landlords, 7 = traders, 8 = millers, 9 = relatives, 10 = friends, 11 = others

Items	Unit	Baht/unit	Total (Baht)	How did you buy/ pay? ¹	Source of capital ²	Terms of contract
Others						
Non-Cash Cost						
Seeds/ planting materials						
Landlord's share						
Harvester's share						
Thresher's share						
Hired labour paid in kind						
Rent for land						
Fuel and oil						
Imputed Cost						
Operator/family labour						
Exchange labour						
Depreciation						
Interest on investment						
Owned land (rental value)						

Section 6: Marketing

50. When did you sell rice and how much did you get during the last year?

Duration*	Why	Price/kg	Amount (kg)	Total income

* eg. after harvesting, after drying, or after storing

51. To whom, where and why did you sell it to?

No.	To Whom?	Where? ¹	Why? ²

¹ eg. at the farm, at the municipal center

² eg. better price, have existing loan, pays in cash, provides post harvest facilities, others

52. Is there any buyer contacted to buy your paddy before harvested?

.....

53. How many buyers are there in the area?

.....

54. How do farmers set contract with buyers?

.....

.....

55. Did you satisfy the price that you get?

1. Yes, please give reason.....

2. No, please give reason.....

Section 7: Price Information

56. How are upstream and downstream price information gathered?

.....

57. Can you negotiate for the price you want? Why?

.....

Section 8: Attitude towards their livelihoods

58. Would you say your family are happy? Why?

.....

59. Do you think most merchants/intermediaries would try to take advantage of you if they got the change, or would they try to be fair? Why?

.....

60. How satisfied are you with your quality of life? Why

.....

61. How satisfied are you with your household's financial situation? Why?

.....

62. Thinking about the future, do you think that you and your household will be much worse off or better off than today? Why?

.....

63. Do you think you have rights and power and be able to change your life? Why?

.....

64. What do you think about rice market?

.....

65. If there is a crisis, such as poor crops, the loss of a job, or ill health, how would you rate your household's ability to survive such crisis? Why?

1. Very insecure 2. Somewhat insecure
 3. Average 4. Somewhat secure
 5. Very secure

Because.....

66. How confident would you say you are that your household would be okay in a crisis compared to 5 years ago?

1. Much less confident 2. Less confident
 3. Same 4. More confident
 5. Much more confident

Please give the reason.....

67. In your opinion, what is the biggest problem facing you? What is the second biggest problem? What is the third biggest problem?

Problems	Rank (1, 2, 3)
Economic	
Loss of harvest: drought, flood, pests	
Low price for agricultural products	
High price for consumption goods	
Unemployment/no jobs	
Poverty	
Inflation	
Lack of credit/finance	
Taxes	
Lack of land/poor quality of land	
Health	
Illness/epidemic	
Lack of health care	
Drinking water	
Sanitation/waste disposal	
Infrastructure	
Housing	
Roads and bridges	
Transportation systems	
Political	
Corruption	
Political instability	
Security	
Crime/theft	
Violence/security/safety	
Social	
Education	

Problems	Rank (1, 2, 3)
Domestic violence	
Social isolation	
Fighting between groups	
Drunkenness/drug abuse	

Section 9: Attitude towards Conventional and Fair Trade

68. Do you think life for the people in this village would have been better or worse without the project/programme?

1. Better 2. Worse

Please state the reasons:

(1).....

(2).....

69. Do you think most merchants/intermediaries would try to take advantage of you if they got the change, or would they try to be fair? Why?

.....

70. Do you satisfy with the price that you get? Why?

.....

71. Do you know about fair trade?

.....

72. Do/did you participate in the project/programme?

1. Yes what did you expect to benefit from it?

.....

2. No why not?

.....

73. What made you join a fair trade project?

- (1).....
 (2).....
 (3).....

74. What did/does the project/programme involve?

- (1).....
 (2).....
 (3).....

75. What are the differences between trading in conventional rice market and fair trade market?

- (1).....
 (2).....
 (3).....

76. What form of assistance did you receive from the project?

1. In cash (please give detail).....

 2. In kind (please give detail).....

 3. Both (please give detail).....

77. Have/were your expectation met?

1. Yes 2. No

Please state the reasons.....

78. Do you think life for the people in this village would have been better or worse without the project/programme?

1. Better 2. Worse

Please state the reasons:

- (1).....
- (2).....
- (3).....

Section 10: Views on the State of Rice Industry

- 79. What problems plague the industry in general?
.....
- 80. What problems plague the marketing side of the equation?
.....
- 81. What do you perceive are the public and private sector solutions to the problem?
.....

Section 11: Views on State Intervention

- 82. Is public investment in infrastructure enough (ie. road network, telecommunication, irrigation system, public storage facilities)?
.....
- 83. Do you receive any help from the government? What are they?
.....
- 84. How do you find the government rice procurement policy? Do you think it is still relevant and necessary? Why or why not?
.....

Appendix 2: Interview Guide for Paddy/Rice Traders

Section 1: Interviewee's Profile

1.

Name of interviewee: _____

Age: _____

Date of interview: _____

Company name: _____

Address: _____

Section 2: Business Profile

2. How many years have you been in the rice export business?
3. How did you get started in the business?
4. Why do you work on in this business?
5. What is the characteristic of the organisation of business (e.g. single proprietorship, partnership, family or corporation)?
6. Do you do any rice-related business? What are they?

Section 3: Information on Rice Trading

7. Could you please outline the structure of the rice market in Thailand?
8. How are rice exports organised?

9. Who are the main rice exporters?
10. What procedures are generally used to adjust rice supply to demand?
11. What type of rice is most in demand in the international market?
12. How variable is the quantity of rice exported?
13. How do you decide which price to offer producers for their rice? Is there always a well-known standard price that is paid by all buyers and wholesalers, or do they set their own buying price?
14. Approximately how many tons of rice have you handled during the last five years?
15. How long (on average) does rice remain in your warehouse before you sell it?
16. Do you sometimes store rice expecting a rise in price before selling it?

Section 4: Marketing Network and Operations

17. Upstream Network

From whom and where do you buy rice during the last cropping year?

No.	Rice Variety	Source of Origin (name, location,, channel type*)	Price/kg.	Quantity (kg.)	Total (Baht)	Terms of contract (credit, terms, interests, others)

*farmer, local middleman, provincial trader, broker

18. Downstream network

To whom and where do you sell your rice?

No.	Destination (Name, location, channel type*)	Transportation cost/kg.	Retail Price/kg.	Wholesale price/kg.	Total volume (kg.)	Terms of contract (credit, terms, interest, others)

*wholesaler, retailer, agent

Section 5: Perceptions about the Rice Business

19. What are your perception of the rice market? (always a lot of competition among buyers/wholesalers, rarely competition, competition varies according to supply)?
20. Are there problems with the quality of rice? If so, what are they? What is the approximate amount of rice affected by humidity, impurity, damage (e.g. broken), mixing of varieties?
21. What do you think are the main problems of the way the rice trade is organised?
22. What do you perceive are the public and private sector solutions to the problem?

Section 6: Capitalisation and Credit Sources

24. What are the main expenditures of doing rice export business?

Items	Amount (baht)	Remarks

25. Credit sources and Utilisation

Institution	Utilisation	Amount	Interest Rate	% share
Commercial Bank				
BAAC				
Cooperatives				
Government fund				
Fellow traders				
Relatives				
Others				

Section 7: Perceptions about Conventional and Fair Trade

26. How are upstream and downstream price information gathered?

27. Can you negotiate for the price you want? Why?

28. Do you think farmers get the fair price for their paddy?

29. Do you think the buying and selling rice prices is fair?

Section 8: Views on State Intervention

30. Is public investment in infrastructure (road network, telecommunication, public storage facilities etc.) enough?

31. Do you receive any help from the government? What are they?

32. What do you think about the government rice procurement policy? Do you think it is still relevant and necessary? Why or why not?

Bibliography

- Antle, J.M. and Pingali, P. (1994). Pesticide, productivity, and farmer health: a Philippine case study. *American Journal of Agricultural Economics*. Vol.76, pp.418-430.
- Antle, J.M., Cole, D.C. and Crissman, C.C. (1998a). Further evidence on pesticides, productivity and farmer health: potato production in Ecuador. *Agricultural Economics*. Vol.18, pp.199-207.
- Antle, J.M., Lekakis, J.N., Zantias, J.P. (eds.) (1998b). *Agriculture, trade and the environment: the impact of liberalisation on sustainable development*. Cheltenham: Elgar.
- Asian Development Bank (2001). *Key indicators of developing Asian and pacific countries*. Manila: Asian Development Bank.
- Bain, J.S. (1959). *Industrial organisation*. New York: John Wiley.
- Balisacan, A.M. (1998). Green revolution-type growth, policy regime, and income distribution: the Philippine case. In: Pingali, P.L. and Hossain, M. (ed.). *Impact of rice research*, pp.363-374. Los Banos, Philippines: IRRI.
- Bangkok Post (1998). Opportunities for growth. *Bangkok Post*, June 30.
- Bangkok Post (1999a). Pillar of ethical economics. *Bangkok Post*, August 7.
- Bangkok Post (1999b). Rice farmers find loan burden too heavy. *Bangkok Post*, December 13.
- Bangkok Post (2001). Millers and officials in rice stock scam. *Bangkok Post*, April 3.
- Bank of Thailand (1997). *Bank of Thailand monthly report*. Vol.5/2540. Bangkok: Bank of Thailand
- Bardhan, P.K. (ed.) (1988). *The economic theory of agrarian institutions*. Oxford: Clarendon.
- Barker, R., Herdt, R.W. and Rose, B. (1985). *The rice economy of Asia*. Washington, DC: Resources for the Future.
- Barratt Brown, M. (1993). *Fair trade: reform and realities in the international trading system*. London: Zed Books.
- Barrientos, S. and Blowfield, M. (2001). Richer or poorer? Achievements and challenges of ethical trade. *ID21* (March 2001). Institute of Development Studies, University of Sussex.

Bassam, N. El., Behl, R.K., and Prochnow B. (1998). *Sustainable agriculture for food, energy and industry: strategies towards achievement*. Proceedings of the international conference held in Braunschweig, Germany, June 1997.

Basu, K., Bell, C., Bose, P. (1999). *Interlinkage, limited liability and strategic interaction*. Washington, D.C.: World Bank.

Bateman, D.I. (1994). Organic farming and society: an economic perspective. In: Lampkin, N.H. and Padel, S. (eds.). *The economics of organic farming: an international perspective*, pp.45-67. Oxon: CAB International.

Bates, R.H (1993). Urban bias: a fresh look. *Journal of development studies*. Vol.29, no.4, pp.219-28

Bates, R.H. (ed.) (1988). *Toward a political economy of development: a rational choice perspective*. Berkeley; London: University of California Press.

Baumol, W.J. (1991). *Perfect markets and easy virtue: business ethics and the invisible hand*. Cambridge: Blackwell.

Beardsley, J.R. and Parker, L.A. (1981). *Trading with the third world and promoting awareness of development issues: experiences of alternative marketing organisation in Europe and the United States*. Center for Technology and Society, USAID.

Beauchamp, T.L. and Bowie, N.E. (1983). *Ethical theory and business*. London: Prentice-Hall.

Bebbington, A. and Thiele, G. (1993). *NGOs and the state in Latin America: rethinking roles in sustainable agricultural development*. London: Routledge.

Beckman, B. (1998). Fair trade and trade development. In: *ILEIA Newsletter*, Vol.14, no.4, pp. 8-9.

Bell, C. (1972). The acquisition of agricultural technology: its determinant effects. *Journal of Development Studies*. Vol.9, pp.123-59.

Bell, C. (1991). Markets, power and productivity in rural Asia : a review article. *Journal of development economics*. Vol.36, no.2, pp.373-93.

Bell, C., Srinivasan, T. N., Udry, C. (1998). *Rationing, spillover, and interlinking in credit markets: the case of rural Punjab*. New Haven, Conn: Yale University. Economic Growth Center.

Bello, W., Cunningham, S., and Li Kheng, P. (1998). *Siamese tragedy: development and disintegration in modern Thailand*. London: Zed Books.

Bernstein, H., Crow, B. and Johnson, H. (eds.) (1992). *Rural livelihoods: crises and responses*. Oxford: Oxford University Press.

- Bhaduri, A. (1983). *The economics of backward agriculture*. New York: Academic Press.
- Bhaduri, A. (1986). Forced commerce and agrarian growth. *World Development*. Vol. 14, no.2, pp.267-72.
- Bharadwaj, K. (1985). A view on commercialisation in Indian agriculture and the development of capitalism. *Journal of Peasant Studies*. Vol 12, no.1, pp.7-25.
- Binswanger, H.P. (1978). *Attitudes towards risk: implications and psychological theories of and experiment in rural India*. New Haven: Yale University Press.
- Binswanger, H.P. and Rosenzweig, M.R. (eds.) (1984). *Contractual arrangements, employment, and wages in rural labour markets in Asia*. New Haven: Yale University Press.
- Bird, K. and Hughes, D. (1997). Ethical consumerism: the case of 'fairly-traded' coffee. *Business Ethics*. Vol.6, no.3, pp.159-167.
- Blaikie, P. (1985). *The political economy of soil erosion in developing countries*. New York: Longman.
- Blair, A., and Zahm, S.H. (1991). Cancer among farmers. *Occupational Medicine: State of the Art Reviews*. Vol.6, no.3.
- Blair, A., Dosemeci, M., Heineman, E.F. (1993). Cancer and other causes of death among male and female farmers from twenty-three states. *American Journal of Industrial Medicine*. Vol.23, pp.729-742.
- Blowfield, M. and Gallat, S. (1998). *Ethical trade and sustainable rural livelihoods case studies: Volta River Estates fair trade bananas case study*. London: NRI/NRET.
- Blythman, J. and Phipps, C. (2000). Poor marks. *The Guardian*, April 7.
- Body Shop (1996a). *Our Agenda*. Watersmead, West Sussex: The Body Shop.
- Body Shop (1996b). *The Body Shop International: fair trade guideline*. Watersmead, West Sussex: The Body Shop.
- Body Shop (1998). *The Body Shop Community Trade Programme*. Watersmead, West Sussex: The Body Shop.
- Bonanno, A. and Constance, D. (1996). *Caught in the net: the global tuna industry, environmentalism, and the state*. Lawrence: University Press of Kansas.
- Braverman, A. and Srinivasan, T.N. (1981). Credit and sharecropping in agrarian societies. *Journal of Development Economics*. Vol.9, no.3, pp.289-312.
- Braverman, A., and Stiglitz, J.E. (1982). Sharecropping and the interlinking of agrarian markets. *American Economic Review*. Vol.72, no.4, pp. 695-715.

Bray, F. (1986). *The rice economy: technology and development in Asian society*. Oxford: Basil Blackwell.

Brett, E.A. (1993). Voluntary agencies as development organisations: theorising the problem of efficiency and accountability. *Development and Change*. Vol. 24, pp.269-303.

Brewer and Hunter (1989). *Multimethod research: a synthesis of styles*. Sage: London.

Browne, A.W., Harris, P.J.C., Hofny-Collins, A.H., Pasiecznik, N., Wallace, R.R. (2000). Organic production and ethical trade: definition, practice and link. *Food Policy*. Vol. 25, pp. 69-89.

Bryceson, D.F. (1996). De-agrarianisation and rural employment in sub-Saharan Africa: a sectoral perspective. *World Development*. Vol.24, no. 1, pp.97-111.

Bryceson, D.F. (1999). Methods for tracing rapid market change: urban grain supply networks in Tanzania. In: Harriss-White, B. (ed). *Agricultural Markets from Theory to Practice: Field Experience in Developing Countries*, pp.151-166. London: Macmillan Press.

Buck, D., Getz, C., and Guthman, J. (1997). From farm to table: the organic vegetable commodity chain of Northern California. *Sociologia Ruralis*. Vol. 37, no.1, pp.3-20.

Buranakanonda, A. (1998). Community builds future on hard work and sharing. *Bangkok Post*, November 16.

Burns, S. (1995). *Fair trade: a rough guide for business*. London: Twin.

Byerlee, D. (1998). Knowledge-intensive crop management technologies: concepts, impacts, and prospects in Asian agriculture. In: Pingali, P.L. and Hossain, M. (ed.). *Impact of rice research*, pp.113-133. Los Banos, Philippines: IRRI.

Byres, T.J. (1977). Agrarian transition and the agrarian question. *Journal of Peasant Studies*. Vol. 4, no. 3, pp.258-74.

Carney, D. (1998). *Sustainable rural livelihoods: what contribution can we make?* London: Department for International Development.

Carroll, T. (1992). *Intermediary NGOs: the supporting link in grassroots development*. Connecticut: Kumarian Press.

Carswell, G. (1997). *Agricultural intensification and rural sustainable livelihoods: a 'think piece'*. Sussex: Institute of Development Studies.

Cenival, L. (1998). *From fair trade to responsible consumption*. Maastricht: European Fair Trade Association.

Chambers, R. and Conway, G.R. (1992). *Sustainable rural livelihoods : practical concepts for the 21st century*. Brighton: Institute of Development Studies.

- Childs (1990). *The world rice market – government intervention and multilateral policy reform*. Washington, DC: Commodity Economics Division, Economic Research Service, U.S. Department of Agriculture.
- Choice, W. (1995). Uprooting of the rice farming community - from poor farmers to worse-off labourer. *Thai Development Newsletter*. Vol.2, pp.27-28.
- Chusakul, S. (1996). Rice trading: new alternatives for farmers. *Thai Development Newsletter*. Vol. 30, pp.37-50.
- Cleaver, H.M. (1972). The contradictions of the green revolution. *American Economic Review*. Vol.72, pp.177-188.
- Clunies-Ross, T. and Weisselberg, T. (eds.) (1990). *Organic farming*. Bristol: Organic Growers Association.
- Coates, D. (1997). *Changing lives?: The impact of fair trade on small-scale producers in developing countries*. MSc. Dissertation, Bath University.
- Commission of the European Communities (1999). *Communication from the Commission to the Council on 'fair trade'*”, Brussels, 29.11.1999. COM (1999) 619 final.
- Comtois, J.D. and Od-Ompanich, W. (1999). *Free trade, post crisis agricultural development pressures and the rice trade in Thailand: food security considerations*. Bangkok: Rural Reconstruction Alumni and Friends Association (unpublished).
- Conway, G. and Barbier. E. (1990). *After the green revolution: sustainable agriculture for development*. London: Earthscan.
- Coote, B. (1992) *The trade trap: poverty and the global commodity markets*. Oxford: Oxfam Publications.
- Corey, S.A., Dall, D.J., Milne W.M. (1993). *Pest control and sustainable agriculture*. East Melbourne, Vic.: CSIRO.
- Cowe, R. and Williams, S. (2000). *Who are the ethical consumers?* London: the Co-operative Bank.
- Crow, B. (1999). Researching the market system in Bangladesh. In: Harriss-White, B. (ed.). *Agricultural Markets from Theory to Practice: Field Experience in Developing Countries*, pp.115-150. London: Macmillan Press.
- Crucefix, D. (1998). *Organic agriculture and sustainable rural livelihoods in developing countries*. A study commissioned by the National Resources and Ethical Trade Programme managed by Natural Resources Institute and conducted by the Soil Association in the context of the Department for International Development Natural Resources Advisors Conference in July 1998.

David, C.C. and Otsuka, K. (1994). *Modern rice technology and income distribution in Asia*. Boulder, CO: Lynne Rienner.

Davis, D.L., Blair, A., Hoel, D.G. (1992). Agricultural exposures and cancer trends in developed countries. *Environmental Health Perspectives*. Vol.100, pp.39-44.

Dawe, D. (1998). Reenergizing the green revolution in rice. *American Journal of Agricultural Economics*. Vol 80, no.5, pp.948-953.

Dawe, D. (2001). *How far down the path to free trade? The importance of rice price stabilisation in developing Asia*. Philippines: International Rice Research Institute.

Dawe, D. and Dedolph, C. (1999). *The politics of rice*. Philippines: International Rice Research Institute.

Department of Domestic Trade. (1999). *Minute for the meeting on rice policy year 1999/2000*. 26 August 1999. Ministry of Commerce: Bangkok.

Department of Foreign Trade. (undated). *Rice: production, marketing and policy*. [WWW]<http://www.dft.moc.go.th/Eng/Commodity/Ricein1.html> (25 September 1999).

DFID – Department for International Development (1997). *Eliminating world poverty: a challenge for the 21st century*. London: DFID.

DFID – Department for International Development (1998a). *Business partnership: vol. 1 and 2 – approach to business partnerships*. London: DFID.

DFID – Department for International Development (1998b). *Developments: The international development magazine*. Issue 2 Second Quarter.

Eade, D. and Williams, S. (1995). *The Oxfam handbook of development and relief volume 2*. Oxford: Oxfam Publications.

Eagleton, D. (2001). *The international rice market: a background study*. Paper produced for Oxfam. (unpublished).

Edwards, M. and Hulme, D. (eds.) (1992). *Making a difference: NGOs and development in a changing world*. London: Earthscan.

Edwards, M. and Hulme, D. (eds.) (1996). *Non-governmental organisation: performance and accountability beyond the magic bullet*. London: Earthscan.

Eew-Sriwong, N. (1996). [Thai society in transition] *Sung kom Thai nai kra sae karn plien plang*. Bangkok: Thai Development Support Committee. (in Thai).

EFTA – European Fair Trade Association. (1998). *Fair trade yearbook towards 2000*. EFTA: Netherlands.

EFTA – European Fair Trade Association. (2001). *Advocacy Newsletter*. Vol1, No.3-4, March 2001.

- Ekachai, S. (1990). *Behind the smile: voices of Thailand*. Bangkok: Thai Development Support Committee.
- Ellis, F. (1998). Household strategies and rural livelihoods diversification. *Journal of Development Studies*. Vol.35, no.1, pp.1-38.
- ETI – Ethical Trading Initiative. (1999). *'Learning from doing' review*. London: Ethical Trading Initiative.
- ETI – Ethical Trading Initiatives. (undated). *About ETI*. [WWW] <http://www.ethicaltrade.org.uk> (4 June 2001).
- European World Shops (undated). *Food for Thought*. (unpublished).
- FAO – Food and Agriculture Organisation of the United Nations. (1991). *Demand prospects for rice and other foodgrains in selected Asian countries*. Rome: FAO.
- FAO – Food and Agriculture Organisation of the United Nations. (1999). *International rice commission newsletter*. Rome: FAO.
- FAO – Food and Agriculture Organisation of the United Nations. (2000). *International rice trade: a review of 1999 and prospects for 2000*. Rome: FAO.
- Farmer, B.H. (ed) (1977). *Green revolution?* London: Macmillan.
- Farrington, J. and Bebbington, A. (1993). *Reluctant partners? Non-governmental organisations, the state and sustainable agricultural development*. London: Routledge.
- Farrington, J. and Lewis, D. (eds.) (1993). *Non-governmental organisations and the state in Asia; rethinking roles in sustainable agricultural development*. London: Routledge.
- Fatemi, Ali M. S. (1972). The green revolution: an appraisal. *Monthly Review*. Vol.24, no.2, pp.6-24.
- Fowler, A. (1988). *Non-governmental organisations in Africa: achieving comparative advantage in relief and micro-development*. Discussion Paper 249. Brighton: Institute of Development Studies.
- Fowler, A. (1997). *Striking a balance: a guide to enhancing the effectiveness of non-governmental organisations in international development*. London: Earthscan.
- Freyer, B., Rantzau, R., and Vogtmann, H. (1994). Cases studies of farms converting to organic agriculture in Germany. In: Lampkin, N.H. and Padel, S. (eds.), *The economics of organic farming: an international perspective*, pp. 243-263. Oxon: CAB International.
- Galarraga, I. (2001). *On the economics of eco-labelling: a case study for fair trade coffee in the UK*. Ph.D.thesis, University of Bath.

- Geier, B. (1998). The organic market: opportunities and challenges. *ILEIA Newsletter*. Vol.14, no.4, pp.6-7.
- Gibson, A. (1993). NGOs and income-generation projects lessons from the joint funding scheme. *Development in Practice*. Vol. 3, no.3, pp.184-195.
- Gibson, A. and Tomesen, L. (1999). AMKA, Tanzania – export market development services for SMEs. *Small Enterprise Development*. Vol.10, no.4, pp.46-55.
- Grabowski, R. (1979). The implications of an induced innovation model. *Economic Development and Cultural Change*. Vol. 27, pp. 723-734.
- Green Net (1999). *Manual for organic farming*. (unpublished).
- Green Net (various years). *Green Net Annual Report*. (unpublished).
- Griffin, K. (1974). *The political economy of agrarian change: an essay on the Green Revolution*. London: Macmillan.
- Grist, D.H. (1986). *Rice*. London: Longman.
- Guardian. (2000). Fair Trade. *The Guardian*, December 14.
- Guijt, I. (1998). *Participatory monitoring and impact assessment of sustainable agriculture initiatives: an introduction to the key elements*. London: International Institute for Environment and Development.
- Guillet, D. (1981). Surplus extraction, risk management and economic change among Peruvian peasants. *Journal of Development Studies*. Vol. 18, pp.1-24.
- Harriss, B. with Chapman, G., Shears, E. and Watson, E. (1984). *Exchange relations and poverty in dryland agriculture*. New Delhi: Concept Pub.
- Harriss, J. and Moore, M. (eds.) (1984). *Development and the Rural Urban Divide*. London: Frank Cass.
- Harriss-White, B. (1995). Maps and landscapes of grain markets in south Asia. In: Harriss, J. (ed.). *The new institutional economic and third world development*, pp.87-108. London: Routledge.
- Harriss-White, B. (1996). *Political economy of agricultural markets in south India*. London: Sage.
- Harriss-White, B. (1999a). Power in peasant markets. In: Harriss-White, B. (ed.) *Agricultural markets from theory to practice: field experience in developing countries*, pp.261-286. London: Macmillan Press.
- Harriss-White, B. (1999b). Visible hands. In: Harriss-White, B. (ed.) *Agricultural markets from theory to practice: field experience in developing countries*, pp.1-36. London: Macmillan Press.

- Hart, G.; Turton, A.; White, B. (1989). *Agrarian transformation: local processes and the state in southeast Asia*. Oxford: University of California Press.
- Hayami, Y. (1981). Induced innovation, green revolution, and income distribution: comment. *Economic Development and Cultural Change*. Vol.30, no.1, pp.169-176.
- Hirsch, P. (1993). The state in the village: the case of Ban Mai. *The Ecologist*. Vol.23, no.6, pp.205-211.
- Holden, P. and Morris, J. (2000). Are organic foods healthier than the alternatives? *The Guardian*, January 8.
- Holloway, R. (1989). *Doing development: governments, NGOs and rural poor in Asia*. London: Earthscan.
- Holloway, R. (1998). *Supporting citizens' initiatives*. Dhaka: The University Press Limited.
- Hossain, M. (1996). *Sustaining food security in Asia: economic, social and political aspects*. Philippines: IRRI.
- Hossain, M. and Pingali, P.L. (1998). Rice research, technological progress, and impact on productivity and poverty: an overview. In: Pingali, P.L. and Hossain, M. (ed.). *Impact of rice research*, pp.1-25. Los Banos, Philippines: IRRI.
- Hulme, D. (1994). Social development research and the third sector: NGOs as users and subjects of social inquiry. In: Booth, D. (ed.). *Rethinking social development*, pp.251-275. Harlow: Longman Group Limited.
- Humphreys, J. (2001). Why the organic revolution had to happen (part two). *The Guardian*, April 21.
- Hussein, K. and Nelson, J. (1998). *Sustainable livelihoods and livelihood diversification*. Sussex: Institute of Development Studies.
- Hutasing, O. (1999a). Rice farmers find loan burden too heavy: price intervention scheme fails to help. *Bangkok Post*, December 13.
- Hutasing, O. (1999b). World's best rice is rather new. *Bangkok Post*, December 13.
- IFAT – International Federation for Alternative Trade. (undated). *A Brief History of the Alternative Trading Movement*. [WWW] <http://www.ifat.org.dwr.resource3.html> (4 June 2001).
- IRRI – International Rice Research Institute (1997). *Rice Almanac*. Los Banos, Philippines: IRRI.
- Janssen, P. (1995). Rice record sets back plans. *Asian Business*. Vol.31, no.9, p.16.

- Jayne, T.S. (1993). *Sources and effects of instability in the world rice market*. Mississippi State University International Development Paper No.13
- Kahneman, D., Knetsch, J., and Thaler, R. (1986a). Fairness and the assumptions of economics. *Journal of Business*. Vol.59, no.2, pp.285-300.
- Kahneman, D., Knetsch, J., and Thaler, R. (1986b). Fairness as a constraint of profit seeking: entitlements in the market. *American Economic Review*. Vol.76, no.4, pp.728-741.
- Kaosa-ard, M. and Pednekar, S. (1996). *Environmental strategy for Thailand*. Bangkok: Thailand Development Research Institute.
- Kaosa-ard, M., Pednekar, S., Christensen, S.R., Aksornwong, K., and Rala, A.B. (1995). *Natural resources management in mainland southeast Asia*. Bangkok: Thailand Development Research Institute.
- Kindness, H. and Gordon, A. (2001). *Agricultural marketing in developing countries: the role of NGOs and CBOs*. Policy Series 13. Chatham, UK: Natural Resource Institute.
- Korten, D.C. (1987). Third generation NGO strategies: a key to people-centered development. *World Development*. Vol.15, pp.145-159.
- Korten, D.C. (1990). *Getting to the 21st century: voluntary action and the global agenda*. West Hartford: Kumarian Press.
- Krisanamis, P. (1967). *Paddy price movements and their effect on the economic situation of farmers in the central plain of Thailand*. Published Ph.D. thesis, Indiana University.
- Ladjinsky, W. (1978). *Agrarian reform as unfinished business*. Oxford: Oxford University Press.
- Lampkin, N.H. (1990). *Organic farming*. Ipswich: Farming Press.
- Lampkin, N.H. (1994). Researching organic farming systems. In: Lampkin, N.H. and Padel, S. (eds.). *The economics of organic farming: an international perspective*, pp.27-43). Oxon: CAB International.
- Lampkin, N.H. and Padel, S. (1994). Conversion to organic farming: an overview. In: Lampkin, N.H. and Padel, S. (eds.). *The economics of organic farming: an international perspective*, pp.295-313. Oxon: CAB International.
- Lampkin, N.H. and Padel, S. (eds.) (1994). *The economics of organic farming: an international perspective*. Oxon: CAB International.
- Lang, T and Hines, C. (1993). *The new protectionism: protecting the future against free trade*. London: Earthscan.

Langer, V. (2002). Changes in farm structure following conversion to organic farming in Denmark. *American Journal of Alternative Agriculture*. Vol.17, no.2, pp.75-82.

Latham, A.J.H. (1998). *Rice: the primary commodity*. London: Routledge.

Lawrence, G., Lockie, S., and Lyons, K. (1998). *Healthy for you, healthy for the environment: corporate capital farming practice and the construction of 'green' foods*. Paper presented at the 14th World Congress of the International Sociological Association, Montreal.

Leplaideur, A. (1992). Conflicts and alliances between the international marketing system and the traditional marketing system: the results of experience with rice and vegetables in six countries. In: Cammann, L. (ed.). *Traditional marketing systems*. Munich: DSE.

Lewis, D. (1998). *Theme paper 8: promoting socially responsible business, ethical trade and acceptable labour standards*. Paper prepared for the SD-SCOPE project, September, 1998.

Lewis, D. (1999). Aid or trade? Managing fair trade commercial and NGO partnerships. *ID21*. Brighton: Institute of Development Studies.

Lewis, D.J. (1993). Overview. In: Farrington, J. and Lewis, D.J. (eds). *Non-government organisations and the state in Asia*, pp.47-58. London: Routledge.

Lewis, D.J. (1994). Catalyst for change? NGOs, agricultural technology and the state in Bangladesh. *The Journal of Social Studies*. Vol. 65, pp.63-101.

Lipton, M. (1977). *Why poor people stay poor*. London: Temple Smith.

Lipton, M. (1984). Urban bias revisited. *Journal of Development Studies*. Vol.20, no.3, pp.139-166.

Lipton, M. and Longhurst, R. (1989). *New seeds and poor people*. London: Unwin and Hyman.

Lutz, E. (ed) (1998). *Agriculture and the environment: perspectives on sustainable rural development*. Washington, D.C.: World Bank.

Madeley, J. (1992). *Trade and the Poor: The Impact of International Trade on Developing Countries*. London: Intermediate Technology Publication Ltd.

Magrath, P. (1999). The post-harvest system in Indonesia. In: Harriss-White, B. (ed.) *Agricultural markets from theory to practice: field experience in developing countries*, pp. 96-114. London: Macmillan Press.

Mallins, A. and Blowfield, M. (1998). *Ethical trade and sustainable rural livelihoods case studies: fruits of the Nile, fair trade processing case study*. London: NRI/NRET.

Mallins, A. and Nelson, V. (1998). *Ethical trade and sustainable rural livelihoods case studies: Farmers Fair Trade (Uganda) Ltd, organic cotton trade case study*. London: NRI/NRET.

Maneerungsee, W. (1999). 1998 year-end economic review: trade dream flounders. [WWW] <http://www.bangkokpost.co.th/yere/98yere08.html>. (20 February 1999).

McClintock, C. and Keil, L. (1982). Equity and social exchange. In: Greenburge, M. and Cohen, R. (eds.). *Equity and justice in social behavior*, pp.337-383. London: Academic Press.

Mellor, J.W. (1976). *The new economics of growth*. Ithaca and London: Cornell University Press.

Mikkelsen, B. (1995). *Methods for development work and research: a guide for practitioners*. London: Sage.

Mikkelsen, L. (1999). Marketing MSE products – cases from Latin America. *Small Enterprise Development*. Vol.10, no.4. pp.16-26.

Mintel (1997). *Organic and ethical foods*. [WWW] <http://www.mintel.co.uk>. (3 October 2000).

Mintel (1999). *The green and ethical consumer*. [WWW] <http://www.mintel.co.uk>. (3 October 2000).

Mintel Marketing Intelligence. (1994). *The green consumer II: the green shopper*. London: Mintel.

Moris, J. and Copestake, J. (1993). *Qualitative enquiry for rural development: a review*. London: Intermediate Technology Publications.

Murphy, D.J. (1992). *Safety and health for production agriculture*. St. Joseph, Michigan: American Society of Agricultural Engineers.

Murray, D. and Raynolds, L. (2000). Alternative trade in bananas: obstacles and opportunities for progressive social change in the global economy. *Agriculture and Human Values*. Vol.17, pp.65-74.

Nadkarni, M.V. and Deshpande, R.S. (1979). Under utilisation of land-climatic or institutional factors? *Indian Journal of Agricultural Economics*. Vol. XXXIV, no.2, pp. 1-16.

Nakada, Y. (1996). When does a farmer sell rice?: a case study in a village in Yasothon province, Northeast Thailand. *Southeast Asian Studies*. Vol.33, no.4, pp.609-624.

Narayan, D. (1997). *Voices of the poor: poverty and social capital in Tanzania*. Washington, D.C.: International Bank for Reconstruction and Development, The World Bank.

National Statistical Office. (1999). *Statistical report of Changwat Surin*. Bangkok: National Statistic Office.

NESDB – National Economics and Social Development Board. (1999). *Indicators of well-being and policy analysis*. Quarterly newsletter. 3(1), January 1999. Bangkok: NESDB.

Newbery, D.M.G. (1977). Risk-Sharing, sharecropping, and uncertain labour markets. *Review of Economic Studies*. Vol.44, no.3, pp.585-594.

NFI – National Food Institution. (undated). Rice. [WWW] http://www.nfi.or.th.food.exportproducts.rice.exp_imp.html (8 January 1999).

Nicholls, A.J. (2002). Strategic options in fair trade retailing. *International Journal of Retail and Distribution Management*. Vol 30, no.1, pp.6-17.

NRET – Natural Resources and Ethical Trade Programme. (1998). Ethical trade and sustainable rural livelihoods. In: Carney, D. (ed.) *Sustainable rural livelihoods: what contribution can we make?*, pp. 107-129. London: DFID.

O'Mara, G. and Le-Si, V. (1985). *The supply and welfare effects of rice-pricing policy in Thailand*. Washington D.C.: World Bank.

OECD (1993). *World Cereal Trade: What Role for Developing Countries?* Paris: OECD.

Office of Agricultural Economics (1998), the Ministry of Agriculture and Cooperatives (1998). [production and marketing information of major agricultural products] *Kor Moon Dan Karn Palit Lae Karn Talard Sin Kah Kased Tee Sam Kan*. Agricultural Statistics NO.10/2541. Bangkok, Office of Agricultural Economics. (in Thai).

Office of Agricultural Economics, the Ministry of Agriculture and Cooperatives. (1996). *Agricultural economics indicators of Thailand*. Agricultural Statistics No.48/2539. Bangkok: Office of Agricultural Economics.

Office of Agricultural Economics, the Ministry of Agriculture and Cooperatives. (1999a). *Agricultural statistic of Thailand crop year 1997/98*. Agricultural Statistics No. 31/2542, Bangkok: Office of Agricultural Economics.

Office of Agricultural Economics, the Ministry of Agriculture and Cooperatives. (1999b). [Rice Production in Central and Northeastern Thailand] *Kan Palit Kauw Kong Kasertakorn Pak Klang Lae Pak Tawanokchiengneor*. Agricultural Statistics NO.2/2543. Bangkok: Office of Agricultural Economics. (in Thai).

Olarikkachat, K. (1998). Thais Say: Free us from this thirst for affluence. *Bangkok Post*, February 2.

Olsen, W. (1999). Village-level exchange: lessons from south India. In: Harriss-White, B. (ed.) *Agricultural markets from theory to practice: field experience in developing countries*, pp. 40-86. London: Macmillan Press.

Olsen, W.K. (1993). Competition and power in rural market. *Bulletin, Institute of Development Studies*. Vol. 24, no.3, pp.83-89.

Oostrum, J.V. (1998). Sustainable agriculture needs sustainable markets. *ILEIA Newsletter*. Vol.14, no.4, pp.18-19.

Osmani, S.R. (1998). Did the green revolution hurt the poor? A reexamination of the early critique. In: Pingali, P.L. and Hossain, M. (ed.). *Impact of rice research*, pp.193-212. Los Banos, Philippines: IRRI.

Oxfam (2000). *Oxfam fair trade principles indicators*. Oxford: Oxfam.

Oxfam (undated1). *Information from Oxfam: Oxfam Fair Trade*. Oxford: Oxfam.

Oxfam (undated2). *Oxfam Fair Trade: A framework for programme management*. Oxford: Oxfam.

Oxfam Fair Trade (1999). *Small scale producers and the UK organic market: challenges and opportunities*. Internship report by Marco van der Schaft, University of Groningen.

Oxford Policy Management (2000). *Fair trade: overview, impact, challenges*. Study to inform DFID's Support to Fair Trade, June 2000.

Padel, S. and Lampkin, N.H. (1994). Farm-level performance of organic farming systems: an overview. In: Lampkin, N.H. and Padel, S. (eds.). *The economics of organic farming: an international perspective*, pp.201-219. Oxon: CAB International.

Padel, S. and Zerger, U. (1994). Economics of organic farming in Germany. In: Lampkin, N.H. and Padel, S. (eds.). *The economics of organic farming: an international perspective*, pp.91-117. Oxon: CAB International.

Panyakul, V. (1998). Creating a green market: experiences from Green Net, Thailand. *ILEIA Newsletter*. Vol.14, no.4, pp.22-23.

Parikh, J. (ed.) (1988). *Sustainable development in agriculture*. Dordrecht; Lancaster: Nijhoff.

Parnwell, M. (1991). Confronting uneven development in Thailand: the potential role of rural industries. *Malaysian Journal of Tropical Geography*. Vol. 22, no.1, pp.51-62.

Parnwell, M. (1994). Rural industrialisation and sustainable development in Thailand. *TEI quarterly Environment Journal*. Vol. 2, no.1, pp.24-39.

Parnwell, M. (ed.) (1996). *Uneven development in Thailand*. Averbury: Aldershot.

- Patton, M. (1990). *Qualitative evaluation methods*. London: Sage.
- Pearce, J. (1993). NGOs and social change: agents or facilitators. *Development in Practice*. Vol.3 no.3. pp.223-227.
- Petchprasert, N. (1998). [Political Economy: One household Two Production Modes - The Way Out of the Economic Crisis] *Setsasard karn muang: nuang krua rion, song wi tee karn palit*. Bangkok: Edison Press Product. (in Thai).
- Petchprasert, N. (1999). [Community Business: A Possible Route] *Turakit choomchon: sen tang tee pen pai daai*. Bangkok: Office of Research Support Fund. (in Thai).
- Petry, F. (ed.) (1995). *Sustainability issues in agricultural and rural development policies Vol.1: Tradinne's reader*. Rome: Food and Agricultural Organisation of the United Nations.
- Phongpaichit, P. and Baker, C. (1993). *Thailand economy and politics*. Singapore: Oxford University Press.
- Phongpaichit, P. and Baker, C. (1998). *Thailand's boom and bust*. Chiang Mai: Silkworm Books.
- Phongpaichit, P. and Baker, C. (2000). *Thailand's crisis*. Chiang Mai: Silkworm Books.
- Pimmentel, D., Acquay, H., Biltonen, M., Rice, P., Silvia, M., Nelson, J., Lipner, V., Giordano, S., Horowitz, A., D'Amore, M. (1992). Environmental and economic costs of pesticide use. *BioScience*. Vol.42, no.10, pp.750-760.
- Pingali, P.L. (1998). Dealing with growing labour scarcity: the adoption and impact of mechanical and chemical technologies in the Asian rice economies. In: Pingali, P.L. and Hossain, M. (ed.). *Impact of rice research*, pp.213-240. Los Banos, Philippines: IRRI.
- Pingali, P.L. and Rosegrant, M.W. (1994). *Confronting the environmental consequences of the green revolution in Asia*. EPTD Discussion Paper No.2, Washington: International Food Policy Research Institute.
- Pinthong, C. (1977). *Price analysis of the Thai rice marketing system*. PhD Dissertation Stanford University.
- Piras, E. (1998). Rice: A New Challenge for Fair Trade. In: EFTA. *Fair Trade Yearbook Towards 2000*, pp.102-112. Netherlands: EFTA.
- Pongvutitham, A. (1997). Exporters lose on rice contracts. *The Nation*. June 5.
- Pretty, J.N. (1995). *Regenerating agriculture: policies and practices for sustainability and self-reliance*. London: Earthscan.
- Pretty, J.N. (1998). *The living land*. London: Earthscan.

- Promphakping, B. (2000). *Rural transformation and gender relations in the Northeast of Thailand*. Ph.D.thesis, University of Bath.
- Punter, L. and Gangneux, D. (1998). Social accountability: the most recent element to ensure total quality management. *Total Quality Management*. Vol. 9, no. 4/5, pp.196-198.
- Quested, H. (1998). No easy choices. *Living Earth*. No.197, pp.14-15.
- Ramitanondh, S. (1996). Farmers' adaptation to alternative agriculture. *Thai Development Newsletter*. Vol. 30, pp.27-36.
- Raynolds, L. (2000). Re-embedding global agriculture: the international organic and fair trade movements. *Agriculture and Human Values*. Vol.17, pp.297-309.
- Regenstein, L.G. (1993). *Cleaning up America the poisoned*. Washington, DC: Acropolis Books Ltd.
- Rice Research Station (2000). [Research and development on organic rice] *Karn wijai lae pattana technology karn palit kauw insee*. Bangkok: Department of Agriculture, Ministry of Agriculture and Co-operatives. (in Thai).
- Rice, R. (2001). Noble goals and challenging terrain: organic and fair trade coffee movements in the global marketplace. *Journal of Agricultural and Environmental Ethics*. Vol.14, pp.39-66.
- Richardson, M. (1998). Pesticides – friend or foe? *Water Science and Technology*. Vol. 37, no.8, pp.19-25.
- Riddell, R. and Robinson, M. (1993). *The impact of NGO poverty alleviation projects: results of the case study evaluations*. London: Overseas Development Institute.
- Riddle, R.C. and Robinson, M. (1995). *Non-governmental organisations and rural poverty alleviation*. Oxford: Clarendon Press.
- Rigg, J. (1995). Errors in the making: rice, knowledge, technological change and 'applied research' in Northeast Thailand. *Malaysian Journal of Tropical Geography*. Vol.26, no.1, pp.19-33.
- Rigg, J. (1996). *Agriculture transformation in Thailand: from rice farm to non-farm*. Proceedings of the 6th International Congress of Thai Studies. Theme 2: Cultural Crisis and Thai Capitalist Transformation. Chiang Mai, Thailand.
- Rigg, J. (ed.) (1995). *Counting the costs: economic growth and environmental change in Thailand*. Singapore: Institute of Southeast Asian Studies.
- Robin, N. and Roberts, S. (1998). Unlocking trade opportunities. *ILEIA Newsletter*. Vol.14, no.4, p.10.

Robins, N. and Roberts, S (eds.) (1997). *Unlocking trade opportunities: changing consumption and production patterns*. London: International Institute for Environment and Development (IIED) and UN Department of Policy Co-ordination and Sustainable Development.

Robins, N., Roberts, S., and Abbot, J. (1999). *Who benefits? A social assessment of environmentally-driven trade*. London: International Institute for Environment and Development (IIED).

Roche, J. (1992). *The International Rice Trade*. Cambridge: Woodhead Publishing.

Rojanasatien, B. (2000). [Get rid of market that disadvantages farmers] Tong lom rabob talard tee chao naa sia preab haai daai. *Matichon*, 12 June. (in Thai).

Rola, A.C. and Pingali, P. (1994). *Pesticides, rice productivity, and farmers' health: an economic assessment*, Manila and Washington DC: International Rice Research Institute and the World Resources Institute.

Ruddle, K. (1991). Integrated farming systems and future directions for Asian farming systems research and extension. *Journal of the Asian Farming Systems Association*. Vol.1, no.1, pp. 91-99.

Sage V Foods. (undated). The composition of rice and various processed types. [WWW] <http://www.sagevfoods.com>. (19 April 2002).

Sah, R.K. and Stiglitz, J.E. (1987). Price scissors and the structure of the economy. *Quarterly Journal of Economics*. Vol.CII, no.1, pp.109-134.

Sakul-ae, S. (1998). [Strategies for poverty eradication in the Northeast] *Yuttasart karn kaekai panhaa kwam yarkjoan kong kasetakorn nai pak tawan oak chiang nior*. Bangkok: Department of Agricultural Economic. (in Thai).

Sangwolee, P. (1999). [Thai rice: from natural farming to chemical free rice] Kauw Thai: jark na tammachart suu kauw plod sarn kemee. [Natural Agriculture] *Kasettakam Tammachart*. No.2/2542 March, 1999, pp.18-36. (in Thai).

Sanittanont, S. (1967). *Thailand's rice export tax: its effects on the rice economy*. Published Ph.D. thesis, University of Wisconsin.

Schneeberger, W., Darnhofer, I., and Eder, M. (2002). Barriers to the adoption of organic farming by cash-crop producers in Austria. *American Journal of Alternative Agriculture*. Vol.17, no.1, pp.23-31.

Scoones, I. (1998). *Sustainable rural livelihoods: a framework for analysis*. Brighton: Institute of Development Studies.

Scott, G. (1995). *Prices, products, and people*. London: Lynne Rienner Publisher.

Seale, C. (1999). *The quality of qualitative research*. London: Sage.

- Sen, A. (1981). *Poverty and famines: an essay on entitlement and deprivation*. Oxford: Clarendon Press.
- Sethi, P. and Sama, L. (1998). Ethical behaviour as a strategic choice by large corporations the interactive effect of marketplace competition, industry structure and firm resources. *Business Ethics Quarterly*. Vol.8, no. 1, pp.85-104.
- Siamwalla, A. (1975). A history of rice policies in Thailand. *Food Research Institute Studies*. Vol. 14, no 3.
- Siamwalla, A. (1978). [using cost analysis for rice price setting] Kan Chai Ton Toon Karn Pa Lid Khao Pen Keen Nai Karn Tang Raka Khao. *Warasan Thammasat*, June 1978. (in Thai).
- Siamwalla, A. (1987). *The farmers' aid fund act of 1974: its genesis and aftermath*. Paper prepared for an EDI/KDI seminar on Economic Policy Change and Governmental Process, held in Seoul, Korea by the Economic Development Institute of the World Bank and Korea Development Institute between November 9-13, 1987.
- Siamwalla, A. and Haykin, S. (1983). *The world rice market: structure, conduct and performance*. Research Report 39 (June), Washington D.C.: International Food Policy Research Institute.
- Siamwalla, A. and Na-Ranong, V. (1990). [Collective Information on Rice] *Rra Muan Kwam Ruu Rong Kauw*. Bangkok: Thailand Development Research Institution.
- Siamwalla, A., Setboonsarng, S., and Patmasiriwat, D. (1993). Agriculture. In: Warr P.G. (ed.) *The Thai economy in transition*, pp. 81-117. Cambridge: Cambridge University Press.
- Skirbekk, G. and Nils, G. (2001). *History of western thought from ancient Greece to the twentieth century*. London: Routledge.
- Social Research Institute, Korn Kean University (1997). [Community organisation: mechanism for social development] *Ong-korn choomchon: konkai pua kaa panhaa lae pattana sungkom*. Bangkok: Office of Thailand Research Fund.
- SoDS – School of Development Studies, University of Natal. (2000). *Supply chain management: assisting South African industry to upgrade*. Issue 3, October 2000.
- SOMO (1994). *Max Havelaar/TransFair Minimum Price Research*. (unpublished).
- Stanton, D.J.N. (1993). Income generation in NGOs and the contribution of appropriate technology. *Small Enterprise Development*. Vol.4, no.4, pp.49-54.
- Strong, C. (1996). Features contributing to the growth of ethical consumerism – a preliminary investigation. *Marketing Intelligence & Planning*. Vol.14, no.5, pp.5-13.

- Strong, C. (1997a.). The problems of translating fair trade principles into consumer purchase behaviour. *Marketing Intelligence & Planning*. Vol.15, no.1, pp.32-37.
- Strong, C. (1997b.). The role of fair trade principles within sustainable development. *Sustainable Development*. Vol.5, pp.1-10.
- Stuart, L. (2001). Change the world with your shopping trolley. *The Guardian*, June 23.
- Supapong, S. (1999). [Self Reliant with Self Sufficient Economy] Puang Toan Ang Duew Setakit Por Piang. [Natural Agriculture] *Kasetakam Tammachart*. No.2/2542 March, 1999, pp.4-5. (in Thai).
- Surin Farmer Support (various years). *Surin Farmer Support Annual Report*. (unpublished).
- Surin Provincial Office (1999). [Summary of Surin Province] *Ban Yaai Saroop Changwat Surin*. Surin, Thailand: Surin Provincial Office. (in Thai).
- Surin Provincial Statistic Office (1999). *Statistical Reports of Changwat Surin*. Surin, Thailand: Surin Provincial Office.
- Suvanajata, T. (1999). *Evaluation Report for Surin Farmer Project 1997-1998*. (unpublished).
- Swaminathan, M.S. (1984). Rice. *Scientific American*. Vol.250, pp.62-71.
- Szmedra, P. (2000). What price agricultural productivity? Pesticides and the health or sugar farmers in Fiji. *Development in Practice*. Vol. 11, no. 1, pp 91-96.
- Tallontire, A. (2000). Partnerships in fair trade: reflections from a case study of Café Direct. *Development in Practice*. Vol. 10, no. 2, pp.166-177.
- Tallontire, A. (2001). *Challenges facing fair trade: which way now?* Paper for the DSA Conference 2001, Different Poverty, Different Policies. IDPM, Manchester 10-12 September 2001.
- Tallontire, A., Rentsendorj, E., and Blowfield, M. (2001). *Consumers and ethical trade: A review of current literature*. NRI Policy Series 12. London: NRI.
- Tantivitayapitak, W. (1998). [Thai Rice] Kaow. *Sarakadee*. Vol. 163, September 1998 (in Thai).
- TDRI – Thailand Development Research Institute. (1987). *Thailand Natural Resource Profile*. Bangkok: TDRI
- TDRI – Thailand Development Research Institute. (1988). *Dynamic of Thai agriculture, 1961-1985*. Bangkok: TDRI.

TDRI – Thailand Development Research Institute. (1995). *Agricultural Diversification/ Restructuring of Agricultural Production Systems in Thailand*. Bangkok: TDRI.

TDSC – Thai Development Support Committee (1997). *Thai Development Newsletter: The Amazingly Poor of Thailand in the Hands of the IMF*, NO.33, July-December. Bangkok: TDSC.

TEI – Thailand Environmental Institution. (undated). *Pesticide-Free Agricultural Village*. [WWW] <http://www.tei.or.th/bep> (2 September 1998).

Thairath (2001a). [Paddy mortgage – who benefits with 5 billion Baht?] *Jam nam kaow klai ruay? haa pan laan haai pai ngai? Thairath*, November 29. (in Thai). [WWW] http://www.thairath.co.th/29_11_2001/column/Scooper.html (November 30, 2001).

Thairath (2001b). [Miracle? Paddy mortgage and missing money] Mahadsajan? *Jamnam kaow tae la pee ngan haai haa pan laan. Thairath*, November 30. (in Thai). [WWW] http://www.thairath.co.th/30_11_2001/column/Scooper.html (November 30, 2001).

The Guardian (2000). Fair trade. *The Guardian*, December 14.

Thebuil, G. (1990). *Agrarian system crisis and improvement of wood energy systems*. Bangkok: FAO Regional Wood Energy Development Programme in Asia.

Thompson, E.P. (1971). The moral economy reviewed, reproduced in Thompson, E.P. (1991). *Customs in common*. London: Merlin Press.

Thomson, B. (1999). Lesson for fair trade. *Small Enterprise Development*. Vol.10, no.4, pp.56-60.

Thrupp, L.A. (1996). *New partnerships for sustainable agriculture*. Washington DC: World Resource Institute.

Tickle, L. (2001). Wake up to fair trade' say celebrities. *The Guardian*, March 5.

Tomesen, L. and Gibson, A. (1999). AMKA, Tanzania – export market development services for SMEs. *Small Enterprise Development*. Vol.10, no. 4, pp.46-55.

Torjusen, H., Lieblein, G., Wandel, M., Francis, C.A. (2001). Food system orientation and quality perception among consumers and producers of organic food in Hedmark County, Norway. *Food Quality and Preference*. Vol.12, pp.207-216.

Trairatvorakul, P. (1984). *The effects on income distribution and nutrition of alternative rice price policies in Thailand*. Research Report 46. Washington, D.C.: International Food Policy Research Institute.

Tranchell, S. (2000a). Fair trade more than froth. *The Guardian*, December 18.

Tranchell, S. (2000b). Sweet success. *The Guardian*, March 8.

TransFair International (1996). *Report on the Activities of TransFair International during 1995*. Schorndorf, Germany: TransFair International.

Tucker, M. and Napier, T. (2001). Determinants of perceived agricultural chemical risk in three watersheds in the Midwestern United States. *Journal of Rural Studies*. Vol. 17, pp.219-233.

Turton, A. (1987). *Production, power and participation in rural Thailand: experiences of poor farmers' groups*. Geneva: United Nations Research Institute for Social Development (UNRISD).

Udomkit, N. (2001). *Fair trade in organic rice: a case study from Thailand*. Paper presented to Development Studies Association Annual Conference 2001, Institute for Development Policy and Management, University of Manchester, 10-12 September 2001.

Udomkit, N. (2002). *Conventional trade versus fair trade: the case of organic rice*. Paper presented to 8th Thai Studies Conference, Nakornpanom, Thailand, 9-12 January 2002.

Udomkit, N. and Winnett, A. (2002). *Fair trade in organic rice: a case study from Thailand*. (forthcoming in *Small Enterprise Development Journal*, September 2002).

UNCTAD – United Nations Conference on Trade and Development. (1994). *The environmental effects of agricultural production and related measures: illustrative cases from developing countries*. UNCTAD/COM/42.

UNCTAD – United Nations Conference on Trade and Development. (1995a). *Environmentally preferable products (EPPs) as a trade opportunity for developing countries*. UNCTAD/COM/70.

UNCTAD – United Nations Conference on Trade and Development. (1995b). *The rice economy: market structure and prospects*. UNCTAD/COM/66.

UNCTAD – United Nations Conference on Trade and Development. (1996). *Organic production in developing countries: potential for trade, environmental improvement, and social development*. UNCTAD/COM/88.

Uphoff, N. (1995). Why NGOs are not a third sector: a sectoral analysis with some thoughts on accountability, sustainability and evaluation. In: Edwards, M. and Hulme, D. (eds.). *Non-governmental organisations – performance and accountability beyond the magic bullet*, pp.17-30. London: Earthscan.

USDA – United States Department of Agriculture. (1999a). *Rice situation and outlook 2000*. Washington, DC: USDA.

USDA – United States Department of Agriculture. (1999b). *Grain: World Markets and Trade*. Circular Series FG 9-99, September 1999.

- Van Der Hoek, W., Konradsen, F., Athukorala, K. and Wanigadewa, T. (1997). Pesticide poisoning: a major health problem in Sri Lanka. *Social Science and Medicine*. Vol. 46, No.4-5, pp.495-504.
- Vandermeer, J. and Perfecto, I. (1995). *Breakfast of biodiversity*. Oakland, CA: Food First.
- Vidal, J. (1999a). First among equals. *The Guardian*, March 3.
- Vidal, J. (1999b). World's poorest helped to sow the seeds of content. *The Guardian*, December, 17.
- Wadud, S.E., Kreuter, M.W., Clarkson, S. (1998). Risk perception, beliefs about prevention, and preventive behaviours of farmers. *Journal of Agriculture Safety and Health*. Vol.4, no.1, pp.15-24.
- Walker, J. (1998). *Socially Responsible Business*. London: Socially Responsible Business Unit, Social Development Division, DFID.
- Warr, P. and Wollmer, F. (1996). *The international demand for Thailand's rice exports*. Working paper in trade and development No. 96/10 Department of Economics, Research School of Pacific and Asian Studies, The Australian National University.
- Watkins, K. (1995). *The Oxfam Poverty Report*. Oxford: Oxfam.
- Wehrmeyer, W. (1992). Strategic issues. in Charter, M. (ed.) *Greener marketing*, pp.95-110. Sheffield: Greenleaf.
- Yin, R. (1994). *Case study research: design and methods*. London: Sage.
- Zadek, S. and Tiffen, P. (1996). Fair trade: business or campaign. *Development: Journal of the Society for International Development*. Vol.3, pp.48-53.