

research snapshot

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What Do Corporations Have to Do With Fair Trade?

What is this research about?

This research is about how fair trade originated and how it changed since large companies became a part of fair trade certification. This research suggests that limiting corporate participation will allow fair labelling organizations (FLOs) to focus on empowering small producers.

What did the researcher do?

The researcher used value chain analysis to look at how corporations impact fair trade. A value chain represents each process that is involved in producing goods in an industry. By analysing what happens at each step of production, the researcher is able to pinpoint how corporations changed the fair trade certification process.

What did the researcher find?

The researcher found that the fair trade practice has changed since corporations started being involved in the fair trade certification process. Originally, fair trade began with charitable organizations run by volunteer staff. They wanted to sell handicrafts made by producers who

What you need to know:

Corporations are meeting fair trade standards at a minimum to promote themselves as socially responsible companies. However, they do not help small producers and their communities as they promised.

were refugees or single mothers and lived in developing countries. Later, FLOs established the fair trade certification process. The purpose was to inform consumers that fair trade products meant they were produced under conditions that benefited small producers of the South as well as their local community.

The certification program empowers small producers through a number of ways:

- Help small producers get market access and increase market knowledge
- Support local infrastructure and help find different sources of income
- Increase product quality and develop a network of contacts

Ever since companies became part of the certification process as corporate licensees, they were able to take advantage of selling fair trade marked products at high prices. However, they did not bear the full cost that Alternative Trade Organizations (ATOs) did. For example, Starbucks markets itself as a socially responsible company, but only a small amount of its products are purchased in the fair trade market. Corporate licensees also pressure FLOs to reduce their standards and make it easier to certify a product as fair trade. Increased corporate participation and use of plantations in fair trade can squeeze small producers out of the market. The main benefit of large companies is that they made it easier to sell fair trade products to consumers, for example, by getting fair trade products on supermarket shelves. Recently however, the corporations have been profiting from fair trade sales, without bothering to empower small producers in the ways mentioned above.

How can you use this research?

This research may be used by policy makers to pursue the broader political goals of fair trade, which is to reform the international trade system.

About the Researcher

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