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**FAIR TRADE IN FOOD:
THE ROLE OF PURCHASING POLICY**

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Alison Griffith

**Thesis submitted in accordance with the requirements of the University of
Durham for the Master of Arts by Research (M.A.)**

**September 1995
Department of Geography
UNIVERSITY OF DURHAM**



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ABSTRACT

Fair Trade in Food : The Role Of Purchasing Policy

Alison Griffith

This thesis examines the role of Alternative Trade Organisations (ATOs) in linking food producers in the developing world with consumers in the UK. 'Fair trade', as it has become known, involves consumers making purchases on the understanding that producers will receive benefits as a result of the trade. The inequities of the international trading system for developing countries is discussed, followed by a chapter which considers the expansion of the fair trade movement as a response to those inequities. Fair trade is facing new opportunities as it moves from a predominantly craft sales base towards more food products. The thesis explores the specific issues which ATOs must consider when trading in foods. Two chapters discuss the problems of trading with small, rural and often vulnerable producers in developing countries, and the role that ATOs can play in providing a more certain environment. The provision of appropriate information is shown to fulfil a particularly important function. It is argued that trade can be beneficial at a micro level but that ATOs must use policies which can help them 'maximise-the-best and minimise-the-worst' effects of the trade. These policies can guide them to trade relationships which are most likely to realise positive benefits to the producers.

Part 2 of the thesis covers a case study with a large ATO, Traidcraft, whose strategy for the 1990s is to expand food sales. As part of this agenda the company wanted to re-write their Food Purchasing Policy and the research process to achieve this is described. All existing food products were reviewed against the new policy and the product group of dried fruit illustrates some of the issues which have to be considered by the company in the light of the findings. The thesis seeks to demonstrate how the purchasing policy can guide Traidcraft in their selection of producers. It also considers the complexity of bringing together producers and consumers in a way which is both profitable and sustainable.

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LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific countries
AKRSP	Aga Khan Rural Support Programme
ATO	Alternative Trade Organisation
CAP	Common Agricultural Policy
CIF	Cost, Insurance, Freight
CIIR	Catholic Institute of International Relations
EC	European Community
FAO	Food and Agriculture Organisation
FOB	Free on Board
FON	Fruits of the Nile
FWN	Farmers World Network
GATT	General Agreement on Tariffs and Trade
HACCP	Hazard Analysis Critical Control Points
ICA	International Commodity Agreement
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
ISO	International Standard Organisation
ITDG	Intermediate Technology Development Group

MFA	Multi Fibre Agreement
MIP	Minimum Import Price
NGO	Non Government Organisation
NRI	Natural Resources Institute
ODA	Overseas Development Administration
PFTC	Panay Fruits Trading Company
PPC	Product and Producer Committee
TC	Traidcraft Plc
TNC	Trans National Corporation
TW	Tropical Wholefoods
TX	Traidcraft Exchange
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USP	Unique Selling Proposition
VER	Voluntary Export Restraint
WTO	World Trade Organisation

PART ONE

INTRODUCTION - FAIR TRADE IN FOODS

The thesis has been written in two parts. In this part I examine fair trade in food, by exploring the context of the fair trade movement in the UK, and its new opportunities and constraints. My objective in Part 2 is to demonstrate the role of purchasing policy through the research in my case study. The thesis aims to show how purchasing policies can guide Alternative Trade Organisations (ATOs) to appropriate sources of supply, so they can exploit sales opportunities with fair trade products. The problems of trading with small producers in developing countries, particularly for foods, suggest that ATOs find it difficult to establish commercially viable sources of supply. My supposition is that if they compromise sourcing standards and fail to show that their trade is benefiting the disadvantaged communities in the Third World, then they will lose the distinctive attributes of their products, and could jeopardize the new consumer interest in fair trade. Therefore, this part focuses on producers and how ATOs can effectively assist them in the market place, and the role of purchasing policies in directing their limited resources towards appropriate trading partners.

Fair trade is generally perceived as a response to inequality in international trade. Chapter 1 examines the trading climate and considers whether developing countries participate on equal terms. The discussion points to a need for fairer systems and regulation. This argument is followed through in the second chapter which begins by looking at how campaigners on trade have used fair trade to lobby and raise awareness, particularly amongst the public. Fair trade is explained in this chapter, concentrating on the UK in the wider context of European and international developments. At this point the thesis begins to focus on the new marketing opportunities for fair trade food products.

If the niche markets for these products are to be exploited then supplies of suitable products must be established and the last two chapters consider the implications of promoting trade in foods with small producers in developing countries. These chapters look at the issues of trading in foods, particularly cash cropping and food security and the circumstances which will 'maximise the best' and 'minimise the worst' effects of the trade exchange. In Chapter 4 the type of assistance required by

producers in developing countries to supply export markets effectively is discussed, and demonstrated by examples of trade development. The purpose is to illustrate that those producers who can gain positive benefits from the trade must be targeted; benefits which must be tangible and make an impact at household and community level.

The discussion highlights the complexities of fair trade, in balancing both the needs of producers and consumers. The difficulties of trading with small producers in the Third World could result in compromising the uniqueness of the products, which suggests the necessity for boundaries or parameters. In Part 2, using my case study and active research, I consider how purchasing policy could achieve that balance.

CHAPTER ONE

THE INEQUITIES OF INTERNATIONAL TRADE FOR DEVELOPING COUNTRIES

INTRODUCTION

The purpose of this chapter is to demonstrate that international trade has developed in a way which is detrimental to some of the participants. By examining the trading environment a picture emerges in which many poorer countries of the world are becoming more and more involved in structures and systems which persistently let them down. Trade has promised them much but seems to have delivered very little. This chapter takes a look at how and why the circumstances became so loaded against developing countries¹.

Section 1 covers regulation of world trade since the Second World War, embodied in the General Agreement on Tariffs and Trade (GATT). 1994 saw the signing of the eighth or Uruguay 'Round' of negotiations of GATT after years of protracted debate between the countries involved. This Round focused the world's attention on the international trading system; the likely beneficiaries and losers from the latest agreements. These events and the debate surrounding them can give some insight into the historical, current and future perspectives of world trade.

The second section examines the weak position of the many commodity dependent countries that have faced declining terms of trade and an increasing debt burden. The policies of the World Bank and the International Monetary Fund (IMF) are covered because their role in economic restructuring appears to be exacerbating the situation. In concluding the chapter the tremendous power of Transnational Corporations (TNCs) is acknowledged by a brief look at their part in world markets.

It is not the purpose of this chapter to ask whether developing countries should be involved in a system that is inherently unfair to them. They trade internationally and wish to do so, in order to purchase goods not produced by them. Instead the chapter considers how trade is conducted and the inequities that have developed. Various attempts to create fairer trading conditions are mentioned, such as the Lomé Convention, International Commodity Agreements (ICAs) and the new World Trade Organisation.

Most past efforts have failed and there has been an increasing concentration of power and wealth. A staggering increase in world trade, from \$500 billion in 1965 to \$1600 billion in 1990 (in constant 1990 US dollars) (Coote, 1992) has not been equalled with a reduction in global poverty. The UNDP 1994 Human Development Report states that a fifth of the developing world's population go hungry every night and a quarter lack access to even a basic necessity like safe drinking water. Developing countries participate in trade which involves substantial transfer of wealth but they appear to receive little benefit.

Hence the need for an alternative way of trading with vulnerable developing countries. To understand the manner in which the international trading system operates, to the detriment of the poorer nations, is to understand the basis of the 'alternative trade movement' which promotes 'fair trade'. This is embodied in the activities of businesses and NGOs in the North who buy goods from producer groups in the South, and market them as 'fairly traded' products (emphasising benefits to the producer and the non-exploitative nature of the trade exchange)².

1.0 FEATURES OF THE POST WAR TRADING SYSTEM

1.1.1 The History of GATT and the Growth of Free Trade

The General Agreement on Tariffs and Trade (GATT) was created nearly half a century ago to establish a set of rules and standards for the conduct of international trade, and also to provide a forum in which worldwide negotiations can take place³. Essentially a contractual arrangement between governments⁴, it has been the only instrument available to regulate world trade and its successes and failures have been reported widely in the past couple of years. In 1948 only 23 countries signed the first agreement, and the most recent agreement in April 1994 was signed by virtually the whole world, over 120 countries⁵ (Williams, 1994). Almost three quarters of them were developing countries, which indicates that they perceived that the talks were important to them. Issues of significance were addressed, but the outcome was discouraging (discussed in 1.1.3).

Essentially GATT has been concerned with free trade, with its chief function to negotiate the reduction of trade barriers. The theory of comparative advantage⁶ suggests that countries should specialise in and produce only what they are best at (most cheaply therefore) and can exchange for the rest. The theory holds only if trading partners are equal and the "playing field" is level, and thus it is often inappropriate for the current trading climate, but in spite of this it forms, to a great extent, the basis of GATT. Invariably the playing field is not level and it is the most powerful countries that stand to gain the most, leaving the weaker countries to become increasingly marginalised.

The Principles and Rules of GATT

The two basic principles of GATT are 'Reciprocity' and the 'Most Favoured Nation Clause'. Under the first principle, if one country offers tariff⁷ reductions to another for certain commodities, then the second country, in reciprocity does the same. As soon as this agreement is made the pact is extended to all GATT nations i.e. each bilateral agreement becomes a multi lateral one. This is encapsulated in the Most Favoured Nation Clause, whereby any trade advantage must be extended to all so that in theory every country faces the same opportunities and barriers in trade⁸. This "non-discriminatory principle" is the cornerstone of GATT and to an extent it has been successful in its purpose of expanding and liberalising trade. A further important principle of GATT is that any protectionist measures adopted by a country must take the form of tariffs rather than import quotas or other non-tariff barriers. Tariffs are considered to be generally transparent and therefore easier to monitor. They can also be

cut at each Round, and countries are required to fix ceilings for tariffs. In theory the ground rules for trading laid down by GATT could provide fair and stable conditions in which countries around the world can exchange goods. In practice the rules have been ignored far too often and this is illustrated by the rise in protectionism which commonly disadvantages the weaker countries.

The Return To Protectionism

During the first three decades of GATT each Round led to impressive reductions in average tariffs. For example, in the United States tariff rates dropped from 92% to 4.9%, and simultaneously world trade grew at a tremendous pace (Moncayo, 1994). However, this correlation could be deceptive since the growth was only partly due to liberalisation as most of the trade was in industrialised goods where there had been a rapid advancement of technology. In addition the period saw an increase in measures designed to protect the economies of the developed nations, usually at the expense of others.

GATT excluded agriculture and textiles, both of enormous importance to the developing world. The failure of GATT for developing countries can be illustrated by the existence of the Multi Fibre Agreement. This is a quota system set up in 1974, based on bilateral agreements which are designed to protect the textile industries of developed countries from cheaper imports from developing countries. It has now been reviewed under the new GATT but during its 20 year life the arrangement increased prices to consumers in the North, and damaged economies in the restricted countries of the South. Similarly the Common Agricultural Policy of the EC fell outside GATT and the level of subsidy and practice of "dumping" has caused serious market distortions⁹. Thus a paradox has developed in which the benefits of free trade have been extolled and yet in practice protectionism has intensified. This contradiction has become particularly marked since the Tokyo Round in 1980. A decline in the world economy and threat of competitive imports from the newly industrialising countries of south east Asia resulted in the developed nations employing a variety of measures to protect home industries. Non-tariff barriers are used by countries to keep out imports, and include quotas, import licences, 'voluntary' export restraints and other measures to protect domestic producers. These barriers are banned by GATT and yet they affected almost 30% of manufactured exports from the Third World to industrialised countries (Madden, 1992). Restrictions are most widespread in industries where comparative advantage has generally shifted to developing countries. The IMF estimated that in 1989 one-half of total voluntary export restraints were directed at developing countries, and four-fifths of all arrangements were intended to protect EC and US markets (National Consumer Council, 1993).

Escalating tariffs are another form of barrier employed by industrialised nations. These are tariffs which increase with each stage of processing. For example, fresh tropical fruit entering the EC carried an 8% tariff, which increased to 11.3% if the fruit is preserved, and to 23.6% if it is juice (Coote, 1992). Obviously this discourages processing and has

contributed to the continuing dependency on primary commodities. Diversification is often not an option when new ventures face such obstacles.

The increase in protectionism coincided with a period of trade liberalisation in the Third World. Recent signatories of GATT were attempting to adhere to the rules, and furthermore several countries were responding to demands from the World Bank as part of their structural adjustment programmes (see below). The consequences of the disastrous combination of protectionism in the North and liberalisation in the South have in part been addressed by the most recent round of GATT negotiations. Section 1.1.3 looks at the prospects for developing countries in the wake of an agreement and is preceded by a section on how developing countries have tried to protect their interests during the past few decades.

1.1.2 Support for Developing Countries

UNCTAD

Madden (1994) writing for Christian Aid in "A Raw Deal" provides this description of UNCTAD :

"The United Nations Conference on Trade and Development was established in 1964 at the behest of Third World countries who did not feel that the GATT addressed their needs adequately. UNCTAD has a strong Third World presence and has tended to look at trade in a wider, developmental framework. However, it never received the necessary political support from the major trading nations, and, like many other UN agencies where the poor countries have some influence, has been pushed to the sidelines."

During the 1960s the poorer commodity-producing countries of the South were facing declining terms of trade (see Section 1.2) and ran up against trade barriers when they attempted to diversify. They felt marginalised by GATT which had no interest in increasing commodity prices and was strongly focused on freeing and increasing trade for industrial goods. So the 1964 Conference, which was largely opposed by the West, created a new body with two specific aims : to look at ways for developing countries to earn more from their commodities; and try to improve access to Western markets for the manufactured goods of these countries.

Initially UNCTAD appeared to be successful since in 1965 another chapter was added to GATT which gave developing countries "Special and Differential" treatment i.e. discrimination in their favour. These exceptions to the rules of GATT were formalised at the second UNCTAD in 1968 which adopted a "Generalised System of Preferences" (GSP)¹⁰. This involved industrialised countries lowering the tariffs they applied to manufactured goods from developing countries, thus giving them preferential treatment over other industrialised countries. Unfortunately GSP were adopted very slowly and only for specific goods. The industrialised countries were insistent that GSP must not be detrimental to their economies and excluded many important goods such as processed foodstuffs. In the event GSP proved to be of limited value. The progress of UNCTAD to bring changes to the world trading system was very slow until the oil price shock of the early 1970's. Fearful that similar price booms could happen with the other commodities the industrialised countries agreed the 1974 commodity price stabilisation proposals. Over the next 15 years UNCTAD tried to establish a fund to stabilise commodity prices, but when it finally succeeded in 1989 the fund was too small and poorly supported to be of any influence, and also too late to avoid the collapse of commodity prices in the early 1980's.

UNCTAD's four-yearly sessions had achieved very little and today many developing countries are still dependent on few primary commodities for which they are paid low prices. The Editorial of the UNCTAD Bulletin (1994) describes the past 30 years of the agency as follows:

"...it has generated ideas and policy initiatives, negotiated specific agreements and served as an instrument of technical co-operation in the pursuit of its development mission. UNCTAD's work has helped to sensitise world opinion to the North-South divide."

Most writers agree that UNCTAD has had an important role as a provider of information about unfair trade practices (Barratt Brown, 1993), but it has little power to bring about changes since it lacks the support of the powerful nations. Madeley (1992) sums up the general opinion about UNCTAD :

"It will publish useful statistics which will show how the world is; it will act as a watchdog but without teeth."

Lomé Convention

The Lomé Convention¹¹ regulates a special trade/aid agreement which modifies the barriers to export for 69 African, Caribbean and Pacific (ACP) countries. Most are former colonies and the Convention is seen as an expression of Europe's responsibility to those countries. ACP countries are exempt from the GATT rule of reciprocity, in that they are not required to reciprocate for the duty free access they enjoy to the EC¹². In addition to preferential treatment on trade, the agreement contained the 'Stabex' and 'Sysmin' provisions which guaranteed compensation if earnings from commodities fell below a certain percentage¹³. Unfortunately these provisions were not adequate enough to cope with the slumps of commodity prices in the early 1980's, and only went a small way towards helping.

Lomé contained some big limitations and the EC has been able to restrict market access when home industries were threatened. There has been increasing dissatisfaction amongst ACP countries as their share of markets has been declining. Critics would say that Lomé has been of doubtful benefit and not provided the economic uplift hoped for and yet others cite Lomé as an important example of trade and development co-operation (Madeley, 1992).

1.1.3 The Eighth Round of GATT

The Uruguay Round, launched in 1986, attempted to deal with two problems: rules which were decades old and the increasing climate of protectionism. World trade was being characterised by barriers, both tariff and non-tariff, and this Round set out on an ambitious liberalisation plan.

The negotiations were expected to be completed in four years, but in fact they took over seven¹⁴, until December 1993 with the agreement signed at Marrakesh in April 1994.

Liberalising World Trade

The outcome of the agreement is complex because of the scope of topics and the number of interested parties (Jackson, 1994). The final document runs to more than 20,000 pages, covering 15 areas including textiles and clothing, agriculture, and for the first time, intellectual property and services (Maitland 1994). The Round aimed to cut existing tariffs by not less than 30% bringing them down to a world average of around 3.5%. By slashing industrial subsidies, protecting intellectual property rights and

bringing down tariffs, economists are predicting an additional US\$200 billion a year to the world economy by the year 2000 (Madden and Madeley, 1994). However, as will be seen, whether or not a country benefits depends very much on whether it is in a position to take advantage of the new trading opportunities. The new GATT has recognised the need to protect weaker countries by prescribing differing levels of reductions. Agriculture, for example, will be subjected to 36% tariff reductions, and subsidised export reductions by 36% value and 21% volume, both over six years. Developing countries must apply the reductions by two thirds and over 10 years¹⁵. Least Developed Countries are exempt (Landmark, 1994)¹⁶. It would appear from this that the vulnerable position of developing countries has been considered. However, there has been a strong argument amongst NGOs¹⁷ that GATT failed the majority of Third World farmers, who need more support, not a reduction. The Catholic Institute of International Relations (CIIR) conference, held shortly after the signing, argued that a "deal had been framed" to allow the EU and the US to continue to support their farmers, with special agreements to reduce the constraints on subsidised export dumping. The main concern of the conference was that poorer countries would lose out from the agreement. Particularly threatened are the ACP countries who have enjoyed preferential access under the Lomé Convention and will now face considerable competition as trade is liberalised. The value of their exports is projected to fall by 8-16% (CIIR News, 1994).

Gains and Losses

Reports on the likely effects of trade liberalisation vary tremendously, with GATT at one point predicting an annual boost of US\$510 billion to world trade (Williams, 1994). The EU and the US are set to gain the most, with relatively little left over for everyone else. Too often the position of developing countries is hidden by quoting a blanket figure under a title like "Developing and Transition Countries". Although many developing countries may have been failed by GATT it is important to distinguish between those nations that have the potential to benefit from the deal, and those whose future is now considerably bleaker. An OECD/World Bank report estimates that trade benefits of around US\$70 billion a year will be divided between China (\$37bn), Asia (\$25bn), Latin America (\$8bn) and the Gulf States (\$3bn), but Africa will suffer losses in the region of \$2.6bn (Madden and Madeley, 1993). It is predicted that there will be a widening gap between the 80 or so countries still heavily dependent on primary exports and those which have built a varied manufacturing base. The disadvantaged economies, many of which are found in sub-Saharan Africa, could be pushed further into a trench by GATT. Typically they are net food importers, commodity dependent and severely indebted, and they will be facing higher world prices for staples as a result of lower subsidies in

Europe, and lower prices for their commodities such as coffee and cocoa as competition increases. The countries which could do well are those who can cash-in on low cost manufacturing in areas where tariffs have been reduced¹⁸.

The increasing marginalization of the group of disadvantaged countries was addressed at the UNCTAD Trade and Development Board in their 40th session in 1994, which identified four issues to be tackled in the wake of GATT :

- Remaining escalation in tariffs on products of vital export interest to commodity based economies.
- Improving market access for all developing countries.
- Negotiating a mechanism to compensate net losers.
- A safety net to cushion the impact for disadvantaged economies (Raghavan, 1994).

The eighth Round of GATT has left many developing countries in a more vulnerable position and they need to be compensated and protected. New development initiatives and other opportunities should be promoted to enable these countries to participate in a trading system which continues to be neither free nor fair.

1.1.4 The World Trade Organisation

These issues are to be taken forward into the next century by a new body, the World Trade Organisation (WTO) which came into being on 1/1/95 to replace GATT. It will be a bigger organisation and there are hopes by some that it will take its place along side the World Bank and the IMF¹⁹ (Williams, 1994). The new body will present opportunities and threats so developing countries need to make use of their numerical strength, although their diversity of interests tends to weaken their position. The new WTO has a responsibility to cater for the needs of the poorest, with financial assistance required to help those countries adapt to new international standards. However, trade is considered to be too complex for one organisation like the WTO, and NGOs are recommending that in order to protect developing countries several UN bodies, such as UNCTAD, should be strengthened (Silva, 1993). They could, for example, have an important role in recording and regulating the behaviour of large corporations²⁰. The WTO will have to deal with concerns by developing countries that they might be adversely affected by attempts of major developed countries to link new issues to trade. The issues such as environment, labour standards and competition policy could be used to reduce the competitiveness of developing countries exports or to shift the burden of economic adjustment to the South (Khor 1994). This 'new protectionism' could have another harmful effect: to distract

attention from the most important task of the WTO, the effective implementation of the Uruguay Round results.

1.2. THE COMMODITY CRISIS

1.2.1 Commodity Dependency

Heavy dependence on a few commodities is typical in developing countries, particularly former colonies²¹, and many of these countries have lacked the skills, infrastructure, technology and finance to diversify or move successfully into manufacturing. Whether the intention or not, this has created a favourable climate for 'developed' economies who enjoy large markets for their manufactured goods and are able to buy raw materials cheaply because of over supply (see 1.2.4 below).

Countries which have needed to increase exports (usually because of debts and food shortages) typically rely on commodities for about three-quarters of their export earnings (Watkins, 1992). In addition to a very high dependency on primary commodities a significant number of countries, particularly in sub-Saharan Africa, depend on one commodity for over fifty percent of their export earnings. This makes them extremely vulnerable to price instability in these commodities (Coote, 1992).

The future of these countries depends on their ability to generate resources, which requires a big increase in their export earnings, by commodity prices rising and diversification of their economies. They have been suffering badly from the long-term decline in the prices paid for commodities relative to that of other goods.

1.2.2 Terms of Trade

UNCTAD (1991) statistics show that for the developing world the terms of trade²² index fell from 100 in 1980 to 75 in 1990, and for Africa it fell to 68, a drop of over 30 per cent in a decade. This means that African countries had to pay out, on average, 30% more in 1989 than they did in 1980 to buy the same quantity of imports (Madeley, 1992). The UN have estimated that this cost Africa an income loss of US\$16 billion in 1989 alone (Khor, 1994).

The income losses from falling terms of trade cause economic resources to be transferred from the South to the North, widening the gap between rich and poor even further. The

rate of loss has been increasing and most analysts believe that the commodity price recession will continue at least well into the first decade of the next century (Raghavan, 1994).

There are many reasons why commodity producers receive such low returns. The major ones appear to be stagnating demand and chronic oversupply in most of the markets.

1.2.3 Demand for Commodities

Demand for primary commodities has been falling. The global recession during the 1980s caused a slow-down in production in the industrialised countries and demand of raw materials fell. Developing countries have found it difficult to reduce the supply of raw materials because they tend to be reliant on that source of income and there are difficulties in switching to other products (by establishing new crops, developing new skills and markets)²³.

Although decreased demand becomes more marked during a recession there has been a long-term tendency towards relative decreases in consumption (Oxfam, 1992). In addition, the type of economic activity in the North is a major factor in determining consumption levels. There has been a shift from traditional manufacturing towards electronics, and also from industrial products to services. These developments reduce demand for primary commodities. Greater efficiency in manufacturing processes and the use of substitutes have also lowered the quantities needed²⁴.

1.2.4 Supply of Commodities

The other half of the economic equation is supply of commodities and it would be reasonable to expect that as prices fell producer countries would have attempted to curtail production. It has been noted that most developing countries are unable to produce a variety of manufactured goods and they are usually desperate for foreign exchange. Unable to shift production (risk, real and perceived, has hindered diversification) they have tended to increase the volumes of the few primary products they export. Because of the patterns established during colonialism many countries have little alternative but to compete with each other in the same commodities. Thus a decrease in price has often resulted in an increase in production (World Bank policy is also a factor, discussed in 1.3 below).

These problems led to attempts to control commodity prices through the "International Commodity Agreements" (ICAs)²⁵ of the 1970s. It was hoped that prices could be maintained but eventually each one broke down because of the fierce competition between countries who needed to earn more foreign exchange. Many countries had to expand exports to earn hard currency in order to service their high levels of foreign debt. One by one the ICAs collapsed and prices continued to be depressed.

The debt crisis (which is the subject of the next section) is very closely linked to falling commodity prices. On the one hand large debts have caused countries to over produce in order to earn money to pay off the loans, and on the other, the reason loans are required is that prices for primary commodities are under pressure.

1.3. THE DEBT CRISIS

The present debt crisis has reached horrifying proportions and has frequently been cited as the single most important issue for development in the 1990s. Africa's debt has grown more than ten-fold between 1974 and 1990 reaching US\$272 billion, equivalent to over 90% of the continents' GDP. The amount of aid they receive roughly covers the cost of servicing the debt (Madeley, 1992).

This crisis began in the early 1970s with the "recycling of petro-dollars" (Arditto-Barletta, 1994), when oil prices rose and banks in the North found themselves with a surplus of money which they were anxious to lend at very favourable terms. The creditors failed to see that over-borrowing²⁶ could be a problem. During the 1980s world growth slowed and commodity prices fell weakening the borrowers servicing capacity. Woodward (1992) points out that lenders failed to see the risks attached, believing that "countries cannot go bankrupt". Some of the money borrowed was used for inappropriate or unproductive purposes and most borrowing governments expected to pass on the costs to their successors. Over-borrowing could have been prevented by the creditors reluctance to lend more than could be repaid, which suggests that the responsibility for the present crisis is shared between both debtors and creditors. However, it is being borne almost entirely by the debtor countries.

The debtor countries have found themselves in a downward spiral. Very few had seen any real advances in development as a result of the loans and yet interest rates began to rise and commodity prices fell, squeezing their economies dry. To earn foreign exchange they exported more and pushed prices down even further. Between 1982 and 1987 the total foreign debt of developing countries almost doubled²⁷, rising from \$650 billion to \$1,190 billion (Madeley, Sullivan et al, 1994). Unable to cope with this increasing burden many countries turned to the World Bank and the IMF.

1.3.1 The World Bank and the IMF

The World Bank and the International Monetary Fund (IMF) have policies which are designed to help developing countries overcome their balance of payments problems²⁸. They fund programme aid, known as Structural Adjustment Programmes (SAPs) which have conditions attached to them. Before a country could qualify for debt relief or a further international loan they had to agree to adjust their economies. During the 1980s developing countries had no alternative but to agree to SAPs.

Typically, the economic package agreed includes measures designed to reduce government expenditure, earn more foreign exchange through increasing exports and move to a more free market economy. Usually countries will be told to devalue their currency to make imports more expensive and exports cheaper, privatise government-run systems and reduce spending. In theory each country should have a package specifically designed to meet their needs, but in reality SAPs are prescribed across the board, often with disastrous results.

The effects of SAPs have been well researched and documented during the early 1990s, and there is a general consensus that there have been two main areas of failure (Moseley and Weeks 1993; Nsouli, 1993; Stewart, 1993; World Bank, 1994).

Firstly, countries under adjustment programmes during the 1980s have experienced a decline in expenditure on health, education and training. Cuts in public investment have reduced growth potential and unemployment has risen. So, in the short term people are poorer; they face higher prices and receive fewer services, and in the long term there is less chance for economic growth. In its 1992 report UNICEF stated that SAPs had been a failure in Africa, in terms of their widespread effects on health and education (Madeley, Sullivan et al, 1994).

Secondly, SAPs have contributed to the worsening terms of trade for those countries involved. As a result of SAPs many countries simultaneously expanded production of the same products, causing gluts on often already saturated markets. This pushed prices down even further and thus exporters have not earned the levels of foreign exchange needed to service their borrowings, hence the mounting debt burden.

Ultimately the policies promoted by the World Bank and IMF have reduced investment in developing countries (Woodward, 1992). Investment is vital for economic growth so many development agencies are pushing for SAPs to be reconsidered. It has been observed by more sceptical writers that commodity price falls were considered a desirable result by the Bank because they enabled industrialised countries to purchase raw materials cheaply and bring down their inflation (Raghavan, 1994). The burden of this price recession has fallen on Africa, the poorest region of the world, and it has become clear that they will not be able to trade their way out of the current crisis of debt, exacerbated by falling terms of trade and declining economies.

There are two ways in which such countries can be helped. The first is cancelling or reducing debt repayments in recognition of the fact that there is a dual responsibility and

poor countries are not able and should not be expected to deal with the burden without assistance. The Trinidad Terms and Paris Club have been recent attempts to write-off and re-schedule debt, but they have not been ambitious enough given the scale of the problem²⁹. The second is a review of international commodity policy to consider the issues of low and unstable prices. There is significant pressure from NGOs and UNICEF for the policies of the World bank to be reviewed. Raghavan (1994) advocates supply management in the short-term rather than the free market approach, and effective international policy to deal with depressed prices and price instability.

The increase in the levels of debt over the past two decades and in particular the acceleration during the 1980s is often seen as the most critical factor affecting development³⁰. It is the cause-and-effect of trade which has been so devastating, resulting in a debt burden which has dwarfed many Third World countries, causing declining economies and lack of investment. Until these issues are addressed commodity-dependent nations will not see the benefits of a fairer and more equitable trading system.

1.4 CONCLUSION

Trade is crucial for developing countries but although GATT has attempted to level the playing field to a certain extent, the teams are far from equal. Yates of Oxfam³¹ described it as one team playing with electrified pogo sticks (the industrialised North) while the other team is weighed down with heavy hobnailed boots (the South). A level playing field does not make for a fair competition if the players enter with wildly differing strengths. Debt and low returns from commodities must be addressed if many countries are to be in a position to take advantage of the trading opportunities of the future.

This weak position and lack of control is compounded further by the ever-increasing power of Trans-National Corporations (TNCs). These giant companies are amongst the most powerful economic institutions in the world and their domination has grown to a point where it is estimated that 500 TNCs now control 70% of world trade, 80% of world investment and 30% of global GDP (Madeley, 1992)³². In many cases TNCs can be larger than the host country in which they are operating, resulting in a very unequal relationship. Economies are dwarfed by them and they have the potential to benefit or harm communities affected by their presence. They dominate trade in the commodities typically produced by developing countries³³ and this concentration of power has diminished the bargaining power of producers. The strong buying position of the companies usually means lower prices for commodity producing countries³⁴. A major concern of NGOs is that GATT did not include TNCs and they are not subject to regulation. By operating internationally, outside boundaries, TNCs can avoid national regulations. Pressure groups are calling for international regulations and global competition policy. Christian Aid suggests that there is an important role for the WTO, in creating rules which move towards international standards to regulate TNCs, on the premise that if production is international, then regulation must be too (Madden, 1994).

TNCs are considered necessary by many Third World governments, and indeed without them the international trading system as we know it would collapse, but unless they perform their trading activities responsibly developing countries may not realise benefits from their exports. It is here that the new WTO could play a vital role, and begin to tackle some of the imbalances that have existed in the trading system, unchecked under GATT.

NOTES FOR CHAPTER ONE

¹ The terminology used to describe the Third World is numerous and 'developing countries' is frequently used throughout the text, although the criticisms of it are accepted (the most common one being that it implies a single path to development). The 'South', 'non-industrialised' and 'less developed' are also used, recognising that each has its limitations. The World Bank (World Development Report, 1994) classifies economies by gross national product (GNP) per capita, and countries fall into one of three broad groupings : low-income economies i.e. GNP of \$675 or less in 1992; middle-income economies i.e. GNP of greater than \$675 but less than \$8356; and high-income economies with a GNP of greater than \$8356. Those countries in the first two groups are termed developing economies by the Bank. This is unsatisfactory since some countries, like the oil producing Middle Eastern states would be considered 'developed'. The United Nations consider factors such as income distribution, life expectancy, level of available services and so on. No one indicator is satisfactory but in broad terms developing countries are characterised by certain similarities, and the sum of it is poverty for the majority.

² These activities have been developing since the mid-1960s and will be explored in detail in Chapter Two.

³ GATT was to be only part of the post war arrangements for world trade. An International Trade Organisation was negotiated to run alongside the World Bank and the International Monetary Fund (IMF) as an institution of equal economic power. However, the US felt its sovereign policy was threatened and refused to ratify it.

⁴ Each signatory of GATT becomes a contracting party that commits itself, in theory, to trade according to the principles and rules agreed at negotiations, which are called 'Rounds' (there have been 8 in total).

⁵ With the notable exceptions of Russia and China.

⁶ International trade theory notes that nations trade for economic, political and cultural reasons; with the main economic factor being difference in price. Ricardo's law of comparative advantage explains why price should vary between countries i.e. for the same product each country has different comparative cost structures. Kinsey (1988) says the theory suggests a country will gain if it produces more of the goods

in which it is relatively more efficient, and exports those in exchange for products in which its absolute advantage is least, or in which it has a 'comparative disadvantage'. The supposition is that as a result of this countries will have a higher standard of living but it is seriously flawed because it ignores many trade issues such as tariffs (see below), transport costs, protectionism etc.

⁷ Barriers to trade are used by countries and regions who wish to protect their economies from imports, and the mechanisms they employ are described as 'protectionism'. Tariffs are very clear mechanisms and are in the form of a duty payable on the imported products; usually a percentage of their landed value. Non-tariff barriers can be more deceptive and there are many complex systems in place, for example quotas of sugar into the EU, whereby certain countries are given a set tonnage of cane sugar which they can sell. Minimum import prices are another protective mechanism where a floor price is set and imports cannot come in below this price without being penalised (the seller would have to pay a duty). This allows local producers to obtain higher, stable prices and effectively reduces competition from outside.

⁸ Exceptions allowed under GATT include customs unions and free trade areas, and regional trade agreements (for example, Lomé, see below).

⁹ 'Dumping' is a term which has been popularised to describe a feature of the Common Agricultural Policy (CAP) whereby the EC protects member states farmers by setting artificial prices (i.e. interfering with supply and demand as a price setting mechanism) and buying the surplus production which is often stored and then released onto the world market. The market is flooded by this sudden release of stocks and supply exceeds demand, forcing prices to go down sharply. This is very damaging for those producers who rely on returns from the world market. Sometimes the stocks are released into specific markets and local farmers cannot hope to compete against subsidised imports; the case of EC beef being 'dumped' on West African markets and causing damage to the local beef industry is a recent example (which received much attention from campaigners who have lobbied successfully to stop it).

¹⁰ GSP was a scheme to help developing countries diversify into manufactured products but in the event has proved too restrictive to be of any great value to them. The EC has devised its own scheme, as have the US and several other countries.

The EC's network of preferential arrangements is complicated, as a result of many years of negotiations and agreements. For example, certain African, Pacific and Caribbean (ACP) countries receive more favourable treatment because many of them are former colonies of EC member states, and the concessions reflect earlier special trading arrangements (as described in the next section).

¹¹ This is a co-operative agreement which is essentially a contract between 12 EC member states and the ACP group of 69 African, Pacific and Caribbean countries. It was first signed in 1975 and has been renewed after fresh negotiations in 1979, 1984 and 1989, the most recent, Lomé IV which runs for ten years, 1990-2000. It uses a range of aid and trade development instruments which are based on a negotiated and legally binding contract.

¹² Exceptions include sugar and beef which compete with EC production and are not given free access but have small quotas instead. The issues for sugar are particularly complex.

¹³ According to a complicated triggering mechanism.

¹⁴ One of the main reasons for the delay was the battle between the US and EC over support for agriculture.

¹⁵ This means the reductions are less onerous e.g. 24% value and 14% volume, and they have a longer period over which to apply them (10 instead of 6 years).

¹⁶ Least developed countries must be distinguished from 'less developed' since they refer to a specific group of countries identified by the World Bank as being at the bottom of the world's economic ladder. The UNDP state they are a group of developing countries which have been identified by the UN General Assembly as suffering from one or more of the following constraints : a GNP per capita of around \$300 or less; land-locked location; remote insularity; desertification; exposure to natural disasters. In the 1994 Human Development Report 44 developing countries are classified as 'least developed'.

¹⁷ NGOs refer to Non Government Organisations, in this case Farmers World Network (FWN) and the Catholic Institute for International Relations (CIIR).

¹⁸ Examples of such areas are steel, paper and furniture, and it is expected that production will move from the North to the countries of East Asia which have built large manufacturing sectors.

¹⁹As it was intended the ITO should have done (see Note 2 above).

²⁰ Transnational Corporations (TNCs) are organisations which operate across country boundaries. They have not been covered by GATT and as such have 'escaped' controls by being invisible in the process of world trade regulation. The threat of TNCs is considered at the end of the chapter.

²¹ The basic elements of the colonial systems remains; colonies exported raw materials and colonisers specialised in manufacturing. Colonies often produced only a few crops (often just one or two) in order to supply the coloniser. Cuba, for example, was allocated sugar and tobacco; Jamaica, bananas and tobacco; Malaya, tin and rubber.

²² Terms of trade is the purchasing power of exports i.e. the revenue earned from exports relative to the cost of imports which can be purchased with that revenue. If for a given volume of exports (e.g. X tonnes of coffee) the revenue declines, remains static or does not increase at the same rate as prices of imports then the terms of trade are declining. The bottom-line is that the country is worse off and can afford to purchase fewer imports; unless it increases volume of exports.

²³ The difficulties of switching to other products can be illustrated by my own observations in 1991 in Kenya, where in spite of low and unstable coffee prices growers were discouraged by the Government to change to other crops and would have been considered 'unpatriotic' had they done so.

²⁴ For example, much of the maize grown by farmers in the US is now turned into a sweetener, which reduces imports of cane sugar.

²⁵ An example is the International Coffee Agreement which was set up in 1963 to try to stop the downward drift of prices and stabilise prices above their free market level. It did this by regulating the supply of coffee beans coming onto the world market. Producing countries each agreed to export a quota, a certain quantity of coffee, which was less than they would have exported without constraints. By doing this they received a higher price per bag and overall revenues were higher. Supply

was managed so that when prices rose quotas were increased, and when they fell quotas decreased. This system operated from 1963 to 1972, and again from 1980 to 1989 when the agreement covered 50 producing countries and 25 consuming countries (Madeley, 1992). Both times its collapse was due to disagreement over quota and pressure caused by a world surplus.

²⁶ The concept of 'over-borrowing' applies at any level (e.g. country, business, individual) where the amount of money being borrowed exceeds the borrowers likely ability to be able to pay it back at the agreed terms. Lenders usually require safeguards such as collateral, guarantors or sound business plans, and they usually assess all the risks fully..

²⁷ These increases were despite the countries paying a large proportion of the original debt.

²⁸ The differences between the World Bank and the IMF are not always distinguishable (Economist, 1992), and although in theory the World Bank relates to SAPs and the IMF to stabilisation programmes, it has become common to refer to their reform packages collectively, as SAPs.

²⁹ The Trinidad Terms were disappointing, in 1990 only about 0.5% of the debt was cancelled (Madeley, 1992). The 67% write-offs of bilateral debt for the poorest countries, by the Paris Club in 1994 was more encouraging (Westminster Watch, 1994).

³⁰ Declining terms of trade and commodity dependence were two significant factors, although not the only ones, for example, interest rates and recession in the North.

³¹ Bill Yates speaking to an Oxfam local Group in Hexham, November 1994.

³² The Brandt Report (1980) stated that TNCs control between a quarter and a third of all world production and are particularly active in processing and marketing; since that report their activities have increased and become more concentrated.

³³ TNC market share of world trade in primary commodities illustrates their domination:

- 77% of cereal trade is controlled by 5 TNCs
- 80% of the banana trade by 3 TNCs
- 83% of cocoa trade by 3 TNCs

- 85% of tea trade by 3 TNCs (Madden, 1992).

³⁴ Much international trade takes place between subsidiaries of the same TNC, and this type of intra-firm trade is estimated to be as much as 30-40% of total world trade.

CHAPTER TWO

RESPONSES TO UNFAIR TRADE

INTRODUCTION

As a result of the international trading climate outlined in Chapter 1, many poorer developing countries became trapped between commodity dependence and debt, leaving them in a vulnerable and unstable position. They have been unable to diversify because of the risks attached, and also the lack of market information and access, lack of investment and control by big business. The accelerated decline in many economies caught in this trap caused deep concern amongst the NGO sector, and they termed the 1980s the "lost decade" for the developing world (see Coote 1992, Madden 1992). At the same time the international trade negotiations under the GATT Uruguay Round had developed into protracted disputes, the aims of which were largely to secure the interests of the major trading powers. The combination of these factors resulted in the formation of a significant lobby in the UK, which raised the profile of developing countries and increased awareness about the inequities that had existed for so long. This campaigning and lobbying work was important in that it aimed not only to bring about changes through its advocacy work in the trade negotiations, but also to activate the public to respond.

The first section of this chapter shows how the circumstances of the "lost decade" and the prolonged GATT negotiations served to mobilise campaigners, which in turn raised the profile of fair trade¹. The fair trade movement had been established and could take this forward in a practical way. Fair trade has been slowly developing in the UK over the past 25 years through Alternative Trade Organisations (ATOs) and many independent fair trade retailers. The four ATOs, Oxfam Trading, Traidcraft, TWIN and Equal Exchange share the ideal that trade can be conducted in a way which is responsible, and they seek to show by their activities that there is an alternative form of trade which is not exploitative. Not only do they offer the business world a 'model of good practice', but they aim to make a difference at a grass-roots level by empowering people in the international market place. Primarily, their purpose is to have a positive impact on the lives of the producers they do business with. A statement in Oxfam's 1990 Annual Report explains what fair trading means to them, in terms of who they are trying to help and by what methods:

"Trading fairly is ensuring that the producers of the products we buy, or for which we help find markets, receive a reasonable wage

in the local context. Partnership to us means working together with producers; sharing knowledge; helping them increase their incomes (however small) through working co-operatively; assisting producers to identify problems, to improve production methods, to cost and price properly and to find markets which will provide employment throughout the year."

Whilst these organisations are small in commercial terms (Oxfam Trading, the largest, had a turnover of around £9 million in 1993/94), they are working both individually and collectively to respond to the new developments in the market.

In addition to campaigning there were other factors which contributed to the accelerated expansion of fair trade and created optimism for the future. Consumer power had long been recognised as a force in the market place and during the 1980s the concern for the environment and global protection gave rise to 'green consumerism'. Coote (1992) reports a meeting in 1989 when various organisations involved in fair trade recognised the potential in 'ethical consumerism'. If it could be taken a step further to develop consumer interest in the social aspects of the trade exchange they were confident that 'people friendly' products would be next.

Therefore this chapter examines some initiatives which seek to offer a viable trading alternative. It explores the fair trade movement at its position in the mid-1990s focusing on how ATOs operate in the UK and their position within the European and International scene. Each ATO has a unique approach to fair trade but strong similarities exist, and they have found common ground on which to move forward. The chapter concludes by considering some of the recent initiatives taken by the fair trade movement in the UK as they rise to the challenge of stimulating a new consumer movement.

2.1 CAMPAIGNING

Since the 1960s various NGOs and campaigning organisations involved in development work² have sought to highlight the need for developing countries to participate in trade which is equitable and just. The crisis which developed in the 1980s gave them a new impetus to step up their lobbying activities. In addition, the world's attention became focused on the GATT negotiations, and NGOs began challenging some flagrant abuses of power by the North, such as the Multi-fibre Agreement. In the UK various groups came together to form the "UK NGO Trade Network", a forum whereby they co-ordinated activities and lobbied on specific issues. It served as a back up to the individual campaigns, the purpose of which was to raise awareness in this country, so that the situation of producers in developing countries could be improved.

A significant two-year campaign called "Trade for Change" was run by Christian Aid³. On the day of its launch in September 1992 the Financial Times noted "The campaign will highlight how poverty is closely linked with entrenched and 'exploitative' trading relations" and went on to explain that the idea was to encourage "fair trade" (Dodwell, 1992). In common with other campaigns running in the early 1990s the aims were two fold :

- to bring changes to the trading systems and structures by pressing for a removal of protectionism, compensation for the losses which vulnerable countries will experience as a result of GATT, and adequate regulation to protect such countries.
- to promote the purchase of "fair trade" products.

These aims were to be achieved by lobbying and by raising awareness about the issues amongst the public. The latter is of most interest in this context.

The independent evaluation of the Christian Aid campaign by Walford and Johnson (1994) states that its overall task was to create fairer conditions for world commodity producers, by prompting regulatory changes and by stimulating demand for more fairly traded goods. The campaign targeted policy makers and major retailers. Making the general public more aware about trade issues was a key task, and translating the awareness into action. The campaign literature produced materials with eye catching headlines : "It's time you asked your supermarket manager more searching questions than 'Where are the beans kept?'" , and "What's the real cost of your shopping trip?". People were asked to translate their concern into action and were encouraged to use their consumer power to bring about change. 'Trade for Change' packs contained suggestions for action, which included buying fairly traded goods and pressurising supermarkets to stock such goods by handing in pre-printed cards at the checkout. These 'vouchers' were

designed to be handed in at the till and requested supermarkets to stock 'people-friendly' goods.

The evaluation team chose to define the criteria for success as "to educate people sufficiently to move them to take positive action towards fairer trading within the campaign time-scale" (Walford and Johnson, 1994). They concluded that the campaign was very successful, with large numbers of people being exposed to the issues and a recognition of unfair trade as a serious cause of poverty. Whilst this is difficult to measure, it seems that the supermarket campaigns produced impressive levels of action, for example 67% of those participating in the campaign responded to say they had purchased Cafédirect, the new fair trade coffee. The vouchers were described by the evaluation report as a "fantastically successful campaigning device", and indeed Christian Aid had to reprint more, which was, in turn, used as a clear illustration of demand for fairly traded goods. The evaluation surveyed supermarkets at store manager, head office and buyer level and found their reactions were extremely encouraging : according to one, the lobby equalled the largest in memory to target supermarkets, and another reported they were "bombarded with vouchers" (Walford and Johnson, 1994).

Christian Aid acknowledged that they were addressing huge, entrenched and complex problems with the campaign, and their approach therefore was to sow seeds of change. This they felt they had achieved. The success was in part due to the fact that it dovetailed with a series of other important developments for fair trade such as the introduction of Cafédirect (covered in Section 2.4 below).

2.2 THE FAIR TRADE MOVEMENT IN THE UK

The trade campaigns of the early 1990s promoted the purchase of fair trade products, which gave a tangible slant to their call for action. A call which sought to show the public what fairer trade can be in practice and as such made the messages easier to grasp, possibly more real. Fairly traded goods did not however, appear overnight for the convenience of the campaigns. They are the result of many years of work of the alternative trade movement, and the campaigns have merely been able to use the sound foundations and practical trading experience of this network to promote the ideas to a wider audience.

In turn the campaigns have resulted in a significant increase in awareness of the issues and they have been instrumental in raising the profile of fair trade (although ATOs are often involved in educational and campaigning work). This has led to growth and the potential for moving fair trade products from relative obscurity towards widespread acceptance. The ATO movement is well placed to take up the challenges that now face it. It will be helpful to understand how the movement grew, from several separate initiatives, all with very different backgrounds and philosophies and how they have co-operated to achieve positive results.

2.2.1 Alternative Trade Organisations

There are four ATOs operating in the UK and before considering their individual approach to the business of fair trade, it is worth making a general point. As will be seen, trading fairly is a concept and practice that is open to different interpretations and application. To take one of the key issues, a fair price, there are several ways this is defined and applied. For example, it may be a stable price, one that does not fluctuate, or one that is paid in advance, or is above the world market price by an agreed percentage, or one that reflects the costs of production as well as market opportunity, or one that reflects the value of the product on the European market, and so on⁴. The important factor is that these definitions are not static, and they have been evolving and will continue to evolve as a result of dialogue with the producers and other fair traders. Ultimately the precise way in which an organisation applies a fair trade policy will depend on their mission and objectives. This section illustrates that, in general terms, Oxfam is 'development' focused, Traidcraft 'commercially' focused, TWIN and Equal Exchange more 'political' in their approach.

Oxfam Trading

The first to start trading was Oxfam, which in the 1960s was shifting the emphasis of its work to long term development and so established a trading arm whose purpose during the past 30 years has been to "empower people to increase their income and improve the quality of their lives through a programme of marketing and assistance which reaches directly to the producer" (Bridge Annual Report, 1990). Their turnover has increased from £3000 in 1965 to nearly £10 million and much of this incredible growth has been achieved since the late 1980s (Bridge Annual Report, 1990). They developed a model of trading fairly in partnership with poor producers, which involves agreeing fair prices, paying advances through the production period, offering services to develop the trade and returning the profits.

Bridge is the department which is responsible for all producer contacts, a partnership linking them with the customers. They seek to work with producers who tend to be isolated from the market, and are consequently open to exploitation by middlemen. Disadvantaged and marginalised groups are given opportunities to earn money, and priority is given to women heads of households, indigenous people, people with disabilities, refugees, urban slum dwellers and seasonally employed agricultural workers (Piotrowski, 1994). The key to empowering people, they believe, lies in building confidence and awareness, and sharing knowledge, so that they can take more control over their own lives. Oxfam Trading's "success" in achieving these aims cannot be measured merely by their impressive sales turnover figures. Their producers' welfare and understanding of the partnership is far more indicative and the following comments were among some important feedback in a Producer Services questionnaire :

"Fair trade comes about as a result of understanding the people and working environment; consideration is given to the person doing the actual production."

Beth Wambua, Machakos Co-operative Handicrafts, Kenya.

"Giving the work a value which means both producer and customer benefit. For the producer, speedy and fair payment, and for the customer, products that are good quality and meet their requirements."

Asociacion Artesanal Senor de Mayo, Bolivia.

(Bridge News, 1992).

Oxfam Trading has spent thirty years developing the concepts and practicalities of fair trading and it is now one of the largest ATOs world wide. In the UK it has played a vital role in promoting fair trade and working with the other ATOs to launch new ventures. It emerged as a response to poverty and has maintained a strong development focus, whilst trying to establish a viable business able to survive in the reality of the commercial world.

Traidcraft

Traidcraft was founded in 1979, not as a charity or development agency, but as a commercial business (which became a public limited company)⁵:

"to expand and establish trading systems which are more just and which express the principles of love and justice fundamental to the Christian faith. Its objectives arise from a commitment to practical service and partnership for change, which puts people before profit."

Traidcraft retains a strong business focus to achieve its vision of increasing the income of communities on the bottom rung of the world's economic ladder; and creating a market for the skill and products of those communities, thereby increasing the transfer of wealth from North to South. It seeks to show that trade on fair terms is commercially viable.

In common with most ATOs it pursues partnerships with democratically organised producer groups. The trade involves agreeing fair prices, paying advances if required and often providing resources for product development. The more detailed case study in Part 2 will show that it has achieved impressive growth and has been both reactive and proactive in its approach.

Traidcraft has made many important contributions to the growth of fair trade and increasing co-operation between ATOs. In addition, its progressive "people" approach to business has been widely publicised, particularly the innovative development of the Social Audit in 1992⁶. This independently audited annual report assesses the organisation's social impact and ethical behaviour, rather than just its profitability or financial propriety. It has been receiving a significant amount of media attention, and interest from the business community, both of which serve to raise awareness about fair trade and also go some way to achieving Traidcraft's aim of influencing the way conventional businesses trade.

A Change In Focus

In common with most ATOs Oxfam and Traidcraft have, historically, concentrated on selling crafts. They developed on the strength of this business, which was characterised by many producer groups and receptive markets. Since the period of independence development agencies had been helping poor communities develop small income-generation projects and crafts proved to be an ideal way to use local skills to add value to local materials. Production was usually done by women, at home, in between busy harvest periods. Direct income to them had a positive effect on the welfare of individual households and the wider community. By developing "partnerships" with the groups ATOs were able to help them produce goods which would be well received by European markets, and also give advice on quality, legislation and export procedures. The attractions for ATOs were that craft producers were readily available, and the products lent themselves to long transportation and distribution. Crafts were relatively easy to promote, and through a variety of selling methods including catalogues, churches and shops ATOs soon built up a sound customer base.

In general terms, crafts were the core of ATO business until the early 1990s when circumstances precipitated a move towards food products. ATOs had sold foods⁷ for several years (usually a limited range of beverages), but there was a definite change in focus, and the new strategy for the decade was to direct resources to foods. Crafts were under threat and foods offered new opportunities. The table below shows Oxfam's experience, which can be taken to be representative of a general trend.

TABLE 2.1

OXFAM CRAFT AND FOOD SALES

YEAR	FOOD SALES (US\$ '000)	CRAFT SALES (US\$ '000)	FOOD SALES % OF TOTAL
1991/92	984	14,056	7
1992/93	1,184	13,042	9
1993/94	1,541	12,333	12.5

SOURCE : BRIDGE NEWS NO. 18, DECEMBER 1994

There have been two main pressures on crafts:

- the recession which reduced spending power, particularly on non-essentials;

- simultaneously there has been a tremendous increase in competition, with ethnic craft shops becoming common place. The market has been flooded with cheap Chinese and Taiwanese imports.

ATOs like Oxfam have responded by rationalising operations, developing new sources, clear labelling and information which tells the 'story' behind the products and in general strongly promoting the uniqueness of fair trade products. However, market research⁸ indicates that crafts are a stagnating and possibly declining sector, so ATOs are faced with the challenge of diversification.

New Opportunities in Foods

Foods present a range of opportunities to ATOs, stimulated by several factors including the new consumer movement and also the campaigning work on international trade which used food products to illustrate the inequities in the trading system. By successfully raising the profile of fair trade this paved the way for initiatives such as Cafédirect (Section 2.4.1). The main commercial advantage of foods for ATOs is that they offer higher sales potential than crafts because most are items purchased regularly. Even consumers not motivated by the fair trade message are buying more foreign goods. In addition it has been shown that consumers are becoming more discerning and awareness is effecting buying behaviour.

Both Oxfam and Traidcraft are building up their foods business to respond to the environment in which they operate. The other two UK ATOs are much smaller and both deal primarily with foods.

Third World Information Network (TWIN) and TWIN Trading

A relative newcomer, TWIN⁹ was formed by the Greater London Council (GLC) in 1985 with the aim of developing a network of fair trade. They have contributed significantly to the dialogue between ATOs (they hosted the ATO Conference in 1988) and the development of joint ventures such as Cafédirect.

It was noted earlier that each ATO approaches fair trade from a different perspective, and TWIN is arguably one of the most politically motivated. They place particular emphasis on trading with co-operatives and peasant associations in countries with political and economic pressures, such as Nicaragua and Eritrea. They help to organise groups for trade and offer assistance that might include fighting local battles with institutions to give

the producers the right to export. They will mobilise and apply international pressure if they feel it is an appropriate means to support a producer group.

TWIN shares the common ATO aims of ensuring that more benefits of production remain in the hands of producers. They tend to be very actively involved with the small number of groups they are buying from, not just purchasing the products but giving technical assistance too. Trade development is a wider brief of the company whereby they help producers to gear themselves towards the market but they not do trade directly i.e. contracts are with other buyers. TWIN believes that one reason developing countries find it difficult to diversify their exports is that they do not have access to the necessary resources, such as information. As a response to this they operate an information service which includes a quarterly newsletter called "The Network". This provides relevant and practical information on trade and technology issues and is free to subscribers in developing countries.

Equal Exchange

Equal Exchange is a small workers' co-operative which was set up in the late 1980s to carry out trading in food¹⁰. Originally it started as Campaign Coffee Scotland and that initiative expanded throughout the decade to include honeys and nut butters. Unable to fund much producer development work themselves, they tend to use other ATO sources and are able to expand the market for fairly traded goods by selling to commercial wholesalers.

Their main aims are to pay a fairer price to agricultural producers and support the processing of raw materials within country. Their leaflet explains that they trade with democratically organised groups, and their policy is to give priority to the producer, which means fair, long term, guaranteed prices to enable them to plan ahead and develop their community. Similar to TWIN in their political orientation they give preference to products from countries like Tanzania and Nicaragua.

Equal Exchange claims in its literature that its selling methods are unique among ATOs. They distribute and sell their products mainly to retail outlets (health shops and delicatessens) and this means they can reach consumers with no prior commitment to fair trade purchasing. They are a small but important ATO and have had a vital part to play in recent initiatives. For instance, they were instrumental in the collective venture of Cafédirect, which is currently housed in the same offices in Edinburgh.

2.2.2 Common Objectives

The common thread in each of these organisations is that they are producer focused in their aims, objectives and activities. This is the basis on which they operate and is at the core of their response to the inequities in the international trading environment. This shared purpose enables them to work together in a number of ways to promote not only their enterprises but also the ideals of fair trade.

This producer oriented approach was highlighted at the first Conference on Development, Trade and Co-operation entitled "Who cares about Fair Trade?", held in the UK in 1988. The aim of the conference was to provide a meeting place for the diverse yet inter-linked organisations; an opportunity to look at the progress that had been made, identify their common problems and potential partners, and assess areas for co-operation (Conference Report 1988). The introductory address noted that an alternative trading system must be based on establishing a mutually beneficial exchange, and also on free choice remaining in the hands of the Third World partners for the kind of products and the development that they envisage. Each organisation had its stated criteria for trading fairly and the conference did not arrive at a definition of fair trade, but more a consensus about how to establish sound producer relationships.

In general these partnerships are providing the producers with a realistic price (see footnote 4); with market access and security; with opportunity to invest as a result of prompt payment and/or credit facilities and with assistance with training, market information, product development and exporting procedures. In essence these tend to be the practices of ATOs and are as such 'fair trade'.

By the late 1980s ATOs in the UK were in a position to work towards establishing joint ventures which they hoped would take fair trade from its very marginal position and into mainstream retailing. The timing appeared to be right, with increasing public awareness of the trade inequities, and the growth of ethical consumerism. This impetus to move forward was assisted by the experiences of other European countries, and mutual support under the European Fair Trade Association (EFTA).

2.3 WITHIN THE EUROPEAN AND INTERNATIONAL CONTEXT

Putting the UK fair trade movement within the context of alternative trade developments in Europe and the rest of the world illustrates that it is part of a significant body, with potential for influence and growth.

2.3.1 Fair Trade in Europe

At the European level the two larger ATOs, Oxfam and Traidcraft, have been closely involved in the European Fair Trade Association (EFTA), which was established in 1990 after ten years of informal co-operation. It is an association of eleven fair trade organisations in nine European countries which aims to stimulate practical co-operation between its members, develop common policies and offer joint support to producers. Through its advocacy work it is also increasing public and political acceptance of fair trade in Europe. Its members have a turnover of approximately 100 million ECU, importing from over 550 producer groups in 44 countries¹¹.

The Secretariat, based in the Netherlands, has developed an encouraging dialogue with European politicians. In January 1994 the European Parliament carried a resolution which accepted the basis of a report by the Committee on Development and Co-operation on promoting fairness and solidarity in North-South trade. The author, MEP Alexander Langer, produced a comprehensive document about the aims and activities of the fair trade organisations in Europe and proposed considerable support. As a result of this in October 1994 EFTA was invited to a meeting with the Commission to propose various schemes to develop fair trade in Belgium, Germany and Italy. The EC has since indicated that it is willing to support activities aiming to achieve a larger market share of fair trade products on European consumer markets (EFTA, 1994). EFTA has gained a reasonably high political profile as a result of its lobbying work, and it has successfully established an annual "Fair Trade Day" which provides ATOs with an opportunity to brief MEPs in Brussels and gain their support¹².

EFTA's work on labelling initiatives has been a vital background for the UK venture, the Fairtrade Foundation (Section 2.4.2). The aim of labelling is to enlarge the market for fairly traded products by offering products to the mainstream market (e.g. supermarkets) and at the same time giving consumers an independent guarantee of fair trade standards. The awarding of the label to products is based on strict criteria: benefit to disadvantaged producers; guarantee of minimum wages; obligation of the traders to make advance payments; and long term trading relations. There are several "marking" schemes in

Europe which all operate along these lines. There is some debate about whether it would be preferable to have one mark which is recognised across Europe but several have developed. EFTA has been instrumental in the creation of "Transfair International" and is keen to work towards a joint system of criteria, registration and monitoring. A very successful and important European marking scheme is the Max Havelaar Foundation Coffee Seal. This Dutch charity issues its seal of approval to any brand of coffee that meets its criteria, in terms of sourcing, pricing and credit advances. It holds a register of 'approved' sources, typically small-producer co-ops which are democratic and are able to deliver the goods. Importers who want the seal or mark must guarantee to buy direct from these sources and agree to pay the set price (up to 10% above world market price, with a floor price operating), agree to pre-financing (up to 60%) and offer long term contracts. Five brands with the seal are sold through 90% of Dutch supermarkets, and its share of the market has risen from 0.4% when it started in 1989, to around 3% in 1993 (Barratt Brown, 1993). The scheme has been extended to other European countries and in 1993 the Foundation launched a 'seal' for cocoa and are planning to do the same for other commodities.

One of EFTA's key functions has been to encourage and facilitate specialisation, whereby an ATO member develops specific expertise which it then makes available to other members. An example of this is the fairly traded chocolate "Mascao", which is sold by many ATOs, but was developed by the Swiss ATO, O.S.3. Many ATOs are now building up specialist knowledge and strong producer partnerships for certain product areas. This is time consuming and costly but co-operating with each other in this way has enabled more extensive product development work. Furthermore, EFTA aims to encourage the sharing of ideas and information and provides a forum for this. Twice yearly a committee of ATO food managers meet to work towards increasing quantity, quality and variety of food imported by European ATOs (see Chapter 4).

2.3.2 The International Federation for Alternative Trade (IFAT)

In 1989 the newly elected Chairman described the founding conference of IFAT in the Netherlands as the most significant event in the history of the ATO movement (IFAT, 1989). IFAT had been created to co-ordinate the activities of ATOs world-wide, and two years later at its second conference it was able to welcome producer groups from the South which represented a unique and important step forward. In a policy statement the producers affirmed their right to stand equally with their partners, and noted that IFAT saw alternative trade in its broadest sense, not just the payment of higher prices, but the restoration of dignity and strengthening of self confidence (IFAT, 1991). As an

international body IFAT wants to give the macro-economic trade issues a grass roots dimension, and there are indications that bodies such as UNCTAD would welcome this.

However, IFAT appears to be struggling both to establish effective services for its members, and to develop a defined role internationally. Since its creation six years ago it has concentrated on constitutional matters and became embroiled in the task of coordinating a diverse and disparate group. It was born out of an informal group of about 30 ATOs who had met biennially since the 1970s for mutual support and exchange of ideas. At one point there seemed to be a possibility that this most essential function of the group would be lost as it tried to establish a fuller purpose. In addition the formalised body seemed to be unable to fulfil producers' expectations. A producers' statement made at the 1993 conference in the Philippines indicates that IFAT was failing at one of its central objectives. Much of the conference had been spent talking about sophisticated information systems, to which the producers responded "Let's get our basic information right. There seems to be some very elementary information about how IFAT works... and how we are supposed to benefit from it that seems to be missing." The statement went on to say that generally ATOs make very short visits to producer groups and concentrate on the products not the business partner, and this attitude had permeated the atmosphere at the conference. One producer said "We are artists, we are not exhibits" (IFAT, 1993).

However, the May 1995 conference held in the US¹³ worked at building consensus and avoiding the factional interest which had prevailed in the past. Traidcraft reported that the networking opportunities had been a particularly positive aspect of the conference. All Northern ATOs were struggling with crafts, having experienced a disappointing season, and were able to dialogue with craft producers about future direction. The lack of food producers present at the conference was seen as a weakness and something to pursue for following years. The 1995 conference did not make progress on the lobbying function or the information and database systems. Perhaps IFAT has been over ambitious and its role will inevitably be restricted. Its greatest contribution to fair trade may still be purely to make contacts and share ideas. The Federation continues to grow and includes 60 ATOs from virtually every continent. Each of the four UK ATOs are members and have been active participants at conferences. In spite of its limitations it remains an important forum whereby the North and South can meet to develop the alternative trade movement.

2.3.3 A Cohesive Movement ?

Co-operation between the various interests outlined in this section is not only beneficial but necessary if fair trade is to represent a viable alternative. However, continual self examination is important: do they represent a cohesive movement or just a self perpetuating, marginal set of organisations who justify conferences, federations and associations ? Is it necessary to have both IFAT and EFTA ? The sections above point to the different functions of these bodies. EFTA is proving to be a valuable business group and is having measurable success in European lobbying. Regional groupings, like EFTA, are able to deliver tangible benefits to members, they can actually "do" things, whereas an international body tends only to talk about them. IFAT is, however, providing an opportunity for balance by giving producers a voice within the movement. Whether IFAT will ever establish an international reputation able to initiate dialogue with the bodies like the WTO remains to be seen.

In the UK fair trade is still a 'drop in the ocean' and the trading volume is so small¹⁴ that it could be argued that it does not offer a viable alternative at all. ATOs are rooted deeply in their different backgrounds, and each approaches fair trade with a philosophy reflecting that. Are the basic principles of fair trade sufficient common ground for progress? These concerns are answered by the reality of what happens in the 'market place' and the next section goes on to look at how UK ATOs have put to one side their differences and responded to the challenges, and there is no doubt that the inspiration and co-operation from Europe and other ATOs has given them the confidence to take these brave steps forward.

2.4 ACTIVELY RESPONDING IN THE UK

In the late '80s and early '90s a key issue for fair trade in the UK was how to take the increasing awareness and use that to create and stimulate demand. Two successful ways to achieve this are embodied in the Max Havelaar initiative : fair trade marks or guarantees, and fair trade brands. All the indications were that the time was right to develop both of these in the UK and in 1989 the collapse of the International Coffee Agreement precipitated some joint work to establish a brand of fair trade coffee.

2.4.1 Fair Trade Coffee - Cafédirect

The four ATOs came together to form a consortium, with the primary aim of providing thousands of small coffee farmers with direct income to invest in their businesses and communities¹⁵. Their initial contracts were with producers in Mexico, Peru and Costa Rica and they guaranteed to pay a minimum of 10% above world price, and never less than US\$1.20 per pound.

The consortium (called Cafédirect) have capitalised on the work of Max Havelaar in Holland by using their central register to find producers. TWIN undertook to do the importing of coffee for Cafédirect, which according to a spokesperson at TWIN is relatively straightforward because the Dutch have already established a proven system i.e. Max Haavelar¹⁶.

Cafédirect ground coffee was launched in 1991 and initially sold through traditional ATO outlets, but the aim was to get the product into conventional retail outlets, particularly supermarkets. The initiative was well received and, as a result of campaigns and advertising, there was a significant increase in consumer awareness between 1991 and 1994. In September 1994 Cafédirect was able to launch its premium freeze-dried instant coffee to be sold in supermarkets¹⁷.

The ATOs were proving that consumers were ready for a fair trade brand. A brand name works by reassuring customers about the origins of the product and, as in this case, the claims are backed by the reputation of the company(s). In addition to the campaigning work the brand was professionally marketed with full page advertisements in popular magazines (like Good Housekeeping) with strong messages that more of the price paid for the coffee went to the grower. It was positioned in the market to be a quality coffee, a competitor to premium brands such as Gold Blend. Its success has been remarkable and it

is now has a secure place on the shelves of five leading supermarket chains¹⁸. Buyers reactions have been extremely positive :

"Cafédirect is doing a very good selling job for fair trade and a very good selling job for Safeway. I look forward to seeing tea direct and other products with a fair trade component. Andrew Cole, Buyer at Safeway plc." (TWIN, 1994).

A "significant triumph" is how the evaluation report of the Christian Aid campaign describes the responses of the grocery buyers. One said "it is no longer necessary to prove an interest in fair trade - Cafédirect has done that". It was noted in the report that the fair trade market is starting to become recognisable at the senior buying level (Walford and Johnson, 1994).

ATOs could not have launched their brand of coffee at a better time. Supermarkets were beginning to become aware of growing consumer interest, to the extent that the Institute of Grocery Distribution had set up a Policy Council to discuss a concerted response to the challenge of the ethical consumer (Barratt Brown, 1993). The Chief Executive, John Beaumont, believes that "consumers will be directed towards products that are more beneficial to the nations in need", and what happened with the 'greening' of products will happen with the Third World (TWIN, 1994).

Consumer power has long been recognised and the big retailers regard consumer choice as an opportunity rather than a threat, since it can be used to gain competitive advantage. Survey statistics from the National Opinion poll conducted for Christian Aid in 1993 revealed that 68% of the 1000 shoppers questioned "would pay more for fair trade products" and 60% "would make every effort to buy fair trade products wherever possible"¹⁹. This information was published widely and put the case to supermarkets to stock more fair traded goods. In March 1994 Sainsbury's magazine carried this quote from a customer :

"I am grateful to your store for introducing me to Cafédirect...what plans do you have for introducing it to all your stores?" (TWIN, 1994).

Throughout the year interest amongst supermarkets grew and this was reflected in the periodical for big retailers, Supermarketing, which carried an article portraying fair trade as a new cross-sector concept like eco-friendliness.

The issue for the fair trade movement has been how to utilise this interest and actively respond with more products. Developing more brands is certainly one way (for example, a future possibility is "Teadirect"), another has been the work of the Fairtrade Foundation which gives products the Fairtrade Mark.

2.4.2 Consumer Guarantees for Fairtrade Products

"Mobilising consumer power for positive economic, social and environmental change" is the stated aim of New Consumer, a charitable research organisation which is headed by the founder and former managing director of Traidcraft (Wells and Jetter, 1991). Since the organisation started in 1989 it has been a catalyst for a number of important initiatives, including the creation of an independent trade-marking body, the Fairtrade Foundation.

After much groundwork the Foundation was able to award the Mark to a product in early 1994 and now chocolate, coffee and tea can be found on supermarket shelves bearing the guarantee for consumers that Third World producers and workers have received a 'better deal'²⁰. It is a 'people friendly' stamp of approval awarded by the Foundation if the product meets certain criteria and standards, and the aim is to encourage and stimulate growth in the fair trade sector.

Standards are assessed within three broad categories of producers: small scale producers, large scale co-operatives and direct employers, because it is recognised that the fair trade criteria applied will depend on the method of production. For example, small-scale coffee producers will receive a minimum price, credit terms and the security of a long-term trading relationship. Whilst tea pickers on an estate that applies for the Mark can look forward to fair wages and decent working conditions. These are laid out in the Foundation 'Terms of Assessment' which covers representation, employment conditions, purchase conditions, environment, health and safety and welfare. The price paid includes a 'premium' to be used by producers or for workers to improve their living and working conditions. For each section there are measurable criteria (e.g. a banned list of pesticides; on estates drinking water must be within 10 metres of all houses etc.), and the Foundation promises to check that the approved products continue to meet the criteria.

The Foundation hopes that retailers and manufacturers will be encouraged to submit products to be awarded the Mark. Its aim is not to confront big business or to set up alternative models of trade but to "encourage the commercial world to take opportunities

to act in more socially responsible ways" (Jetter, in Bridge 1990). The launch of the Mark was promoted by an Early Day Motion in the House of Commons and several messages of support from prominent figures in public life were circulated widely to arouse media attention. Sainsbury's International Buying Director confirmed supermarket support with the statement that "Sainsbury's warmly welcome the Fairtrade Mark. We are delighted to be playing our part in this excellent initiative by offering our customers a range of Fairtrade Marked products".

The success of the scheme is difficult to measure at this early stage in its life. Guarantees aim to challenge, and ultimately, change the system. In this case, the intention is to alleviate poverty in the developing world by encouraging industry and consumers to support fair trade. There is debate about the effectiveness of a guarantee to achieve this, since it could remain a superficial niche in a wider market. However, it must be recognised that guarantees can be a means by which consumers regulate the market and in some instances this has resulted in changes in legislation to ensure that their concerns are adhered to. The introduction of laws limiting the use of unnecessary packaging is an example.

The significance for producers of the new Mark is reported by TWIN in their newsletter, which notes that it creates a direct link between producer and consumer for the marketing of a product. They applaud the producer involvement in establishing the criteria, which will ensure they get a better deal from the transaction, but also point out that this will be accompanied by more rigorous testing procedures, inspections and more paperwork (Network, 1991).

Interestingly TWIN and the other ATOs do not form part of the Fairtrade Foundation, but instead its members are some of the major NGOs, including those that have been actively campaigning for fairer trade²¹. These organisations have been able to commit the resources required to set up the Foundation, whilst ATOs continue to develop their trade. ATOs recognise the need to take fair trade into the wider market place and in theory support a system which can give commercial companies the opportunity to offer fairly traded products and in doing so respond to and create demand. A bigger market means more producers in the Third World receiving a better deal. In reality however ATOs are operating in a commercial environment and they compete for market share, therefore there have been concerns about impact of the Mark on their business opportunities. A spokesperson for the Foundation feels that ATOs do not need the Mark if they distinguish themselves and their products carefully, since their very name should embody the principles of fair trade and be a guarantee in itself. They consider the Mark more

applicable for commercial companies, like Green and Blacks for instance, who were awarded the Mark for a new brand of chocolate which benefits Belize cocoa producers. The work of the Foundation will be to concentrate on developing new products and applying pressure on companies to consider offering a marked product in its range.

2.4.3 The Challenge to ATOs

The developments outlined above represent significant challenges to the established ATOs, who are now facing new opportunities and possibly new threats as well. There is some concern that companies will 'jump on the band-wagon' of the latest consumer fad and overtake the ATOs, without truly adhering to the principles of the fair trade movement. Even the Body Shop, a company with an established record for responsible business ethics was criticised for paying lip service to the principles without backing it with evidence. Its "Trade not Aid" programme has been criticised by the New Consumer for a lack of evidence to support its claims of premium prices and long-term trading partnerships²². This sort of pressure led to positive action by the Body Shop and since the appointment of a former managing director of a major Canadian ATO there is every reason to believe that ethical sourcing will be pursued. However, it is reasonable to assume that not every company would take such measures to back up its fair trade claims.

Recognised trade marks could be the answer to this problem in the long term. Michael Barratt Brown (1993) suggests that watchdog bodies, such as the Fairtrade Foundation will be essential to monitor the performance of companies wishing to offer fairly traded goods, and that ATOs must co-exist in order to offer a challenge to the powerful positions of large traders. The commercial breakthrough which is being pursued through brands and trademarks may have the undesirable effect of marginalising ATOs who finance valuable product development work and therefore have to charge higher retail prices. By offering a 'model of good practice', which involves investing in pioneering and innovative work, they could be at a disadvantage in the market place. One solution to this is to finance some of the development work externally, which is discussed in Chapters 4 and 8. In spite of these potential problems ATOs are in a fundamental position to take fair trade forward. Through their presence and action fair trade is providing an alternative, albeit in a small way, which can encourage companies to reassess their trading relationships.

The opportunities of the 1990s are being responded to within each ATO as they take up the challenge of being at the leading edge of ethical sourcing, and so seek to increase market potential for their own product ranges. Food represents an important growth area

for ATOs, and the following chapters examine some of the specific issues which need to be considered. ATOs will continue to have a vital role to play and should develop partnerships with producers in the Third World and show the way forward in sustainable trading relationships.

NOTES FOR CHAPTER TWO

¹ Fair trade is a term which has been popularised to describe the alternative trade ethic. I have used it as a proper name 'fair trade' (retaining lower case).

² For example, Christian Aid, Oxfam, World Development Movement, Third World First, One World Week.

³"Trade for Change" campaign brochure and literature supplied by Christian Aid.

⁴ Fair price is the cornerstone of the alternative trade movement but it is difficult to define and will never have a static definition. ATOs consider that ideally the price will be such that the producer has sufficient money for re-investment.

The case of Cafédirect which is discussed in Section 2.4.1 demonstrates how international prices are used as the basis for setting a fair price; and a floor price gives stability and security.

Central to fair trade is working in partnership with producers so that their products are competitive in export markets. Where ATOs pay above the market price for products this reflects the extremely low prices producers have been receiving. EFTA (the European fair trade body, see section 2.3) puts this into perspective by giving the example of small farmers in Guatemala (most own less than 2 hectares) who, if earned 50% more as the result of a fair price, would increase their average weekly income from US\$10 to US\$15, or about what an unskilled worker in Europe earns in an hour.

⁵ Traidcraft plc's own leaflet for enquirers entitled "What is Traidcraft?" (undated).

⁶ Information about the Social Audit taken from Traidcraft Exchange's Newsletter TXM number 18 "Auditing Fair Trade", by Simon Zadek; and the published Social Audits 1992/93 and 1993/94.

⁷ The term 'foods' is usually used by those involved in fair trade as a general category to include beverages.

⁸ Market research was commissioned by Traidcraft Exchange, and its findings were in line with general market forecasts.

⁹ These two sister companies work in tandem to offer partnerships to organisations in the South and since their aims and activities merge they will be referred to as TWIN throughout.

The description here is based on informal discussions with members of staff, and a profile of the organisation produced for "Trade and Development : a day of questioning and discussion, October 12th 1993."

¹⁰ From their leaflet "Introduction to Equal Exchange : Just Trading for a Fairer World".

¹¹ EFTA's promotional pack "Joining Fair Trade Forces in Europe" produced in November 1994, contains detailed information which was used extensively in this section.

¹² Source: invitation from EFTA to the Third Fair Trade Day, on 30th November 1994 in Brussels.

¹³ The Managing Director of Traidcraft attended the conference and provided this feedback.

¹⁴ Some research by EFTA shows that for the UK the retail turnover of fair trade products in 1994 was 25 million ECU, which represents 0.4 ECU per inhabitant.

¹⁵ The Cafédirect promotional leaflet produced by the consortium, and the press release "Cafédirect launch the first fair trade freeze dried coffee to be sold in supermarkets" on 6th September 1994 by Media Natura, were sources of information for this section.

¹⁶ Based on an informal discussion on 29/11/94 with the coffee buyer at TWIN.

¹⁷ In the UK coffee market instant is far bigger than roast and ground, so this was a significant point for fair trade in the UK. The long delay between ground and instant Cafédirect was partly because this market is more competitive and sophisticated and the launch had to be "right"; but also because the Consortium were investigating the possibility of processing the coffee in the South. This was not economically viable because of the high tariffs and eventually an agreement was signed with a German processor.

¹⁸ The consortium does not release information so figures for turnover and market share are not available. In general, whether the product is remaining on supermarket shelves is a measure of its success.

¹⁹ Christian Aid Press Briefing "NOP/Omnibus Fair Trade Poll".

²⁰ Section 2.4.2 draws on an interview at the Fairtrade Foundation and the following literature produced by them :

- The Fairtrade Mark
- Fairtrade Mark General Criteria, January 1994
- Maya Farmers Strike Gold
- Fairtrade Teas
- Early Day Motion and Messages of Support (launch of the Fairtrade Mark).

²¹ The Foundation's guide for prospective suppliers states that it is a UK company limited by guarantee, whose members are Christian Aid, CAFOD, New Consumer, OXFAM, Traidcraft Exchange, the World Development Movement and the National Federation of Women's Institutes. The Foundation receives income from its members, from licenses granted to use the Fairtrade mark and from other grant-funding bodies. It states that its decision making processes are independent from any trading interest.

²² New Consumer Briefing Number 17.

CHAPTER THREE

TRADING IN FOODS : APPROPRIATE RESPONSES AND POLICIES FOR ATOs

INTRODUCTION

ATOs have undoubtedly changed their focus in response to the potential of the foods sector, yet in addition to the commercial benefits, ATOs need to consider the wider implications of trading with small food producers in developing countries. The remaining two chapters of Part 1 examine some of the factors which ATOs must take into account. This chapter considers if, and under what circumstances, trade in foods is appropriate, and Chapter 4 looks at how small-scale producers can be helped to overcome constraints in order to find access to, and participate in, the marketplace. The discussions illustrate the complex range of issues involved and I attempt to highlight those areas which may be particularly relevant for ATO food purchasing policies. In Part 2 I use this for my case study of Traidcraft, examining how these issues are applicable to their new food purchasing policy and review of products.

The unique role of ATOs, that of linking producer and consumer, was introduced in the previous chapter. Part of that role is to balance the needs of both groups, and I have illustrated this in the diagram in Appendix 3.1. This diagram points to the complexity of the ATO's task and I identified benefits to producers at two levels: fairer trading terms for producers (and workers) of commodities such as tea, coffee and cocoa, and other foodstuffs which are sold for export i.e. those who need to increase their returns from the market; or new opportunities for producers who have the potential to export (e.g. by providing market information and access).

Chapters 3 and 4 primarily focus on the impact on producers¹, however, as noted in the previous chapter, benefits are also experienced by ATOs who will increase their product ranges and use foods to achieve growth, and by consumers who, through expansion of fair trade, will have the choice to make informed purchase decisions. It is crucial that benefits are felt by the whole chain if fair trade is to be a success.

I have found it useful to divide the growth of ATO food business broadly into two categories :

i) Expanding and advancing efforts to promote fair trade products into mainstream markets, namely supermarkets. Products most suited to this will be commodities such as tea, coffee, cocoa and sugar, where production tends to be characterised by established producers and it is easier to identify larger sources of supply. The registers established by the European ATOs are particularly useful for this.

ii) Foodstuffs for the more limited ATO market, and specific target markets such as the health sector. These smaller markets could capitalise on the diversification of customer tastes (e.g. into ethnic foods), and the direct links with "producer partners"² which can provide a strong fair trade attribute for the product.

Clearly the first category must be pursued since it can have a wide impact in terms of the number of producers who benefit, and raising awareness amongst consumers. Yet, as will be seen by the case study, this strategy (i.e. pursuing mainstream markets) may present some threats to ATOs and so the second group represents important business opportunities. ATOs direct links and work with producer partners will provide them with unique information for marketing their products (i.e. niche markets). From a development perspective there are also good reasons why it is prudent for ATOs to pursue this latter category. Diversification into non-traditional export crops and processing which adds value locally (e.g. preservation using low-cost appropriate technology) both have benefits for the developing country and the individuals involved. In addition, the positive impact of small-scale income-generating activities in rural areas has been recognised and this is being prioritised by governments and agencies. This means ATOs can tap-in to a wider network, which is important from a commercial perspective.

3.0 CASH CROPS VERSUS FOOD CROPS - AN INTRODUCTION

The gradual shift in emphasis from crafts to foods noted in Chapter 2 has led to fears by some established craft producers that their sector will become neglected by ATOs. This issue was raised at the 1995 EFTA 'Africa Seminar' when producers expressed concern that commodities "do not promote the increase in skills needed to reduce the basic gap in standards of living between rich and poor countries" and furthermore that food exports put pressure on land leading to conflict, and also leave less land for domestic food production³. This group are among the many stakeholders who will question the move to promote and encourage food exports. ATOs must therefore be ready to justify their activity in this area and respond to the critical view of cash cropping⁴.

The threat to domestic food production is at the core of an ongoing debate surrounding cash crops versus food crops. The controversy has existed for several decades, and it has received renewed attention with the publication of the Food Miles Report in 1994⁵. The popular view that cash crops have a negative impact on income distribution, food security and the environment has been promoted for over two decades by the "Food First" literature, and is widespread in the voluntary sector. Those at the other end of the spectrum of opinions cite the contribution cash crops can make to growth, through the exploitation of comparative advantage and reinvestment of the higher earnings from exports (the World Bank has been a keen advocate of this approach). A study by the Institute of Development Studies (IDS) in 1988 concluded that there was a need for a "middle way" on cash crops. It noted that cash crops are here to stay and there is a desperate need for more research to provide a complete picture (IDS, 1988). The study asserts that although cash crops are assumed to be large scale and capital intensive, there is good evidence to show that small-scale cash cropping is technically and economically efficient in many cases. This is encouraging for the ATO sector who depend on their trade being generally accepted as a "good thing".

The first two sections examine the wider debates of cash crops, highlighting the complexity of the issues. Some may not be directly relevant to ATOs, for example the impact of national policies, but they are included because fair trade relates to complex circumstances and it would not be helpful to over-simplify to have more convincing or clear-cut answers. The key is, I believe, to understand in general terms the broad arguments, and develop appropriate responses at a specific level, through policy and trading practice. Both sections concentrate on the impact on the producers themselves (or workers), whilst recognising that government policies have a key role in a wider

sense. Section 3.1 examines the arguments against cash crops and Section 3.2 looks at the potential for positive gain; in both, food security receives special attention.

It is clear that ATOs will have to tread a careful path through the maze of pro's and con's and look to maximising the benefits of the trade with primary producers. There are no 'absolutes' or 'definites' and each ATO must adopt a policy which it feels will 'encourage the best and avoid the worst'.

3.1 THE ARGUMENTS AGAINST CASH CROPS

The arguments against cash crops can be divided into two broad categories. Those on a 'macro' level which affect the nation concerned (Section 3.1.1) and those on a 'micro' level which have consequences for the producers (3.1.2). The national aspects will be mentioned only briefly, since it is the risks and threats to producers which directly concern ATOs.

3.1.1 Impact on the National Economy

Cash cropping as a vehicle for economic growth is disputed by several arguments⁶. Firstly, that comparative advantage can be weak and risky. Critics suggest that it often exists as the product of past investment and pursuing that advantage in an unstable world market entails risks. Even where it has been successfully pursued, for example out-of-season vegetables by a number of African countries, the short term income gains have been costly to establish and the advantage will be under threat as more countries in the developing world enter the sector⁷. Furthermore, whatever benefits exist initially are gradually eroded by declining terms of trade.

The second assumption which is disputed is that governments will reinvest surpluses gained from the trade. Evidence suggests that where cash crops realise investment opportunities for governments they are rarely turned into growth at the local level⁸. This is compounded by a lack of foreign exchange, poor distribution systems and emphasis on the urban population.

In Chapter 1 it was noted that the impact of debt and Structural Adjustment Programmes put pressure on countries to increase exports. The 1987 FAO report indicates how fruitless the pressure has been, since local food production suffers yet the returns from cash crops are not even sufficient to service the loans (World Food Report, 1987).

3.1.2 The Risks and Threats To Producers

Whilst an awareness of the above debates is important for ATOs, it is the impact on producers which is relevant to them. There is much evidence to show that cash cropping can be detrimental to producers, which I have organised under five broad headings:

Food Security

Food security is defined by the World Bank as "access by all people at all times to enough food for an active, healthy life", and the NGO declaration at Rio includes in their definition that "Food security is best assured when food is locally produced, processed, stored and distributed" (Paxton, 1994). This latter statement indicates that cash crops are frequently seen as the enemy of food security.

Cash crops can compete with food crops for scarce resources, in particular fertile land and water. This can push food crops on to more marginal land, or merely reduce the acreage, both of which may have a negative effect on staple food production and therefore national level food availability. This threat to food security is the most fundamental fear of cash crop opponents and is supported by many examples. The World Development Movement in their campaign report on food give the case of peanut growing in the Gambia. Peanuts, they claim, took 70% of the arable land and most of the crop was exported to Europe as animal feed. The country then had to import half of its food which did not appear to be meeting the nations' nutritional requirements. Save the Children were reporting many malnourished children, leading to a very high child mortality record (World Development Movement, 1986). Susan George is one of the many writers who highlights the growth of exports during the 1974 food crisis in Africa (George, 1977).

If land used for food production is reduced this can push up the price of local foodstuffs since local supply may no longer be able to meet demand and the shortfall will have to be transported to the area. This is particularly worrying for those members of the community who do not receive income from the cash crop.

Dependency

Dependency is a concern on several levels :

a) National and regional dependence on a very few crops established during the colonial era. Heavy investment in specific sectors means it is difficult to diversify away from these crops.

b) Non-traditional export crops such as horticulture and fresh flowers can be so lucrative that governments will concentrate budgets for research, extension and marketing on them at the expense of food crops. Subsidising inputs for these "new" crops also marginalises food crops (Longhurst, 1988).

c) A single market outlet creates dependency and a single buyer can put unfair pressure on the contract and prices. This is a particular danger of contract farming⁹. Equally, if a well meaning ATO has to cease trading, producers who rely heavily on that trade may face ruin. Smallholders can be particularly vulnerable if they are dependent on external forces.

Land Ownership

The issue of "who benefits" from the crop is considered in the context of land ownership¹⁰, and there are two areas for concern:

a) Large-scale capital-intensive cash-cropping often prevents the benefits of trade getting to the poor. If there are significant outside interests involved the benefits may not even stay within country. Plantations come under criticism for their poor employment and welfare records. For example, they often forbid workers to grow food crops.

b) In countries where there is no effective land reform it is not uncommon for large landowners to buy up land, pushing the rural poor on to marginal land. They may even force tenants to grow cash crops (Wells, 1991). Land values may be increased by a successful cash-cropping scheme, which can adversely affect tenants renting land in the area if their rents increase but they are not growing the cash crops (Braun et al, 1987). Land ownership issues are highly dependent on the policies of governments, in both North and South.

Environmental Consequences

The list cannot cover all the possible consequences for each type of crop, system of production, mode of transport and so on, but below are some common concerns :

- monocropping and intensive applications of chemical inputs
- irrigation and the lowering of the water table
- demand for "perfect", homogenous products and the subsequent loss of biodiversity
- abandonment of rotations and other normal farming practices in order to grow the maximum acreage.

The need to reduce the distance over which food is transported is the central theme of the Food Miles Report which argues strongly that food should be consumed near to where it is produced. Reduced pollution, increased biodiversity, secure food supplies, local economies supported by the use of decentralised local facilities are but a few of the potential benefits the report claims (Paxton, 1994). It is part of a new swell of opinion which wants to promote more intra-regional trade and advocates South-to-South co-operation.

Social Consequences

a) Income

- Control of income will determine how it is spent. Frequently cash crops are the domain of men, and women do not have access to the income. In this case it may be less likely to be spent on family welfare.
- Income from cash crops is often paid in lump sums, resulting in poor cash flow.
- When women are responsible for the crop and therefore receive the payment this may cause frictions. Women's groups may be under threat from the male hierarchy if they are earning outside income (Barrett and Browne, 1991).

b) Time

Women's workload will often increase when cash crops are introduced :

- either by requiring intensive husbandry and input which leaves them less time for all the other tasks (child rearing in particular);
- or by forcing them to cultivate poorer and possibly more remote land for food crops for home consumption.

c) Traditional community structure

In their report on vegetable production in the Gambia, Barrett and Browne observe the breakdown of communal village arrangements when individual incomes are earned. Due to the nature of horticultural production older members are excluded, eroding the traditional power balance¹¹.

d) Nutrition education

If more food is being purchased a household will require an increase in nutritional knowledge to cope with nutritional needs. Similarly a new crop may need a programme of education. A cash crop project in Thailand promoted kidney beans, but failed to realise that since they were not part of the normal diet smallholders were not aware of the appropriate cooking times (Food Chain, 1993).

3.2 POTENTIAL FOR POSITIVE GAIN FROM CASH CROPS

Having examined the possible negative consequences of cash cropping, in this section the potential for positive gain is explored. Again, the first section (3.2.1) is concerned with national policy, and as such is not directly relevant to ATOs but part of the wider debate.

3.2.1 Government Policies to Realise Benefits

These will determine the effectiveness of cash crops on a macro-economic level. For example, in the North governments can try to develop policies which will have desirable impacts on the debt burden, the economic effect of Structural Adjustment Programmes and control of TNCs and levels of investment. Similarly, in the South governments can pursue policies which involve appropriate reinvestment of surpluses, and they could gear research and extension towards a balance of food crops and new cash crops. Effective distribution and marketing systems, food policy instruments and land reform could all be used for a beneficial impact.

The policies of North and South are mutually interlinked, for example unless the levels of debt are substantially reduced by initiatives such as the Trinidad Terms (see Chapter 1), then even if large surpluses are earned from exports, producing countries will have nothing to invest after interest payments.

3.2.2 Realising Benefits for Producers

ATOs need to focus on the areas where their actions can have direct consequences, and the list of threats in Section 3.1 deserves considered responses. The threat of cash cropping to food security is the most common concern and therefore the need to be aware of the supporting arguments is particularly important so it will be explored in more detail in the next section (3.2.3). The others are briefly mentioned to give some indication of the many issues which ATOs need to address :

Dependency

This can be minimised by :

- encouraging diversification away from traditional commodities and supporting new export crops
- limiting the maximum amount of trade with an ATO to a specified percentage, and helping the producer to find other markets (see Chapter 7)
- promoting regional trade.

Environment

ATOs can promote the use of :

- traditional cultivation methods
- local practice and knowledge, such as inter-cropping
- local species
- minimum levels of inputs required (which often is the case at smallholder level because it is uneconomic to apply excess amounts).

Social Change

Cash cropping can have a positive impact on women: by empowering them and providing income which can be invested in family welfare.

Activities may increase knowledge and skills, particularly if processing and marketing are encouraged.

3.2.3 Food Security

ATOs who want to expand their food sales and create new trading relationships with producers are particularly concerned that the trade should be beneficial. The impact of cash crops on food security is an area they are keen to assess. This section looks at some of the issues in the context of recent research and discussion. Again, the impact on smallholders tends to be the primary concern of ATOs, although an appreciation of the wider arguments is important.

The 1987 FAO World Food Report states that its philosophy of food security embraces three concepts :

- Producing enough food
- Ensuring a stable flow of supplies
- Providing access to those supplies to those who need them.

Increases in 1986 staple food production in developing countries led FAO to believe that the first two conditions could be met, but the report noted that adequate access would remain a problem.

Some of the key issues in the debate are as follows :

Food Availability

Traditional export crops that tend to be large-scale rely on the supposition that foreign exchange earned from cash cropping is used for food imports, but Maxwell says this remains untested¹². Food availability, claims Pinstруп-Andersen, can be enhanced by export crop production if the foreign exchange earned leads to increased food imports and if the imports are effectively distributed. However, unless marketing and transport systems are effective he concedes that net food buyers and the landless will experience harmful nutritional effects (Longhurst, 1988). Equally, food could come from elsewhere in the country but again this is dependent on appropriate policies and distribution.

Competition between food crops and cash crops

A study for the International Food Policy Research Institute (IFPRI) examined the question whether food crops and cash crops are competitive or complementary. Data from 78 countries found "a positive correlation between growth in area allocated to cash crops and growth in staple food production. Countries that did well in cultivating cash crops also did well in food crop production" (Braun and Kennedy, 1986). This is illustrated by a study for IFPRI of Guatemalan smallholders diversifying into export vegetables: their yields of maize and beans were 30% above average. This increase was due to higher fertiliser inputs and more labour intensive cropping practices (e.g. more weeding). The study showed that there are positive spill-over effects from commercial cash crop production, and vice-versa, which can lead to joint growth. For example, an improvement in overall crop management will increase food-staple yields, whilst the application of indigenous knowledge can increase yields of export crops (Braun et al, 1987).

Ability to acquire food

The ability to acquire food is regarded by Pinstруп-Andersen (Longhurst 1988) as the main determinant of the impact of cash cropping on nutrition, since higher incomes at household level should lead to positive benefits. Unfortunately the incomes are often eroded by higher local food prices, increases in the prices of inputs, long maturation periods of some crops, seasonality, lumpy payments and questions over who manages household income.

The criticism that the amount of food available for home consumption is drastically decreased when households become cash crop producers is addressed by a further IFPRI

study in Kenya. Sugar outgrowers were compared with non-sugar growers in the same area and it was found that land under food crop production is similar, income for own consumption is similar and there were no significant differences in calories intake. This suggests a positive impact on both income and energy consumption. Kennedy (1988) warns that this may not be replicated in other country studies, and she notes that the determining factors will be :

- effects of cash cropping on real income
- sources and control of income
- agricultural production strategies
- government pricing policy
- expenditure patterns
- household decision making
- demand for land and labour
- allocation of food and other resources within the family (Food Policy, 1988).

A smallholder's own desire for food security

In examining the arguments surrounding cash crops and food security, the choice of producers to maintain self sufficiency is an important factor. The study in Guatemala found that participating households retained a strong desire for food security based on own-produced maize (Braun et al 1987). This was attributed to the instability of local food markets, insecure off-farm employment and poor provision for food security via official channels. In spite of the income gains from the new crops (an average increase of 38%) 94% of producers maintained some maize production. Braun referred to the "insurance premium" which represented the high opportunity cost of producing maize in order to have security. As the yield of maize increased the "cost" of that insurance reduced so there was a strong incentive to produce more. This type of approach seems to be common. The manager of AMKA¹³ considers that Tanzanian producers would continue to use the traditional way to protect themselves. They spread risks of cash crops by inter-cropping (e.g. peanuts with maize) and he felt it would be extremely rare for smallholders to commercialise one crop, however good the returns were.

Clearly, the key element in these examples is that control (in this case, over the choice of what to grow) was firmly in the hands of the producers. Dewalt's (1993) review of studies carried out over the past 10 years concludes that the impact of commercialisation is mixed, and dependent on several "intervening factors". The control of production and income, and allocation of household labour appear at the top of the list. The implication

of this for ATOs is that producers' control over their situation is a fundamental prerequisite of a trading partnership. The next section looks at how ATOs may reduce the risks of cash cropping by appropriate policies and practical assistance.

3.3 ATO RESPONSES

3.3.1 ATO Responsibility

When debating the cash crop versus food crop issue from an ATO perspective it is important to separate the adverse effects which are associated with large-scale "enclave" type cropping from the problems that can accompany commercialisation of smallholder agriculture. In general it would not be appropriate for ATOs to feel they need to answer critics of plantation systems when their trade is focused on small producers.

Equally, the function of ATOs is not to pursue changes in government policy so that, for example, foreign exchange earnings from commodities are reinvested, food distribution systems are adequate, imported food is available and affordable, and so on. Instead their remit is to work with producers to ensure that the benefits of the trade is felt by households and communities. Section 3.3.2 uses the study in Guatemala to give an insight to the risks, how they can be minimised and circumstances which would be most likely to realise gains for the participants. The involvement in export crops is both risky and profitable, and the key is how to help producers reduce the risks, and ensure that the profits are equitable. This provides a useful model for those interested in trade development with the poor.

3.3.2 Minimising Risk : Maximising Benefit

Support Systems

The uncertainties for smallholders are numerous and include :

- price collapses
- changes of exchange rates and subsequent input price increases
- fragile marketing systems and institutions
- no guarantee of air freight space
- crop failure because of drought or disease (the loss of income will be in addition to the cost of inputs).

No ATO can protect smallholders completely from these realities, so they need to provide support systems which will enable producers to 'weather the storms'. This support could avert a "destabilization of food security" which Braun et al (1987) fear may be a consequence of the risks. The solution proposed by the IFPRI study is a credit and banking scheme which would enable farmers to cope with short-term liquidity problems,

with the effect of smoothing over potentially damaging circumstances. This type of trade assistance is common amongst ATOs and is looked at in more detail in the next chapter.

Appropriate Channels

Nutritional status at household level will be an indicator of the effective channelling of the benefits of the trade. Braun et al (1987) report a positive (albeit fairly weak) relationship between increased food availability and nutrition improvement in the Guatemalan study (see Section 3.2.3), where "Nutrition improvements resulted from the addition of new crops to real income and through that to calorie availability". They attribute this to two factors;

- women controlled the income
- there were co-operative social support programmes (20% of the co-op profits are spent on social and education programmes, which include nutrition education).

The study concludes that new crops are inherently risky for small farmers but ventures such as these offer real opportunities for the poor to improve and sustain their income and welfare, given:

- appropriate access to resources and markets
- effective assistance in institution building at community level.

3.3.3 Developing Policies

Clearly ATOs are ideally placed to offer the access and assistance needed, and yet they must be able to assess the opportunities and threats of a given situation. This can be extremely difficult since the questions that need to be asked will be specific to individual and local circumstances. However, they can operate within policy guidelines which will ensure that the trade is more likely to result in a positive impact at grassroots level. Presenting a "best case scenario" Longhurst (1988) suggests that the following features are desirable attributes when assessing a potential venture :

- i) The cash crop is also a food crop which can contribute directly to the diet.
- ii) It is multipurpose, in that it has local uses e.g. by-products for animal feed, and it can be processed locally.
- iii) Cash payments are spread throughout the year.
- iv) Women have access to the benefits of the crop.
- v) It complements existing farming systems.
- vi) Research and extension recognise the role of the crop within the system.

vii) Food markets are well integrated.

viii) Price policy does not create incentives to lead to massive adoption at the expense of staples.

ix) It has a short maturation period and is easily stored.

The antithesis of this is a typical traditional commodity like coffee which fulfils most of the undesirable characteristics of Longhurst's "worst case scenario". In some instances the application of fair trade criteria can limit the more detrimental aspects. Each case will be unique so ATOs need to examine the impact of their trade on income, nutrition, the environment and social issues. The case study illustrates how Traidcraft, for example, addresses some of these concerns through their Social Accounting process.

3.3.4 An Example of ATO Policy

Individual ATOs may emphasise differing priorities which they will reflect in their policy statements. The German ATO Gepa, which is the largest ATO importer of foods in Europe has a specific policy on basic foods which, in summary, makes the following points¹⁴ :

Gepa's Statements on Basic Foods :

- Food insecurity is frequently due to inadequate distribution, not a lack of production.
- Rural poor may have to leave the land if they do not receive a good price for their crops.
- Buying local foods encourages biodiversity.

Gepa's Criteria for Purchasing Local Foods :

- There is no shortage nationally.
- Capacity is not exhausted and export is based on increased production.

Gepa states it would wish to trade only with those who have an awareness of the potential dangers to food security, and they always give priority to the needs of subsistence farmers.

For other ATOs importing food staples may not be considered as a separate issue, since by definition they are still a cash crop and the potential risks and benefits exist. They may

need special attention however, because of the public acceptance factor. The point of interest in this context is how an ATO responds to the issues with policy guidelines.

3.3.5 Summary

Having examined some of the issues surrounding the cash-cropping for export debate it seems reasonable to conclude that ATOs can proceed confidently, but cautiously, with a strategy of trade in food. Potentially there are situations where this type of commercial activity would be beneficial to producers; the task of the ATO is to identify those opportunities and trade only where it can be sure of minimal risk and maximum benefit. Clearly there is no prescribed formula for ATOs to follow but they must set parameters and evolve policy criteria which will give them the best possible chance of promoting sustainable and healthy commercial ventures among the small rural producers in the developing world. They need to identify where they can have a positive impact (by assessing any potential venture with a 'best case scenario' exercise described in 3.3.3), and then provide appropriate support systems and channels for the benefits of the trade. Access to resources and markets is crucial in trade assistance and the next chapter examines the main issues for ATOs to address.

NOTES FOR CHAPTER THREE

¹ It can be difficult to accurately categorise the range of enterprises with which ATOs trade (see also Note 2 below). In this chapter discussion of the impact of cash-cropping on 'producers' typically refers to the primary producer in the smallholder sector. In Chapter 4 the theme broadens to include a variety of small enterprises in a sector aimed at promoting income-generating activities, particularly in rural areas.

² "Producer partner" and "producer group" are common ATO terminology, often shortened just to "producer". In reality the primary producers of the crops will not be large enough to trade directly, but they will belong to a co-operative or association, or use another form of intermediary. For example, the Panay Fruits Trading Company (PFTC) in the Philippines is a company which sells banana chips to several European ATOs. Its promotional leaflet describes it as having a "co-operative corporate structure", and its function is to act as a large umbrella organisation which links farmers' associations which supply the raw bananas with women's groups who process and pack them. PFTC is the 'producer partner' with whom ATOs trade and promote a relationship which facilitates producers' access to the market. It is however important for ATOs to assess the impact of their trade on the primary producer.

³ The European Fair Trade Association (EFTA) held a seminar focused on Africa on 21st February 1995. In one session producers were given an opportunity to raise issues which concerned them and these were fed back to ATOs.

⁴ Cash crops are defined as crops intended for sale or export, but in this context they will usually refer to the latter category.

⁵The Food Miles Report was written for SAFE Alliance (Sustainable Agriculture, Food and Environment) and it has received widespread attention, including a debate and review of its findings on BBC Radio 4's Food Programme on 7/11/94. Further information was obtained by an informal interview with the author of the report, Angela Paxton, on 29/11/94.

⁶Information for this section was taken from an unpublished draft of the IDS Cash Crops Workshop, January 1987 written by Maxwell and Fernando. The published work was also used and is cited in the bibliography, but the information differs.

⁷ An unpublished paper by H. Barrett and A. Browne on the internationalisation of vegetable production, with particular reference to The Gambia (Coventry University).

⁸The IDS study by Maxwell and Fernando notes that very few case studies exist on the overall growth impact of cash cropping. They cite studies by Lappe and Collins (1977 and 1986) and the World Bank (1986) which claim that surpluses from cash cropping do not contribute to investment but are 'extracted' by governments or foreign companies.

⁹ Contract farming is common in developing countries and can offer small farmers increased security, through a system which involves a contract with a company who will process and market the crop, and provide credit, technical assistance and inputs. It is much debated, with claims on one hand that it has demonstrated its potential to facilitate rural development, and on the other that it is an oppressive and risky for small farmers. The nature of the contract seems to be the key factor, since it will determine income levels, bargaining power, autonomy and the type and level of risk. (See Watts, 1994; Grosh, 1994; Minot, 1993)

¹⁰ ATOs concentrate on the smallholder sector so plantations and large-scale operations are not directly relevant. However, some purchase commodities, such as tea, from plantations, and they try to influence employment practices.

¹¹ Paper by Barrett and Browne (Note 7).

¹² IDS workshop paper by Maxwell and Fernando, 1987 (Note 6).

¹³ Traidcraft Exchange have a number of trade development centres, called Partner Agencies, of which AMKA in Tanzania is one (see Chapter 4). Information obtained in an semi-structured interview with the manager during his visit to Traidcraft in February 1995.

¹⁴ Gepa presented their policy on the "Import of Basic Foodstuff" (i.e. staples) to the EFTA PPC Food Managers meeting in April 1994.

CHAPTER FOUR

THE MARKET PLACE : ACCESS AND SUPPORT FOR PRODUCERS

INTRODUCTION

ATOs aim primarily to work with small rural businesses, helping them to find access to and participate in markets, and in particular export markets. Whether producers, processors or intermediaries, those involved in the food business face a multitude of constraints. It is generally accepted that there are many benefits in assisting small-scale income-generating activities in rural areas to overcome a hostile business environment (Abbott 1989). The critics of the neo-liberal approach, which advocates the "magic of the market place" strategies (Wilde and Schreurs 1991), may well question the appropriateness of this agenda. However, the scenario outlined below is common in developing countries, and is the reason support for this sector has become so widely endorsed.

The population in developing countries is concentrated in rural areas, typically 70 - 90%, but resources have been concentrated in urban areas. Rural areas tend to have poor facilities and little investment. Most enterprises are small and fragmented, and not in a position to access resources and services. Legislation and policy are often biased in favour of large units. This urban bias is surprising since rural industrialisation is an efficient option; it is small-scale, labour-intensive and uses little foreign exchange (Bagawacha and Stewart 1992). The large number of small and medium enterprises located in rural areas could contribute significantly to economic growth through output, employment, income, investment and exports. In addition, this sector tends to use less imported materials and equipment than the large business sector in urban areas (ITC 1989). Furthermore, generating income in rural areas can stop urban drift, enliven local cultures and create diverse economies (Vyakarnam 1990).

There have been many efforts to redress the frequent imbalance between rural and urban. Identifying rural entrepreneurs, assisting them to enthuse others and make the most of new opportunities has been at the heart of many development initiatives. However, although the potential to make a significant difference to rural communities is considerable, that potential often goes untapped because the environment in which small businesses try to operate is extremely difficult. Vyakarnam (1990) believes that this

environment is restrictive because it tends to be inward looking, bound by interdependence and cultural systems. There is, understandably, a high degree of aversion to risk which Slater (1993) notes as producers taking a " low risk, low output option given the risks and uncertainties of the market". He identifies the potential of this sector to achieve the "twin goals of development - increased level of income and redistribution of income" (Slater 1993), which underlines the importance of building confidence by maximising certainty and reducing risk wherever possible.

The purpose of this chapter is to build on Chapter 3, and look at the role of ATOs in creating an environment for sustainable trading relationships. This points once more to their function as a linking organisation between producer and consumer, as the diagram in Appendix 3.1 illustrates. By examining the general issues, with a particular focus on producing for export, the chapter puts the ATO role into perspective. ATOs must target producers who are able, with assistance, to achieve and maintain exports which will realise positive benefits to those involved. As with Chapter 3, the discussion includes the whole spectrum of those in the sector, including the impact of governments and institutions, which clearly do not involve ATOs. Again, it is the full picture which the discussion attempts to illustrate, so that the specific function of ATOs can be demonstrated. The chapter looks firstly at some of the general constraints faced by the sector as a whole, and then goes on to examine some specific solutions, illustrated by short case studies.

4.1 THE CONSTRAINTS

Markets may fail or elude producers for a multitude of reasons which ATOs need to identify before assessing whether their assistance could effectively create and maintain a market opportunity. Invariably, from the initial price discovery to the satisfaction of a consumer need, ATOs will be required to intervene at some point. In the second part of this section I have used a wider discussion on these problems to show how ATOs could have an important role in providing information and credit, whilst acknowledging that there are a multitude of factors which will determine whether a producer can successfully pursue an export opportunity.

This section describes the environment of the small rural producers with whom ATOs are likely to trade. The constraints they could be facing are divided into two areas. Firstly, the difficulties of the conditions in which these businesses try to produce goods and services will be looked at as constraints affecting supply of products. Similarly there are restrictions which they will face in trying to penetrate markets, which are considered as constraints on the demand side. One constraint appears under both headings, that of access to information, which emphasises the crucial role of relevant and appropriate information in any business decision-making process, and therefore the negative impact when it is insufficient, irrelevant or outdated.

4.1.1 Factors Affecting Supply

These can be broadly grouped under the four headings, information, distribution, operational and financial (see below), which describe the marketing environment responsible for stimulating output and the allocation of resources. The "Marketing Concept" states that enterprises should be oriented towards satisfaction of consumer needs and wants (Kotler 1982). Valuable assistance can be given to producers to help them understand the consumers, and find access to markets by the removal of certain barriers¹ (as illustrated by Appendix 3.1). Indeed, empowerment to make decisions and respond to a new marketing environment is considered to be an appropriate development objective. The dual aims of economic goals and social objectives can go hand in hand, particularly when community perceptions, aspirations and interactions are understood and incorporated (Lynas and Hartzenberg 1990).

The difficulties and limitations of markets in developing countries have been well observed and documented (see for example, Abbott 1993, Dias 1990, Kinsey 1988,

Mahajan 1990, Marsden 1987, Mathew 1990, Epstein 1990, Schubert 1993, Subramanian 1989), and are generally characterised by deficiencies in the following areas:

Information

i) Market information:

- Prices :
 - price determination
 - how to set prices
 - forecasts of price
- Products
 - the particular specifications e.g. size, quality, variety, packaging, labelling;
 - understanding the consumer demands (absence of appropriate market research)
- Trading terms i.e. conditions of sale

ii) Production information:

- Accessing appropriate technology
- Education and training :
 - technical skills
 - business management
 - accountancy.

Finance

- Access to credit, particularly institutional, mainly due to the lack of creditworthiness (no collateral).
- Inadequacy of institutional credit e.g. late arrival.
- Tendency to rely on own savings or local money lenders (who charge very high interest rates which eat into profit margins).
- Access to other forms of capital and loans is a problem, especially for women.

Operational

i) Production inputs :

- Inadequate supply of raw materials in terms of quantity, quality and regularity.
- Unstable prices and often monopoly control by merchant wholesalers.

ii) Services :

- Commercial services e.g. banking, insurance, legal, promotional
- Infrastructure e.g. power, water
- Communication e.g. telephones, fax, postal

iii) Human resources and management skills:

- Family businesses with a tendency to mix family affairs and business functions.
- No selection of workers and no formal training.
- Absence of business skills, such as book keeping

iv) Extension facilities and training for new technology (promoting technical knowledge for new crops, production and processing techniques).

Distribution

i) Markets are poorly organised and lack quality control measures, such as adequate hygiene procedures and grading. Quality differentiation is lacking.

ii) Infrastructure:

- roads
- harbour facilities
- storage (inadequate space, and control of pests).

iii) Transportation.

Air freight space is often problematic, particularly irregular availability.

Other Constraints

In addition to the many constraints noted above there are several other features of the environment in which small rural businesses operate to be considered, as these may be particularly relevant to ATO trade and policy :

i) Lack of control

Small rural producers lose control over products early in the distribution chain², and also have no influence over the supply of inputs. This is because they are small and fragmented, so joint or co-operative ventures may help them secure better control e.g. transport, storage. Collective enterprise can pool resources and form a legal entity for

the purposes of obtaining credit, licensing and other statutory regulations which may be required (Mathew 1990).

ii) The position of rural women

Women's responsibilities and workloads have increased dramatically, for example in Uganda research suggests that it is not uncommon for women to work 15 hours a day, largely on domestic duties (Mwaka 1993). Increasingly, they have to perform a multiplicity of roles, including earning income from activities such as trading. In order for women to realise their full entrepreneurial potential they need assistance, for example, access to credit, training and new technology. In particular they must be adequately considered at the planning stages of any project. Secondly, and most importantly, if they are to fully participate in and benefit from trading activities, then their workload must be reduced. The appropriate technology could help to achieve this (e.g. piped water supplies and solar energy stoves), but further measures may also be needed such as the establishment of rural crèches (Epstein 1990).

iii) Increased uncertainty in the agricultural sector

General trading uncertainty regarding availability, quality, timing and trading terms tends to be more pronounced in agriculture due to changing weather, seasonality and perishability (Jaffee 1993).

The overall picture is a complex, and for most rural enterprises, unfavourable one. Effective assistance will be required in many ways and on different levels if this sector is to be successful in domestic and export markets. As noted earlier, each situation will be unique and it is crucial to understand from the producers what their needs are. A study by Mead (1994) across a number of countries in Southern Africa asked small businesses what their major constraints to growth were and three main problems emerged: access to credit, access to inputs and problems with markets. Mathew (1990) cites a study of 100 entrepreneurs in Gujarat, India where the major constraints to growth are access to credit, poor market information and non-availability of raw materials. Having identified these problems, attention can be focused on them since they play a key role in reducing uncertainty and risk, and promoting development objectives in rural areas. This is where ATOs can distinguish their involvement. The impact of government policy (considered below) serves only to illustrate the problems which may remain, and ATOs must be ready to work within these constraints because they are unlikely to be able to influence them.

4.1.2 The Impact of Government Policy on Supply Constraints

Many problems could be alleviated by appropriate government policies which changed the focus from the large urban sector to the rural. In particular, marketing reforms could, Slater (1993) claims, encourage producers to respond to a more certain marketing environment and expand output. Policy changes which favour the rural small sector and concentrate on the following areas may successfully stimulate production (see Bagawacha and Stewart 1992, Slater 1990) :

- Infrastructure: roads, electricity, transport and telecommunications
- Decentralisation: local decision making, reforms of parastatal monopolies
- Institutions e.g. for rural credit
- Technology; training; extension facilities
- Taxes and regulations
- Foreign exchange for inputs.

Policy change is often termed the "top-down" approach and it is the basis of the structural adjustment reforms which have received much criticism because of their ineffectiveness in the development process (see Chapter 1). The rationale is that by creating a favourable environment at the macro level people at the micro level will take advantage of new opportunities and respond to incentives. The inadequacies of this approach have led to support for the "bottom -up" strategy which aims to support the micro-enterprises directly. Dessing (1990) describes the strategy as follows :

"The bottom-up approach assumes that the necessary structural adjustments can only be brought about with the peoples' active involvement. Government policies are seen as a reflection, the sum, of what is happening at the grass roots or at worst they are somewhat arbitrarily imposed. Therefore providing people with greater access to resources and information should enable them to bring about changes at the micro level and, it is hoped, at the macro-level in the long run. Greater participation in the development process (empowerment) is central to this strategy."

Whether working at the macro or micro level a common mistake is the failure to consult adequately those concerned and to assess the needs and requirements of the sector, which will vary from country to country and region to region (a frequent criticism of Structural Adjustment Programmes, discussed in Chapter 1, is that they prescribe the same policies

across dozens of different countries). Support at the micro level also must be directed towards the problems and needs of the specific community. Those who work to support this sector at this level must do so in the recognition that they cannot change fundamental imbalances in the economy, an unfair fiscal environment or bureaucracy. Instead, the aim could be to provide tools (e.g. marketing information, business training) which can enable the producers to overcome certain constraints in the market place. Two particularly effective ways for ATOs to do that is to provide access to credit and appropriate information.

4.1.3 Demand Constraints

The demands of overseas markets require that enterprises not only overcome the formidable difficulties described above but that they also surmount the additional constraints of producing for export. Again it is access to appropriate information which is a vital tool for success, and one which ATOs can use to target trade relationships. In addition to a knowledge of the export regulations and procedures, producers must be in a position to discover and meet the specific requirements of the importer. Dias (1990) suggests that many small-scale food processors in rural areas face limited local demand and therefore need to find outlets outside the region, but a serious obstacle to this process is poor access to marketing information. This is particularly true for export markets where information is a major constraint which can inhibit trade. Mittendorf (1993) distinguishes between primary commodities where information on prices, quality preferences and conditions of sale can be obtained relatively easily on the wholesale markets where the products are sold for further processing, and processed items where an assessment of commercial demand is more difficult and requires more detailed information.

The linking function of an ATO (illustrated by Appendix 3.1), suggests they must target producers who can utilise the information to overcome, and operate within the barriers and restrictions to trade. The demand-side obstacles can be broadly divided into three categories :

Trade Barriers

The major markets of the North have denied access through a variety of measures including quotas, voluntary export restraints (VERs), tariffs and escalating tariffs (see Chapter 1). The latter have been particularly damaging and producer/exporters (Chapter 3) need to be aware of the implications. The latest round of GATT aimed to reduce

tariffs and the International Trade Centre in Geneva produces up to date information about the changes which it disseminates to exporters in developing countries (ITC, 1995). However, as the trade barriers decrease technical barriers are on the increase and it can be harder for exporters to obtain relevant information.

Technical Barriers

The food industry is characterised by protection arising from:

- differing food standards
- labelling and packaging requirements
- ingredients laws.

The increasing health, safety and environmental demands are becoming a major barrier to food trade (Matthews 1994). It was noted in Chapter 1 that this new form of protectionism can be used by developed countries, along with other environmental measures and social clauses, to erode the competitiveness of the developing countries and shift the burden of economic adjustment to the South (Khor 1994).

Quality standards for food products is one area of concern for this reason. Until recently product quality was usually a standard set by the market i.e. the importer specified what was required. However, the EU are planning to standardise quality requirements, which could have serious implications for small developing country producers. These problems are considered further in the case study, in Chapter 8.

Market Requirements

i) Structural changes

Exporters need to know what changes are occurring in the food industry. For example, the shift in market power towards retailers could alter the terms by which exporters gain access to customers.

The concentration towards supermarket retailing in the North means they now dominate buying patterns and requirements. Importers and wholesalers have largely altered their buying and product specs to come into line with supermarkets. Unless producers are able to meet their criteria and conform to their specifications they will be effectively excluded from many markets (the Case Study looks at this in more detail and considers buyers specs for dried fruit).

ii) Consumer demand

Knowing and understanding the final consumer is crucial and producers must be able to respond to changes in consumer tastes and preferences. For example, the interest in healthy eating may well have implications for banana chip producers in the Philippines (Chapter 3) whose production methods rely heavily on oil and sugar.

Detailed market research studies are required to give data on consumer preferences and commercial sales conditions (Mittendorf 1993). Innovation, quality control and supply guarantees are all important requirements of developed country markets. To meet these standards there is a fundamental need for information. Small rural producers are frequently denied access to markets because they lack a full understanding of what the market demands.

4.2 OVERCOMING THE CONSTRAINTS

It has been demonstrated above that small rural businesses may be constrained from the market by many factors (both supply and demand). However, appropriate assistance can be given at the micro level, and by providing a more certain environment in which to operate their real and perceived risk is reduced. In particular, the provision of relevant information and credit, can both play an important role in assisting producers to address the problems of the market-place³. This section examines specific attempts to address those two constraints, thereby creating more favourable conditions for some in this sector.

4.2.1 NGO Programmes

With the growing emphasis on impact and sustainability NGOs have increasingly been addressing their relationship with the private sector and their role with potential wealth creators in the informal sectors of developing world economies. They have identified a niche in helping those who have no access to capital or information and skills to exploit opportunities, as the example below illustrates.

The Aga Khan Rural Support Programme (AKRSP) has been helping small-scale farmers in Northern Pakistan to generate income through the drying and marketing of apricots⁴. Traditionally the apricots (more than 60 varieties) are grown for local consumption, but by establishing Central Processing Units and collectively managing resources, large-scale fruit processing at a rural level became possible. In order for the apricots to be dried to a standard acceptable for the city markets "down country"⁵ the AKRSP initiated an on-going programme to transfer information and skills, particularly on sulphuring, hygiene and marketing issues. In three years (1989-1992) impressive improvements were made in the quality of the final product, through interactive training workshops and constant reinforcement of messages. In 1992 the need to "increase and maintain feedback of marketing information to producers" was identified during a project consultancy⁶.

The project has actively involved women in the processing, and hopes to train more of them to become marketing specialists. The AKRSP encourage the generation of capital through credit and savings schemes, which operate at near-commercial rates and in 1994 totalled over US\$5 million⁷. This project appears to be providing very real assistance, helping subsistence farmers in a poor, remote part of the world, to process and market their local excess produce, to a large urban population on the plains. They are trying to

balance processing and marketing; finding and providing customers with a product they will want to purchase again.

4.2.2 Private Enterprise - the Case of Tropical Wholefoods

Tropical Wholefoods⁸ is an atypical commercial venture which illustrates how small producers in Africa can be given access to complex export markets by addressing supply and demand constraints. It began as a collaboration between a UK entrepreneur and a Ugandan who saw the potential for Ugandan smallholders to sun-dry gluts of fruit and marketing opportunities in the UK. Two companies were formed and since 1991 Tropical Wholefoods (TW), based in London, and Fruits of the Nile (FON), based in Kampala have been working as a partnership. The result has been high quality sun-dried tropical fruits making an impact in a niche market in the UK and 100 producer groups in Uganda earning income from solar drying. The table below shows the rapid expansion of the business in terms of dried fruit tonnage.

TABLE 4.1

DRIED FRUIT EXPORTS (KGs)

YEAR	KGs
1991	200
1992	600
1993	2,600
1994	10,000
1995	35,000*

**Estimated*

SOURCE : Tropical Wholefoods Ltd.

Addressing Supply and Demand Constraints

The TW and FON team identified the problem for producers as an abundance of highly perishable product which they could not process and market because of a lack of technical knowledge and capital. They developed appropriate technology for simple solar drying which was easy to construct, used available materials and was affordable by villagers (most producers are women's groups or family units). At the same time, a market opportunity in the UK was being researched. The conclusion reached was that

there was a potential market for products with the strong attributes of healthy, 'green' and fairly traded. This market focus is the key; it is not a development project funded by a donor, so it was vital that it was commercially viable, in order for the whole operation to survive. If producers were to invest in the equipment then markets had to be assured.

The technology was a success and they have worked with the Natural Resources Institute (NRI) to promote solar drying. The photographs in Appendix 4.1 show a group who are benefiting from the trade, and the training which is being given by TW/FON in conjunction with NRI. They have also recently worked together to produce four handbooks "Producing Solar Dried Fruit and Vegetables for Small-Scale Rural Enterprise Development in Uganda", covering business opportunities, dryer construction, processing techniques and business profitability. Training is given regularly by FON, who provide a 'hands-on' service to help existing groups with production problems.

They have established very strong linkages from the producers to the market place. The Kampala office is equipped with a fax and constantly kept up to date with information from Tropical Wholefoods. In spite of their systems and understanding of the role of information, errors have been made and problems occur. The single most important requirement of the market place is a consistent supply of good quality product. In general quality has been high and reasonably consistent but the main problem which TW faces is continuity of supply i.e. supplies cannot always be assured. In April 1995 TW had been waiting for several weeks for a shipment of 25,000 tonnes of product which had been delayed. Urgent faxes to Kampala did not result in back-up supplies being air-freighted, largely because freight space is in short supply and FON did not have the necessary influence to secure space at short notice. The result was that TW ran out of stock at a crucial time in the market expansion strategy. Failure on TW's part to project sales accurately, give enough time for new orders and anticipate bottlenecks was exacerbated by failure in Uganda to understand the demands of the market and a lack of understanding of how damaging a break in supply can be.

A further reason for sporadic supply is cash flow problems experienced by the producers. Failure to keep back enough cash to purchase fruit to re-start drying at the end of the rainy season can result in a cessation of drying activities. External development funds are being sought to establish a revolving credit fund to alleviate cash flow problems.

Sales Strategy

TW want to expand slowly, planning market growth and production expansion together i.e. increases in supply must be matched by increases in demand. TW are working hard to expand sales and they are establishing a growing market within the health food sector, and they plan to strengthen sales through the wholefood distribution network. In order to validate the claims about the products they are applying for the Fairtrade Mark and the Soil Association seal. They believe that these will enhance and add value to the products. They intend to use careful labelling to maximise the information about the product and develop a strong image, with ultimately, a recognisable brand.

Their strategy is to build on the sales base they have already established, and to achieve this supply must be expanded, which can take place on four levels :

i) Existing producers

Economies of scale make this an attractive group to target but there is an optimum size, and beyond that loss of control by the producers results in problems. They need constant technical and financial assistance, and FON spend much of their time providing support.

ii) New producers

There is massive interest in Uganda because of the effects of seeing success of neighbours, and word-of-mouth. Many are constrained by a lack of capital, and FON will help them secure funding from NGOs who want to support small enterprise development. Seminars show people what is involved, backed up by the NRI handbooks. FON train and support new producers.

iii) New areas

The potential in Uganda is enormous (an estimated 10 million tonnes of bananas are produced each year) and the country needs to diversify away from a very heavy dependence on coffee. Suitable areas will be targeted for expansion, whilst avoiding others. For example, East Uganda is not suitable because the area experiences drought every 3-4 years. TW/FON will not source from there for two reasons :

- They consider it unethical because of food insecurity;
- Marketing systems are weak, and during a drought the commercial networks collapse.

iv) New countries

The commercial aim for the partnership is to widen the base, spread risk and diversify products. A link has been established with producer groups in Burkino Faso, and they are interested in other parts of Africa, particularly the south.

In addition, they realise that the learning experiences of the last few years, although hard won, could help other producers and the benefits could be spread. Replication and development work is very expensive so they are looking at the feasibility of separating this function from the commercial work, and the possibility of collaborating with other NGOs.

The Tropical Wholefoods Approach - A Useful Model ?

TW believe that commercial intermediaries like themselves have an important role to play by:

- funding local investment
- recognising local knowledge
- solving the producers main problem of linkage to the market
- developing viable systems
- being a commercial reality that does not cease when funding runs out.

They aim to guarantee markets and prices so that producers can confidently make investment decisions. TW will change the price in the UK to adjust for currency fluctuations, and keep the price in Uganda stable. Their trade is transparent and they provide information freely right down the chain to ensure there is no exploitation.

The TW philosophy and approach to commercial production for export is a model which could be widely used by those involved in trade development with the rural poor. ATOs in particular would find their experiences of great value and the case study in Part 2 examines areas of mutual benefit.

4.2.3 ATO Solutions

Fair trade is open to many different interpretations, but as discussed in Chapter 2, all ATOs share the common objective of assisting producers in the developing world to participate, on equitable terms, in the global market place. The focus is on producers' needs and enabling them to receive benefits from being involved in trade. As a link between the producers and consumers of products ATOs perform a vital role in disseminating information. Consumers buy the product on the strength of its contribution to the welfare of the producers. Producers must know what consumers will buy and how to produce it at the right price, quality and quantity. Information is the ATOs' key tool in bringing them both together, therefore although fair prices and advance payments (i.e. credit) are central to the principles fair trade, this section will focus on the role of information. The examples below illustrate the type of assistance that may be given by ATOs, either individually or collectively.

Traidcraft Exchange

Traidcraft, one of the four ATOs examined in Chapter 2 (and the subject of the case study in Part 2), benefits from the work of its development arm, the Traidcraft Exchange (TX)⁹. TX has been working with producer partners for several years trying to evolve systems and processes which will respond to their needs. Two activities are particularly relevant in this context:

Partner Agencies

There are four agencies established by TX in South Africa, Tanzania, Philippines and India. TX see this as an effective way to target their resources since the agency can provide services to many producers and intermediaries, without having to deal with barriers of distance, language and accessibility. The African agencies operate as follows:

- **Just Exchange** was set up in Cape Town with funding from the ODA as a non-profit service organisation with the brief of "helping enterprises and producer groups participate more effectively in local, regional and export markets in a way which is sustainable and benefits disadvantaged communities"¹⁰. Since 1993 this autonomous service has been making contacts with a range of organisations and helping them with training and export marketing. The small team of 5 has been assisted by a TX programme manager on a one-year secondment.

- **Amka**, the Tanzanian-based TX partner agency, has three main aims¹¹:
 - a) To assist producers to increase sales by finding markets, and encourage them to produce what that market requires. By establishing itself as a resource centre Amka aims to link buyers and sellers, and will use sophisticated information technology to access relevant data.
 - b) To help producers to develop and grow products which have export potential. This will require :
 - market research
 - feasibility studies
 - technical input
 - networking to find expertise in specific fields.
 - c) To promote the concept of "fair trade" within the Tanzanian context i.e. influence commercial buyers to adopt fair trade criteria.

Amka believe they have an important role to play in identifying and helping producers of foodstuffs which are demanded by the ATO markets. They are working with peanut and cashew producers and plan to research fruits, including targeting producers. The main obstacles they perceive are quality standards and packing materials¹².

Market Information Service (MIS)

This service was launched by TX in May 1995¹³ as a response to a survey in 1994 which discovered that a primary need of producers and intermediaries was information. This would enable them to make decisions, in particular about products, prices and markets.

The main aim of MIS is to "assist producers to take control of their own marketing operations by helping them to find out about their export markets". It does this through a twice yearly mailing list (for specific product areas), a responsive enquiry service, market resource bases and training workshops. Managed by TX staff in Newcastle, these services are channelled through the partner agencies described above.

EFTA Quality Assurance Project

It was noted earlier in this section that quality could become a major barrier to ATOs' trading partners. The ATO members of EFTA (Chapter 2) are concerned that their trading partners are not able to respond to the demands of the European markets, nor the increasingly prohibitive standards of legislation. Through the PPC-Food group¹⁴ EFTA decided to approach the problem by developing quality assurance systems, which aims to not only assure product quality but also set common product standards for European fair trade. A project proposal was drawn up and consultants employed to develop the systems and build up expertise in country¹⁵.

The proposed project aims to work with six EFTA producers in different commodity groups, all of whom have acute quality problems. By working with partner agencies in the different countries knowledge can be disseminated to other small food processing enterprises, with the objective of helping them to improve their competitiveness in national and international markets.

Working closely with local experts the project will aim to : analyse product quality and identify critical problems; validate traditional quality control methods against a recognised standard; develop and implement an appropriate system; and finally, train quality assurance managers. In addition, a local support network will be established, including an enquiry service. The experience gained through the six initial cases will be used and shared as widely as possible by developing training modules and offering courses to the food industry of the respective country. A further step will be to run seminars for policy makers to raise general quality awareness in the countries of the EFTA partners.

Unfortunately the project has, so far, failed to obtain funding from the EC so it is currently being reconsidered, with a view to submitting an amended version¹⁶. If it is successful then it will offer the target enterprises significant help in their efforts to effectively access European markets. It would show that many barriers to market entry can be reduced by providing information about what the requirements are, and how to ensure that those requirements can be met consistently.

4.3 CONCLUSIONS

This chapter has examined how producers can be assisted in the marketplace. By looking at the constraints it has been possible to identify two areas where ATOs may have a positive impact. The role of information and credit is only part of the picture but in many cases, a very important part. The crucial factor is that ATOs target trade relationships which will be able to take advantage of the assistance. For some producers the information may result in a focus towards local and regional markets, rather than export markets e.g. if they can not meet the demands of European supermarkets. It is not the information in itself which gives them access to the market, but it helps them to make appropriate choices.

The examples given in the final section illustrate the impact of different ventures which have a role in providing information¹⁷. To some extent they show the reality of trading with small vulnerable producers, who may need cushioning from the worst fluctuations and vagaries of export markets if they are to survive. It may be argued that producers should only come into export markets if they are able to cope with its demands. Fair trade is about working towards achieving that in an equitable and sustainable way¹⁸. After all, the welfare of the producer partner is the unique product attribute, which ATOs capitalise on to sell their products. The linking function which was discussed earlier (and in Chapter 3) points to the careful balancing of all these issues; helping producers to respond to the markets demands, providing consumers with products which meet their expectations (which range from fair trade to physical attributes). The case study in Part 2 demonstrates how Traidcraft, a prominent ATO, has attempted to address the multitude of issues through its trading policy and practice.

NOTES - CHAPTER FOUR

¹ 'Barriers' is used here in a very broad sense, e.g. the 'barrier' of a lack of information, which results in poor choices and decisions. For instance, fruit producers must know about escalating tariffs before they consider investing in processing for export. The removal of a barrier is not necessarily to remove the problem itself (e.g. a sophisticated packaging requirement of a buyer) but to ensure that the lack of awareness is removed. It is a barrier if they have no knowledge of it or how to work within, or overcome, the constraint.

² They feel they have no option but to sell to local traders.

³ The information in Note 1 above applies.

⁴ Information on the AKRSP apricot project was obtained from Food Chain, No 7, and a telephone conversation with M Battcock of Intermediate Technology (ITDG) who has visited the project several times in an advisory capacity.

⁵ Pakistan's large cities on the plain, such as Islamabad, provide markets for the dried apricots. ITDG think the fruit could reach export standards but a lot of work would be needed to set it up and communication is a problem.

⁶ Source : a food technology consultancy by ITDG in 1992.

⁷ Source : AKRSP Project Brief, AKF 1994.

⁸ Tropical Wholefoods supplied promotional material, NRI project report (No. F0046) dated March 1994, the four NRI handbooks and photographs. Several informal interviews on 29/11/94, 10/3/95, 17/4/95 and 11/4/95 were the basis of this section.

⁹ Traidcraft Exchange is not officially attached to Traidcraft Plc, and although they operate from the same building they are quite distinct. Traidcraft is the marketing company and TX has two functions :

- i) To provide business assistance overseas, primarily to SMEs who want to export. Help may be needed in design, production, marketing or business processes.
- ii) Raise public awareness in the U.K.

¹⁰ Source : "Just Exchange - Fair Trade Pioneers" in Trading Post Issue Fourteen, Spring 1995.

¹¹ A semi-structured interview with the Tanzanian manager of AMKA, Mr S Mattee, on 2/2/95.

¹² They feel food quality standards may be too stringent, and that packaging materials required by export markets may not be readily available in Tanzania.

¹³ Taken from the Market Information Service leaflet, produced by Traidcraft Exchange, May 1995.

¹⁴ EFTA uses committees (called PPC groups, which stands for Product and Producer Committee) for each product group to bring ATO managers together to discuss various elements of their business activities. Joint ventures such as this one aim to pool expertise and other resources. In this case the PPC food group serves as the body which takes the overall decisions regarding the programme, and ultimately agrees the common standards which are proposed.

¹⁵ Paper dated September 1994 presented to the PPC food group by the German consultants FAKT.

¹⁶ The proposal was not successful because the EC considered it too ambitious and the request for finance excessive given its likely impact.

¹⁷ ATOs often provide more than credit and information, and technical assistance in the form of design input, quality assurance services and so on, is not uncommon. Most technical assistance is based on the transfer of knowledge and skills, and therefore could be loosely categorised as 'information'. What ATOs avoid is direct capital or financial donations.

¹⁸ The issues of sustainability and dependency on ATOs is considered in the Case Study, and it forms an important part of the food policy discussions. Dependency on ATOs is not desirable for producers and ideally they must be encouraged and assisted to build a varied customer base.

PART TWO

THE TRAIDCRAFT CASE STUDY

INTRODUCTION : ESTABLISHING THE WORK AND TERMS OF REFERENCE

Part 2 of the thesis (Chapters 5-8) is a case study, which will illustrate the role of purchasing policy for fair trade in foods by analysing the concerns of one ATO. Chapters 3 and 4 have considered some of the issues pertaining to trading in foods, which I will utilise to examine the function of Traidcraft's food purchasing policy and its impact on the sourcing of foods.

Traidcraft (TC) was introduced in Chapter 2 as one of the four Alternative Trade Organisations (ATOs) operating in the UK and there are several reasons why I felt it would be an appropriate ATO for this case study. Having been involved in the fair trade movement for many years they have developed a wide range of activities, and had several notable achievements. They are progressive, having recently developed Social Accounting for example, and they are also participatory, as active members of IFAT, EFTA and the Cafédirect Consortium.

The case study evolved¹ largely as a result of two factors. Firstly, TC had publicly stated, through the Social Audit and at the 1994 AGM, that its foods range was not subject to its general purchasing policy, and that the criteria employed had some weaknesses. Secondly, the company's strategic plan over the next 4-5 years is to expand the food business significantly (3-4 times). These two issues were the inspiration for the case study, and the Executive management² welcomed my research into their food purchasing policy and practice. They wanted to move to specific, identifiable sources and strengthen the fair trade link. TC was committed to developing an ethical purchasing policy, reviewing existing products against the new policy and sourcing foods to meet it.

Chapters 5 and 6 give the background to TC's food business and consider the relevance of purchasing policy in helping them to maintain a healthy tension between the requirements of producers, consumers and their balance sheet.

My specific area of interest is dried fruit and it was agreed that this would be a suitable product group to pilot a review process for TC, and also develop some of the broader

issues involved in establishing suitable sources of supply. Chapters 7 and 8 demonstrate how my role changed from active participation in the policy and review process, to providing information for, but not having involvement in, the planning stages. During the policy and review stages I was part of a group set up by the Marketing Director³. I piloted the review forms and my questionnaires were adapted for use by the food department. The results of the review and their contribution to developing appropriate strategies is presented in Chapter 7. In the final chapter of the study I discuss these results and other information which I consider relevant to the planning of the dried fruit range, and conclude with some observations on the apparent unwillingness to utilise these resources.

CHAPTER FIVE

TRADCRAFT PLC, AN OVERVIEW

During the research I found that it was unrealistic to look at the food purchasing policy in isolation and so the purpose of this chapter is to set the case study in the context of the overall company picture. The environment in which the company operates and the commercial problems of offering 'alternatives' to consumers inevitably affects not only their priorities but also their ability to initiate change. The first section of the chapter examines the direction of the company, concentrating on significant developments during the past five years when Traidcraft (TC) has tried to tackle its erratic balance sheet and long-term sustainability. Social Auditing has been a particularly important development, encouraging transparency and accountability, which became a driving force behind the review of the food purchasing policy (this is explored further in subsequent chapters). The sales and marketing plans are described in Section 2, focusing on the overall strategies which guide decisions in the planning of resources. The aim is to demonstrate how foods relate to the rest of the company. Finally, the work to link producer and consumer, that is how TC 'practices' fair trade, is briefly introduced. It is here that the tensions between remaining faithful to their mission and maintaining commercial viability begin to emerge.

5.1 COMPANY DEVELOPMENT

When Traidcraft began trading in 1979 it produced a mail order catalogue with 100 handicraft products from twelve countries. Initially situated in central Newcastle, this new business was founded on the inspiration of the Christian gospel and the command to "love your neighbour as yourself", which became embodied in their slogan "People before Profit" (Adams, 1989). Its goal was to demonstrate to the business world that it is possible to trade with the Third World without exploitation. In the 15/16 years that followed, TC has taken that vision, and grown into a public limited company which trades with over 100 producer partners in 26 countries. Now occupying large premises on a trading estate in Gateshead, the company has built up an impressive reputation both within the alternative trade movement, and among a much wider spectrum of those interested in ethical business and trade development. By mapping TC's history and exploring its direction as it approaches the next century I have distinguished four phases of development :

5.1.1 Phase One

During the first few years, up to the mid-1980's, the company went through a period of rapid expansion. By 1982 they had outgrown their premises and moved to large offices and warehouses. Sales were increasing, having hit the £1 million mark, but were largely dependent on the gift market with 60% of business in the three months prior to Christmas. Anxious to encourage and expand "creative consumer spending"⁴ the company decided to branch out and offer more everyday products; foods and recycled paper were added to the list.

The first of three share issues was launched in 1984 to fund expansion and reduce reliance on commercial loans. Having made profits for the first five years, and ploughed back £140,000 in to the company, the overdraft limit was stretched and the company needed capital to be able to exploit the potential sales opportunities. The public share issue was oversubscribed and raised over £300,000 by those who wanted to invest "not for personal gain or profit, but for the well-being of the weak and disadvantaged"⁵. Over the next few years they were to raise in excess of £2 million from 4000 shareholders.

5.1.2 Phase Two

The mid-late 1980's was a period of financial trouble for TC. In 1985/86 the company's sales increased by 26% but losses accumulated as expenditure exceeded income. As a rapidly growing company they were experiencing record sales, but also record levels of customer complaints. Many orders were not filled, or those that were had an extremely slow turn-around time. In 1987 the accounts showed a loss of £300,000, which the company began to tackle with some creative and brave plans. For example, staff worked longer hours and accepted a nominal pay increase⁶. The company also took a mail-order fulfilment contract with Greenpeace.

5.1.3 Phase Three

In spite of good sales in 1989/90, up 30%, the crisis of poor trading performance continued, so the company undertook a drastic restructuring process. This involved two areas of change. The sales and marketing departments were restructured, with Business Area Managers appointed to develop the markets and sourcing. Secondly, fixed expenses needed to be reduced, and this was partly achieved by cutting the number of permanent staff by 15%.

5.1.4 Phase Four

Despite these financial difficulties TC has continued to grow, employing 129 staff and a turnover of £6.6 million in 1993/94. The challenge for the '90s was to ensure that future expansion benefited both producers and consumers. I interpret this to mean increasing revenue to producers, offering consumers the choice to help eradicate poverty with their purchases, whilst maintaining a profitable enterprise which has a secure future. As I worked on the case study I understood that holding these three factors in tension and maintaining the correct balance has been, and remains, TC's primary challenge this decade. The 1990s have seen the development of four very important activities for TC as it seeks to move forward as a viable commercial alternative:

i) Traidcraft 2000

In 1992 the company embarked on a strategic review, which they called TC 2000, to help them move into a position of sustained profitability. Over a period of two years the company conducted an in-house review of its activities and explored strategies for the future. This involved 're-visiting' their mission statement and reflecting on what the priorities for the 1995 - 2000 period should be, especially in relation to their many and diverse groups of stakeholders⁷.

During the final quarter of 1993 the company analysed the strengths and weaknesses of each business sector, following consultation with staff. A brief summary of these strengths and weaknesses from a marketing perspective was given as :

Strengths

'USP' of fair trade
Strong brand image
Improved product design/quality
Sales growth in food and cards -
Strong rep. and retail channels
Slow-growing awareness of fair trade issues

Weaknesses

Diversity of fair trade messages
Little public awareness of TC
Static mail order sales
Low profitability
Location in NE

Each product sector was analysed for its contribution to mission objectives, the market size and penetration and the specific strengths and weaknesses. External opportunities and threats were examined in the light of four different scenarios which represented differing degrees of risk. In each foods emerged as an opportunity to be exploited.

In February 1994 the variety of scenarios were presented to the Board⁸, which included some radical options such as moving into mainstream high street retailing. The Board recommended that TC continued to operate through its existing sales channels (described in Section 5.2.2 and illustrated in Appendix 5.2), with basically the same business areas. In other words, that it retain its complexity and develop on all fronts. The strengths and weaknesses of its current position were recognised, and these were to be used for future growth rather than going into areas in which the company had no experience (the implications of this decision for Sales development is considered in Section 5.2). Instead a recommendation that wider markets be exploited through partnerships was accepted. This would share the risk and also utilise expertise not available within the company. Partnerships and joint ventures can make a very important contribution to solving TC's problem of developing a profitable and sustainable business and I have looked at this in several places throughout the case study.

The new statement of mission and strategic priorities (Fig. 5.1) are the long term objectives which emerged from TC2000 and three year marketing plans were developed for each business area (foods in Chap. 6). Having established its priorities the company turned its attention to profitability with regard to cost/revenue linkages. Identifying ways to control costs was still a major concern, and towards the end of TC 2000 the Board and directors decided to embark on a Business Process Re-engineering Programme (BPR).

FIGURE 5.1

STATEMENT OF MISSION PRIORITIES

TC 2000 aims to

*** realise producer potential**

- *by increasing volume purchases of fairly traded goods*
- *by maintaining a commitment to design and business support*

*** realise customer potential**

- *by achieving more sales*
- *by recruiting more customers*
- *by creating greater public awareness of what Traidcraft stands for*

*** realise staff potential**

- *by recognising the contribution of staff as the links who bring producers and consumers together*
- *by seeking to release the talents and creative abilities of our staff in pursuit of our corporate aims.*

We will measure our success in achieving our aims using both :

financial indicators (*are we a valid example of fair trade in action ?*)

social audit indicators (*what is the social and ethical impact of our trade ?*)

ii) Business Process Re-Engineering

The objectives of BPR are "to position Traidcraft to achieve profitable and sustained growth in line with its strategic aims"⁹. The unexpected £39,000 loss in 1994/95 (compared to the profit of £33,000 in 1993/94) has emphasised the need for the review, which was under-way at the time of writing. External consultants have been employed to facilitate and train three teams who are looking at different ways of putting the company together. The process is not complete but the term "Jack Of All Trades" or "JOAT" has already been popularised by those involved and is indicative of the 'juggling act' which TC performs. The results are expected to be radical and ultimately move TC towards long-term profitability and sustainability.

iii) Social Audit

In 1992 the company produced a report which attempted to evaluate its activities against non-financial criteria, to assess how they actually performed against their stated objectives. The following year Traidcraft became the first British plc. to publish a Social Audit of its activities. Described as an "Assessment of a company's social impact and ethical behaviour in relation to its aims and those of its stakeholders"¹⁰, the process of social auditing allows the stakeholders to influence and participate more fully in what Traidcraft does. Indicators of performance are intended to measure the company over time and against agreed targets. Key performance indicators are set for each stakeholder group and they relate to the stated aims and objectives. In the case of Third World suppliers/producers Figure 5.1 illustrates that the aims of TC are to realise their trading partners' potential and they plan to do this by increasing the volume of purchases and maintain a commitment to providing business and design support. For the 1993/94 Social Audit the key performance indicators chosen to measure the company's effectiveness in those areas are:

- Sales of goods sourced in the Third World

The value of total sales of Third World sourced products in 1993/94 was £4.7m, a 16% increase on the previous year (Fig. 5.2). The target for the period 1991-1995 is 25%.

- Income to the Third World

Income paid directly to Third World suppliers had increased by 28% on the previous year, and the stated target is simply to achieve growth.

- Payments in advance

65% of direct suppliers receive advances of 50% of the order value, for 3-6 months. In 1993/94 this cost TC £9000.

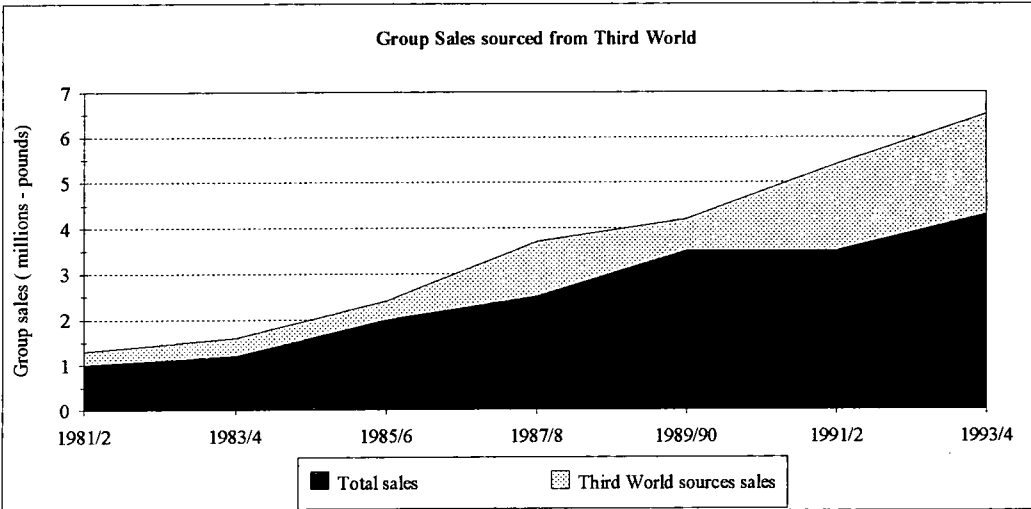
- Contact time with producers

This refers to the time spent by TC staff visiting producers to give business advice, marketing information and work on product design and development, which in 1993/94 was 223 person days. This is 10 fewer than in 1992/93 but the report states this is not considered to be significant compared to the increase in visits by 69% in that year.

The figure below demonstrates that the proportion of sales not sourced from the Third World has been increasing but this is not necessarily at their expense since they have also shown good growth. A target to source at least 66% of sales from the Third World was published, and in 1993/94 the company achieved 68%.

FIGURE 5.2

SALES SOURCED FROM THE THIRD WORLD 1993/94



SOURCE : 1993/94 Social Audit

The key indicators will play a vital role in directing the general development of the company towards a main stakeholder group, and they serve to provide broad targets and parameters. The limitations of their application becomes evident at the micro level i.e. how accurately do these general trends reflect the impact of the trade on individual producers/suppliers? The 1993/94 report attempts to address this by including a

producers' assessment of TC. It focuses on the producers in the East Africa region and gives some interesting insights into how producers view TC. However, it is difficult to quantify and measure and is based largely on producers comments, for example "they think the price should be higher" or the producer was " a bit disappointed" that no progress had been made on a visit for range planning. The Audit concedes that without a benchmark the definition of a fair price is a problem. By asking producers to define a fair price and whether TC matched up to their expectations the company will receive information which is difficult to use, particularly in the Audit report. That does not mean it is not a valuable part of the process, and indeed the danger of the key performance indicators is that they could gloss over individual problems. In particular the issue of continuity is omitted from the main indicators, and although producers are asked to comment on continuity of business, it is not measured by the company and no targets are set. To include it would, I believe, give the reader of the Audit report an understanding of TCs commitment to developing long term relationships with individual producers.

The central idea of the Social Audit is to provide a mechanism which evaluates the company's activities and measures year on year change, in a completely transparent way. TC is aware of the need to compare performance against external benchmarks, but these can be difficult to find in an area which is relatively new or 'niche'. Instead the company has tended to develop the indicators with the help of external bodies, and the process of reporting is done with researchers from the New Economic Foundation and the Centre for Social and Environmental Accounting at Dundee University.

The Social Audit has undoubtedly developed into a very important process for the company and its contribution has been significant. In considering the case study and the role of the food purchasing policy I identified that it had two influences. Firstly, it ensured that a full review of the food policy is made a priority and that the compromises previously made on the sourcing of food products (discussed in Chapter 6) were dealt with directly. By setting measurable targets and publishing the progress, the Social Audit was responsible for driving forward these changes.

Secondly, the Social Audit has become the instrument by which Traidcraft validates its claims. This is becoming more important now that fair trade is reaching a wider market. It was noted in Chapter 2 that TC has chosen not to apply for the Fairtrade Foundation Mark on its products because it believes that the TC name and logo are a fair trade mark in themselves. They consider that the Social Audit provides a measure of independent evaluation but during the research for the case study it has emerged that this stance must continually be reviewed as more fair trade products find their way on to supermarket

shelves. Their position may be inadequate for new customers in mainstream markets, where their products will not necessarily be associated with ethical trading. Even if TC decide that they do need the Fairtrade Foundation Mark on their products the role of the Social Audit will not be diminished. It ensures that in an increasingly competitive and difficult commercial environment they continue to operate within their stated principles and objectives. It has become an important instrument with which to balance the needs of producers and consumers, within the boundaries of commercial viability.

iv) Joint Ventures and Partnerships

TC has been exploring how developing links with others will help them to expand. These links may be tenuous and fairly informal, for example with other EFTA partners (Chapter 2), or small commercial companies such as Tropical Wholefoods (Chapters 4 and 8), or the links may be direct and formalised. The latter is most likely to occur with other UK ATOs and the Cafédirect Consortium is such an example. Cafédirect has been an enormously important venture for TC for two reasons. Firstly, it has successfully established a consortium which has been able to pool resources and expertise to have a wider impact. Secondly, it is their first product to be sold in mainstream markets. However, the success of Cafédirect has been accompanied by some thorny issues for ATOs, one of which is examined below. It seems to me that TC has not confronted this problem directly, although it remains on their agenda for discussion.

5.1.5 Traidcraft and the Fairtrade Foundation Mark

As a full member of the Cafédirect Consortium TC finds itself in the position of selling a product which bears the Fairtrade Foundation Mark which, I would suggest, requires a reappraisal of their original decision not to apply the Mark to their products. The rationale for their decision has already been explained but what is of interest here is the defensive attitude that TC are taking towards the Mark. When the Mark first came into existence they felt that it could be a serious threat to them. There appears to be a sense of mistrust by TC of the standards applied by the Fairtrade Foundation, largely because TC know that the Foundation are working with few resources and TC believes that they cannot possibly effectively validate and keep checking the fair trade 'credentials' of the products which bear the Mark. These fears have been fuelled by the recent financial problems of a German ATO, Gepa, who are blaming their heavy losses on a similar marking body called Transfair, which they claim has opened up the fair trade niche to many commercial companies who do not share their commitment to producers. After years of working through what fair trade means in practice, TC were anxious that their existence could be threatened by companies who want to exploit new sales opportunities in the area of 'ethical consumerism', yet do not adhere to an acceptable level of standards.

TC may no longer consider the Fairtrade Foundation Mark to be an immediate threat (because it has been in existence for some time without causing a loss of business to TC), but a negative attitude still pervades. Some of their fears may be genuine, particularly that it could dilute fair trade standards in its attempts to increase the number of Marked products available. However, they concede that it is here to stay¹¹ and although the general view within the company is that it is ahead of its time (using other consumer movements, such as organics, as a benchmark) they recognise TC may need to reassess its position. As information emerged during the case study I felt that their fears and hostility could result from not only a sense of insecurity, but also an awareness of failings to address their own fair trade claims. I concluded that TC's defensive attitude is not progressive or healthy, but understandable given their fragile balance sheet.



5.2 SALES DEVELOPMENT

The 1995 Directors' Report begins with a statement which summarises TC's core activities:

"The Company has continued to trade throughout the year as importers, wholesalers and retailers of handicrafts, fashion goods and clothing, tea, coffee and wholefoods from developing countries. The Company also sells greeting cards and recycled paper and provides a mail order fulfilment service under contract to third parties. Within the constraints of sound financial management, the Company aims to maximise the benefit to overseas producers from which it buys."

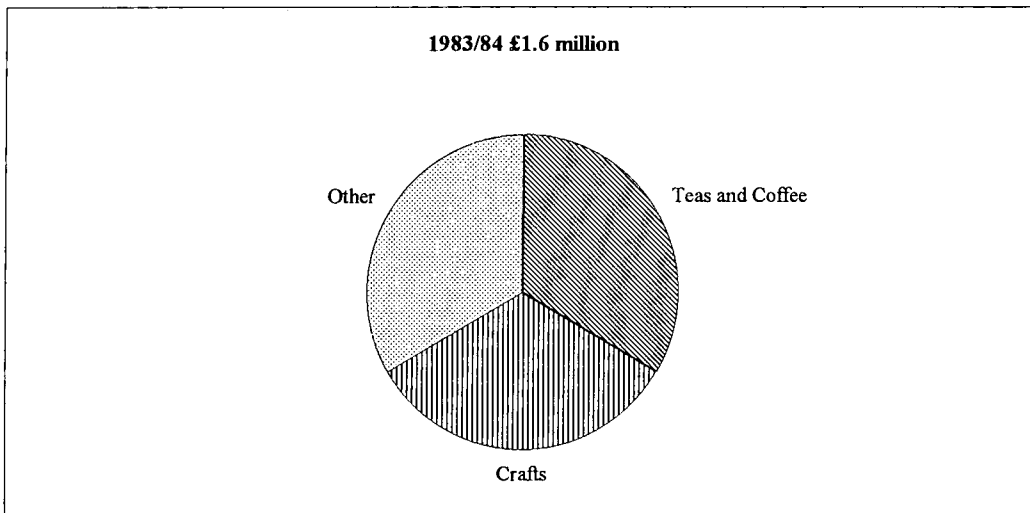
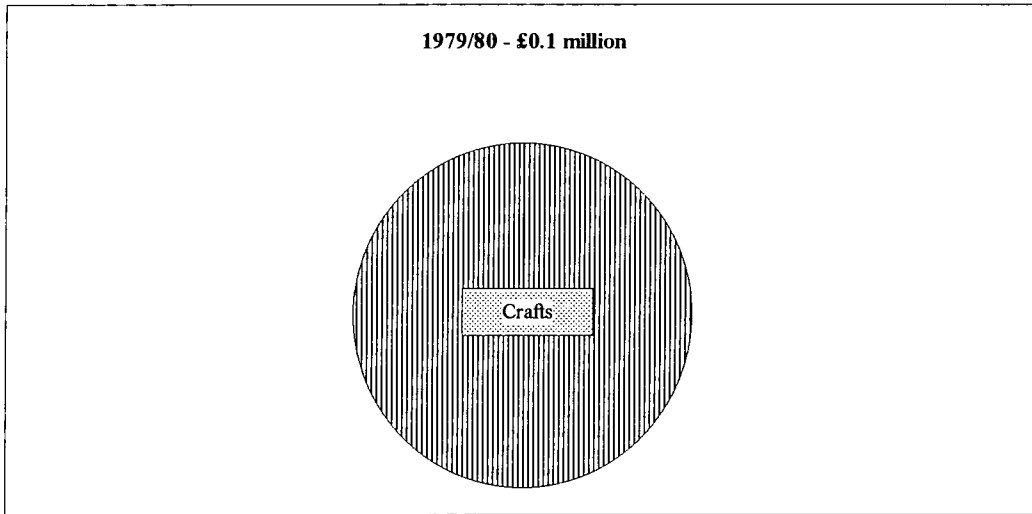
The statement succinctly describes the wide range of business activities, and clearly sets them within a commitment to producers which is made within the constraints of profitable performance. This section examines how the business balances these activities and the strategies which determine expansion. It is important for the case study to demonstrate what drives growth and where foods are in relation to the other sectors. The work of Sales and Marketing has been useful for this, and Appendix 5.1¹² provides an illustration of the structure of the company and these two functions.

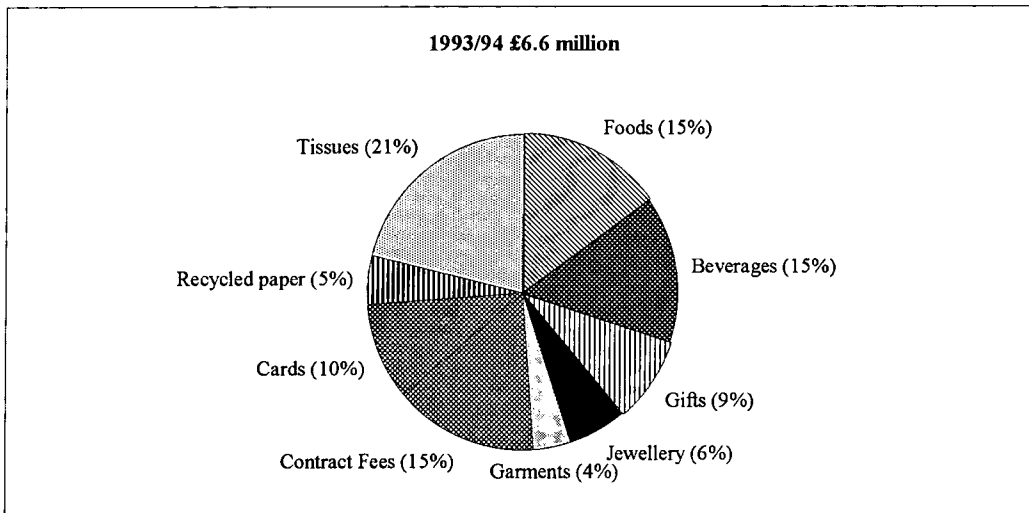
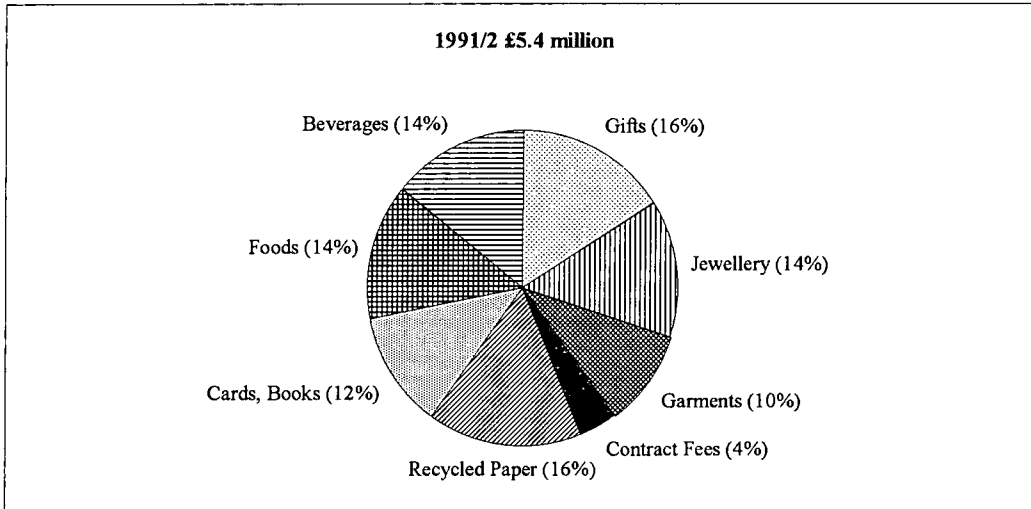
5.2.1 Marketing

Each area operates as a business centre with a Business Area Manager who is responsible for product selection and promotion, and developing the sector in line with the agreed marketing plans. Essentially there are three main areas of commercial activity, foods, crafts and paper. The charts in Figure 5.3 show sales by business area and illustrate the growth in product range and value.

FIGURE 5.3

GROWTH OF SALES BY BUSINESS AREA





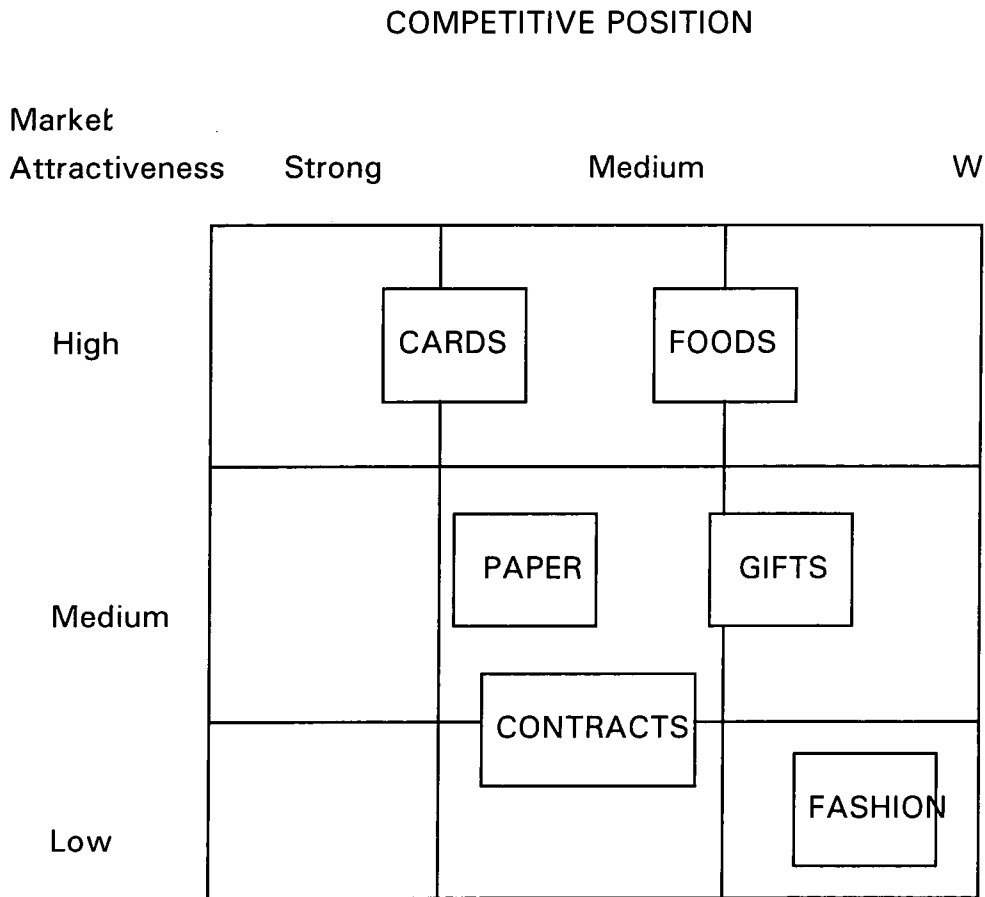
SOURCE : Social Audits 1992, 1992/93 and 1993/94.

Foods and beverages¹³ have become increasingly important, representing 30% of total sales last year. The bar graph in Appendix 5.2 shows that over the past five years gifts and fashion have been static or declining, whilst cards and paper and foods and beverages are increasing.

For an understanding of future patterns a business portfolio analysis was included in the Medium Term Marketing Plans¹⁴ and it indicates a general assessment of the opportunities. This is summarised in the grid in Fig. 5.4.

FIGURE 5.4

BUSINESS PORTFOLIO ANALYSIS



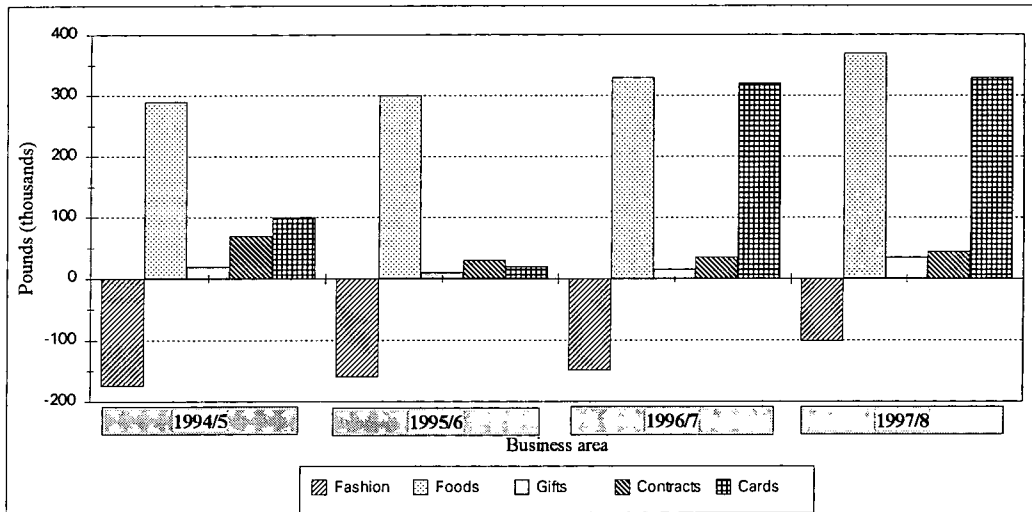
SOURCE : TC's Marketing Plans, December 1994.

The purpose of this matrix analysis is to illustrate the 'attractiveness' of each business to the market they represent, and the perceived 'competitive strength' of TC within that market. The ranking of each business (high, medium or low) is plotted against the two axis, and the resultant position of each business provides an indicator of investment potential. It can be seen that foods scores high on market attractiveness but TCs competitive position in the foods market needs to be addressed.

Each business area has a statement of "Strategic intent", which is a set of objectives which relate back to Traidcraft 2000. The expected future contribution by each of the business areas over the next few years is illustrated by Fig. 5.5.

FIGURE 5.5

NET CONTRIBUTION BY BUSINESS AREA



SOURCE : TC's Marketing Plans, December 1994.

This strategy emerged from TCs SWOT analysis for each business sector, and an assessment of risks involved for future options. The strategy they chose was to balance the opportunities for sales growth with the exposure to greater financial risk.

Foods have played a significant part in the growth of the company and will continue to be an important vehicle for expansion. This is explored further in the next chapter but in general terms the marketing plans expect limited growth from new products, or by improving service levels or margins. The growth will be "organic" i.e. from existing sales channels and customers. Partnerships and joint ventures are also cited in the plans as a key area for growth.

5.2.2 Sales

The three selling channels (shown in Appendix 5.2) may offer both opportunities and restrictions to each business area.

The channels rely, in varying degrees, on the catalogues for each product area. Catalogues carry information about producers which could not be put on a label, and are used as a vital selling tool. Approximately 950,000 are mailed out, about a quarter being used by voluntary representatives (reps) and retailers. Mail order has become less important for the food business as some foods are difficult to post.

Voluntary Representatives are an important way to raise awareness about issues, and increase involvement in the Traidcraft vision. They buy products on credit, at discounted prices, and sell them at informal gatherings in their homes, churches, local markets, development education centres etc. They are supported by the Reps. Department who aim to develop the scheme and are investigating the 'voluntary' nature of the work, looking at moving towards a more commercial arrangement and 'career' type reps. This would be a major shift since the reps. usually sell for charitable rather than personal financial gain.

Retailers (independent shops selling TC products) get larger discounts than reps. and are supported by the Retail Sales Department. Their strategy is to develop existing retailers by a programme of "total quality customer support" and also to increase the number of retailers by penetrating new markets¹⁵.

An understanding of these channels will be useful background to the following chapter which examines some of the specific marketing opportunities for TC's foods.

5.3 LINKING PRODUCER AND CONSUMER

The relationship that TC has with its suppliers, their 'producer partners', is a fundamental part of its operations. Their general purchasing policy¹⁶ sets out the ethical criteria which guides product selection. The broad spectrum of suppliers ranges from workers co-ops, parastatals and NGO enterprise schemes to commercial organisations with development objectives. The policy criteria states that they should be:

- organised primarily for the benefit of producers/workers
- paying fair wages and providing better than average working conditions
- encouraging participation in ownership and decision making.

TC's commitment to its trading partners is also laid out in the policy :

- paying fair prices
- making advance payments with orders, where needed
- not switching suppliers to get lower prices or quicker delivery
- developing long-term business relationships
- providing product and market-development support, through training, design, technical, business management and market intelligence inputs
- preferring products with high local added value.

In the past this policy has been applied in a rather 'ad hoc' manner and trading relationships have not been adequately assessed against this stated commitment. As a result both the crafts and the foods purchasing policies are to be re-written. The Social Audit has been responsible for highlighting the need to look again at what is involved in these statements and try to find ways of measuring and defining them. For example on the issue of a fair price, which it describes as a "critical issue", the 1993/94 Audit considers various ways to define and measure prices. These range from widely accepted benchmarks (for example, the method used by Cafédirect discussed in Chapter 2) to other, less prescriptive methods, such as producers own definitions, comparison with other traders and cost profit analysis. The difficulties of getting this right can be illustrated by the report on Tabora Beekeepers Co-operative which states that TC pays 32% more than their other export customer and the co-op makes a profit of 33% on sales to TC. This information does not give the full picture but does raise the question of what is sustainable for TC in the long term.

By trading in accordance with its stated purchasing policy the company aims to put “people before profit”, yet as this chapter has described, from a commercial perspective this level of support is often not economically viable. TC must ensure that it maintains profitability in order to survive and offer long term partnerships to producers, and they have developed various strategies to help them achieve this balance. Product and market development has proved to be particularly costly, so in addition to their own 223 person days of "contact time", much work is also done by their sister organisation, the Traidcraft Exchange (TX). TX is involved in helping Third World producers find access to the market place. They are funded by a variety of donors, including the ODA who channel aid through them because they believe that TX makes a unique contribution in business assistance to micro and small enterprises. Examples of that assistance are explored more fully in the following chapters.

5.4 CONCLUSION

The theme of this first chapter of the case study has been to set the scene and acknowledge that the purchasing policy can not be looked at in isolation. The picture of the company that has emerged illustrates some key issues which I felt were an important background for the food purchasing policy review. The tension between maximising benefits to producers and maintaining profitability is particularly acute in the foods sector. The following chapter explains the compromises that have been made in order to develop and increase food sales. The justifications for these compromises become an interesting factor in the case study.

To achieve profitability there has been, and will continue to be, pressure on the foods sector. Working with limited resources necessitates a willingness and ability to work jointly with others who share similar aims. There are difficulties associated with such ventures, as the Cafédirect and Fairtrade Mark section illustrated, but I believe that it will be increasingly important for TC to become more participatory and able to work collectively if it is to respond adequately to the demands of the wider retail markets. However, before it does this TC must be clear about the parameters they operate within, and for foods these have become clouded by compromise. The case study will look at the issue of a new food purchasing policy in the light of what it can contribute to the business.

NOTES FOR INTRODUCTION AND CHAPTER FIVE

¹ The case study evolved after several meetings with an Executive Director of Traidcraft, followed by my attendance at the TC Open Day in September 1994.

² There are two tiers of management. The Executive Management comprises of 5 Executive Directors who are responsible to the Board (see Note 6). Each sector, or Business Area has a manager who is responsible to one of the Directors.

³ All the information has been obtained by working with the food department and the Food Group, an informal committee established specifically to progress these issues. Information has been freely available throughout the research, and I have had access to all the relevant files, and all members of staff.

The food department is in the process of restructuring, which initially resulted in difficulties getting the work established. These were largely personnel changes and although these circumstances have had a considerable impact on the function and practices of the department it is not the intention to include them in this study.

⁴ This is a term used by the company which reflects their belief that consumers express something of themselves (their own beliefs and value system for example) when they exercise choice in their purchases. In making a choice for fair trade the consumer becomes part of a process which has a positive impact on the producer, who is typically disadvantaged by the usual trade exchange. Appropriate information to the consumer can therefore help them to feel they are making a positive and creative choice.

⁵ From a series of information sheets produced by TC for their stakeholders in 1993 to mark 14 years of alternative trading.

⁶ The normal company practice is to give an annual % increase but in 1987 all staff received a token sum (e.g. £100) which was standard across all grades.

⁷ The company describes its principle stakeholders as the following groups :

- overseas suppliers/trading partners
- shareholders, 4000 in total
- voluntary reps and customers
- staff.

These are defined as the key groups which can influence or be affected by the activities of the organisation.

⁸ The 13 members of the Board comprise of the Managing Director and 4 Executive Directors, 2 staff nominations, the shareholders nomination and 5 non-executive directors including the Chair and Deputy Chair.

⁹ Source : 1994/95 draft Accounts.

¹⁰ The majority of the information has been taken from the 1993/94 Social Audit; three other sources have also been used : the 1992 Towards Social Auditing Paper, 1992/93 Social Audit and the draft of the unpublished 1994/95 Social Audit.

¹¹ I was given the impression that many within TC did not expect the Foundation to be viable.

¹² The charts in Appendix 5.1 and 5.2 were produced by the Traidcraft Exchange in May 1995 as part of their Market Awareness Workshops for producers.

¹³ Foods and beverages are usually abbreviated by TC (and this case study) to foods, although the term invariably includes both.

¹⁴ This information was produced for a Board Meeting in December 1994.

¹⁵ TC's own shops have not been profitable and were responsible for most of the 1994/95 financial loss so most have been, or are being, transferred to the ownership of local groups (1994/95 draft Accounts).

¹⁶ Purchasing Policy leaflet, August 1989.

CHAPTER SIX

THE FOODS BUSINESS

Growth in fairly traded foods is a priority for Traidcraft's expansion and viability. The general picture given in the previous chapter will now be built on by exploring the business area of foods in more detail. I found that this background was necessary in order to understand and examine the role of food purchasing policy. Equally, the policy is important for the future growth and expansion of the foods business. The first section of this chapter provides a historical perspective which illustrates how the business developed and the compromises that were made during that development. Section 6.2 outlines future opportunities for the business, with an emphasis on its marketing plans. Finally, the key issues are discussed, bringing together the circumstances already outlined in the first two sections. Given the previous lack of attention to the direct sourcing¹ of foods, and the need to have clear identifiable sources for future markets, the section looks at what is hampering progress and how can they move forward.

6.1 HISTORY OF TRAIDCRAFT FOODS

Traidcraft's archive of past catalogues provided me with an insight of how the business area developed and the rationale for the sourcing policy, balanced against the marketing issues. Catalogues have been an important selling medium, and by reviewing past catalogues I highlighted what messages were portrayed to customers and the justifications (if any) for their food policies². A summary of what I considered to be the most relevant points from the review follows.

From the beginning TC seemed anxious to stress to their customers that this was not a charitable initiative and the products must meet expectations. Feedback was encouraged and value for money stressed. At the same time the 'people behind the products' were to be the main selling point³ and the catalogues were ideal for producer information and stories. Foods (which includes beverages) were quickly introduced in spite of the complexities involved. The second catalogue (1980/1) offered tea and coffee, both sourced through existing campaign groups. The following year the range extended and the catalogue contained more information about the workers on the tea estates, and the coffee producer co-operative who were benefiting from the trade. I noted three broad phases of development⁴:

6.1.1 Phase One : 1982 - 1985

In 1982/83 a range of wholefoods (nuts, dried fruits, pulses and spices) appeared, but there was no explanation for the rationale of this development. The information on sources was extremely vague, listing 15 developing countries and Canada, even stating that the country of origin may vary. Customers were told that "5% of the price of these foodstuff packs will be allocated to food related development work for the third world", but the details were very sketchy. In the 1983/84 catalogue there was a lengthy description of what wholefoods are and why TC is selling them, but sources were still not stated (unlike the craft sections which were full of 'producer-stories'). This tangent from their usual links with specific groups of producers was justified to customers on two levels. Firstly that cash crops give valuable income to poor farmers in the Third World (although it is not made clear that this may not be the case if the trade is indirect i.e. through a commercial source). Secondly, that wholefoods are a valuable part of the Western diet which generally features too much 'unhealthy' processed foods. It is unclear whether they were trying to attract a niche market, or to meet the needs of existing TC customers, or simply using the opportunity to spread their own values and ethics about foods⁵. Whatever the reasons, they appeared to have diverged from the strong clear messages about their products and fair trade. However, TC were open that the company were exploring this area and they printed a statement of intent that they "hope to forge links with agricultural co-ops and other groups in developing countries... then we can ensure a fair share reaches the growers"⁶. This honesty to their customers reflected the internal policy on foods, which was to spend the first three years, until 1985, making "significant progress towards identifying and dealing with specific food-producing groups" (Adams, 1989). By 1984/5 the rather sanctimonious lobbying on the health attributes of wholefoods had been abruptly dropped, and they continued to evolve what it means to trade foods fairly. They state that "by cutting out the middleman, buying from co-operatives and by offering a reliable export market, we hope we can make a small change to the food business". Whilst this rhetoric sounded reassuring I found the catalogues were very short of any evidence that moving to more direct sourcing was actually taking place. The main criteria for selection appeared to be that the products were sourced from the 'Third World'. TC were well aware that selling foods could be a sensitive issue (on various levels, for example, the cash crop debate, or images consumers might have about hunger and famine) and so the catalogues contained many references to the positive aspects of their trade. This was backed up by their foods policy to purchase from community based producers and/or processors, or countries "seeking justice for their rural poor"⁷. The specific policy which had been written for foods allowed products to be sourced indirectly, and by including countries of supply rather than just known

producers, differs from the standard purchasing policy. As a result the food department was able to purchase many of its wholefoods through commercial suppliers and wholesalers, and it is not surprising therefore that the business enjoyed growth. They did not face the usual problems of establishing and maintaining good sources of supply.

The catalogues seemed to gloss over this but in reality Traidcraft was purchasing many of its wholefoods through a large commercial wholesaler of health food called Community Foods⁸ who shared an ethical philosophy to business. The purchases were made on the basis that trade must be good for developing countries, (particularly those whose governments have progressive rural policies - Nicaragua, China and Tanzania were favoured) but for most products TC had no idea who the producers were or whether they received a fair deal. Initially the arrangement was a compromise in order to build a customer base without holding stocks. Purchasing through Community Foods and using foods to promote issues of world hunger seemed, at the time, to be the short term solution. TC was probably unaware that this compromise would prove to be an unwise one which would develop into a significant problem for the company. They had stepped outside their usual sphere of operation and to adequately address this in the future would require substantial resources (as Chapters 7 and 8 demonstrate). Indirect sourcing was an attractive option but one which has become costly as TC have tried to move away from those products.

6.1.2 Phase Two 1985 - 1989

The latter half of the 1980s saw product ranges extending with very little producer contact and information. Constant reiteration of their policy on buying foods, and promises that they were building closer links was not matched by evidence. The food business was developing its sales but appeared to make very little progress in developing direct sourcing. My impression from the catalogues was that they were using the 'acceptable' sourcing of a very few products to sell a much wider range. The most notable progress was in fair trade foods through other ATOs, some of whom were developing expertise in specific product areas.

Their tenth anniversary in 1989 was celebrated by a "Trading for a Fairer World" logo which aimed to reflect the progressive nature of fair trade. TC did not claim to have achieved equitable trading, but they were working towards it with their stakeholders. Given that fair trade was still emerging I think that this response is a justifiable and adequate one. TC were admitting that they did not have all the right answers and they were encouraging others to help them work through problems and find solutions.

However, in foods the advances were slow: excluding the beverages and sugar ranges, only about one quarter of the products in the 1989/90 catalogue clearly came from direct fair trade sources. The occasional reference to an 'acceptable source' could have led the customer to assume that the rest are not. My view is that TC were acting dangerously, threatening the trust and loyalty which they had developed and diluting the messages about fair trade which they had been working hard to deliver.

6.1.3 Phase Three - Recent Years

In 1991 the first foods-only catalogue was produced and there was some evidence of a move away from indirect sources e.g. pulses were dropped because no fair trade source could be identified. In the early 1990s there was a big increase in the number of foods sourced through other ATOs, which in general, were from direct sources⁹. There was also a significant increase in commercially attractive products such as mueslis and bakery products which have the potential to be vehicles for 'fairly traded' ingredients. Unfortunately the sourcing for these ingredients was often indirect and much of the fruit and nuts still came through Community Foods. Direct sourcing, such as the dried mango from Kenya and cashews from Zambia, tended to be the exception rather than the rule. Some twelve years after the introduction of foods the company were in a position of being able to offer customers a wide range of foods from 23 of the world's poor and economically disadvantaged countries but, I would suggest that this was not without compromise. Driven by the desire for growth the business had focused on commercial issues, and by doing so impeded the original plans to move to direct sourcing.

My conclusions from this review are that the product ranges have not been sufficiently streamlined to deliver goods with clear messages. The catalogues contain a confusing mixture of products and differing levels of ethical justification, which can only have been possible due to the extraordinary nature of the typical TC customer. The review of the food catalogues illustrated to me the remarkable willingness and loyalty of TC customers to wait patiently for the company to deliver promises. It also suggests that the task the company set itself when a large range of foods was introduced proved to be over ambitious. Differences in opinion on how to proceed, lack of resources and expertise to develop direct sourcing may all have hampered progress. The consequences of the lack of attention to direct sourcing will start to emerge as the business enters new markets, makes new partnerships and practices a greater degree of openness through the on-going process of Social Auditing. In the rest of this chapter I explore further how and why sourcing standards were compromised, and the reasons that they need to be addressed.

6.2 SALES AND MARKETING ISSUES FOR FOODS

A primary reason for TC to review its food purchasing policy and address the issue of developing direct sources was, I considered, to meet the demands of new and existing markets. I found a study of their marketing environment and how they plan to respond to it, provided an insight of how purchasing policies and sourcing issues fit into the broader picture. As a marketing organisation it is their task to understand and meet the expectations of consumers. They value their customers as important stakeholders and realise that they must work towards offering products with the right mix of attributes¹⁰. Historically the growth of the food business has been characterised by a strategy which concentrated on expanding product ranges, accompanied by efforts to improve service levels and variable product quality. Undoubtedly this was a crucial task for sales expansion but a lack of staff and other resources meant that it took precedence over developing direct sourcing.

6.2.1 Traidcraft's Marketing Channels

There are two marketing channels which react quite differently :

Existing Markets

Their own customers are familiar to the Sales department, who have detailed customer profiles and receive feed-back from the reps. department. Informal research carried out by the Marketing department with regard to food sourcing confirmed that TC is highly respected and trusted by its customers, but in return they have certain expectations¹¹. For example, the vast majority do not think deeply about the fair trade issues, they are buying the added 'feel good factor' and take TC at face value. What they expect is openness and transparency. As a result the department concluded that simple, easy to communicate marketing messages would be the most effective, and their priority should be honesty. This is encouraging in the light of my review of catalogues where I found a tendency to gloss over the issue of indirect sourcing and a lack of transparency.

New Markets

Traidcraft is facing challenges as fair trade reaches a wider market where the environment will not be supportive and affirming, but instead sceptical and wary, particularly of the authenticity of its fair trade claims. Customers in this market are also conditioned to be highly price sensitive.

Both environments require TC to tighten-up its sourcing policy and strengthen some of the fair trade claims. They need to not only focus on the delivery of goods, but to balance that with attention to the product's fair trade attributes. Customers should be confident that they will receive what they are paying for (usually at a premium). This requires clarity which can be achieved by TC writing a new food purchasing policy and sourcing foods that meet it (e.g. changing those currently purchased on the open market), and secondly by TC labelling products in a way that all potential customers can understand. In certain markets this may be best achieved through the Fairtrade Mark and I believe that TC should aim to be consistent.

6.2.2 Marketing Plans

The Medium Term marketing plans developed during the Traidcraft 2000 exercise state that the strategic intent of the food business is

"To significantly expand sales of fairly traded foods by entering new market areas and exploring joint ventures and partnerships".

The company is relying on foods to bring them long term profitability and growth, and has developed marketing plans to realise those goals. The current marketing plan for the food business¹² is based on a strategy to increase sales on two levels : through TC's own channels, both new and existing, and via the mainstream markets. The external marketing environment is extremely competitive, which makes careful targeting and positioning even more important. Products with strong attributes will make this task easier.

Own Marketing Channels

The current overall strategy is to increase sales through expanding the customer base, rather than extending ranges. The two previous food marketing managers¹³ have both pursued policies of expansion through new products, resulting in a big product list. The development costs associated with new products are high and there has been a tendency to prefer commercial sources which involve few costs and minimal risk. The marketing department acknowledge that the drive for growth has tended to 'water down' the fair trade criteria, and too many compromises have been made in order to increase the range of food products offered.

The options open to the business to achieve growth can be illustrated by Ansoff's product-market matrix (Kotler 1982).

		<u>PRODUCT</u>	
		PRESENT	NEW
<u>MARKET</u>	PRESENT	Market penetration	Product development
	NEW	Market Development	Diversification

The purpose of the matrix is to identify those opportunities available to the company in its current sphere of operations i.e. the growth opportunities, and it is particularly appropriate where current products and markets have not been fully exploited. Kotler (1982) describes the three main types of growth opportunities as follows:

Market penetration

Seeking increased sales for current products in current markets through a more aggressive marketing effort.

Market development

Increased sales by taking products into new markets

Product development

Taking new or improved products into current markets.

For TC the current marketing plan is to achieve growth by developing the market rather than product development or diversification i.e. there has been a shift from the options on the right of the matrix to those on the left.

Market Penetration

The current strategy is to pursue greater sales from the existing customer base and the marketing department are planning to achieve that principally through reps. and wholesale customers. Increasing sales per rep. by providing training and promotional material, and increasing the number of reps. (approx. 10% of churches have a rep.) offer opportunities for growth¹⁴. Wholesale customers (retailers) will be supported with more

effective promotional material, better suited retail ranges, business training and information on world trade issues for communication to customers.

Market Development

The Marketing Plans target two new areas to keep TC at the forefront of market developments. My interpretation is that as a 'founder' of fair trade in the UK they must ensure that they are part of its continued evolution, and remain at the sharp edge of commercial advancements. Catering markets are the major new development, currently being spearheaded by Cafédirect. Christian Aid have been lobbying large institutions and organisations and as a result several bodies have agreed to switch to fairly traded products. In response TC have created a new post (for catering) to ensure they are developing sales opportunities. Secondly, there are indications that the health and wholefood sector could offer considerable potential. The possibilities range from persuading established health chains to sell fair trade products, to supplying a fair trade shop¹⁵.

In order to penetrate and develop markets the foods business (with direction from the Executive Management) have been prioritising the areas which need attention :

a) Reorganising the personnel and functions of the department, to establish a team that can be proactive and develop markets. This process was started at the end of 1994 by creating a management post to develop the catering area (see above).

b) Packaging has been improved on some products and there are plans to work through the ranges consistently.

c) Branding and positioning¹⁶ have been inconsistent and so the marketing department are helping the foods business understand their niche within markets so that this can be fully exploited by an appropriate pricing policy.

d) Strengthening the message and 'unique selling proposition' (USP) of the products. The fair trade credentials of each product must be clear. This is particularly important as they plan to expand into a more competitive environment. Establishing criteria and effectively communicating them are seen as key tasks by the Marketing Director.

Mainstream Markets

To increase sales in mainstream markets primarily calls for a move into supermarkets, but in spite of the success of Cafédirect, TC anticipates that the fair trade niche will not emerge fully for 2/3 years. Recent market research which indicates a high level of consumer interest is treated with caution by TC, because whilst the interest may be genuine, this is often not translated into purchasing action¹⁷. There is an interesting parallel with recycling where a significant number of people claim to believe that it is an effective way to tackle environmental issues (ENDS Report, 1994) but only a very small proportion translate that into action. In spite of these difficulties, TC has been involved in discussions with supermarket chains, which are examining fair trade because of a significant level of consumer pressure¹⁸. This has largely been a result of the Christian Aid campaign (letters), backed up by purchases of Cafédirect.

The Cafédirect Consortium will be the forum which TC will use to pursue expansion in the mainstream market. TC is therefore fully committed to the Consortium, providing funds and personnel, and will be involved in the work to establish a range of products suitable for supermarkets. 'Teadirect' is currently being researched as a potential product to follow Cafédirect. Consortium products need to bear the Fairtrade Mark because it is gaining recognition and wider market awareness as a result of the Christian Aid campaign. It was noted in Chapter 5 that TC have not applied for the Mark on their own products and their customers could be confused that TC sells Marked (Consortium) and unmarked products. In addition TC recognise that there are benefits from the considerable campaign work to push Marked products, which are receiving a high-level of customer exposure as a result¹⁹ (see Chapter 2). In the light of these commercial considerations it seems to me that TC must be careful not to adopt a "head-in-the-sand" approach to the Fairtrade Foundation which avoids making decisions.

Ultimately, however, the determining factors to success in this market will be the availability of more fair trade products which can compete on supermarket shelves i.e. products which will meet the supermarket quality standards and be competitive in price. Clearly this demands a high degree of co-operation and cohesion amongst those in the fair trade movement.

This section has looked at the role of purchasing policy in the context of the sales and marketing functions of the foods business. The reasons for compromises have been explained, in particular the pressure on the food business to perform well and earn the company profits. It has been subsidising unprofitable business areas and is often described

internally as the "cash cow" of the company²⁰. However, in order to expand sales the products need to be strengthened in terms of availability, quality, packaging and in particular the Unique Selling Proposition (USP) of 'fair trade'. Whilst all these issues are important for product success it is the latter which will be the focus of the following section and chapter. The Medium-Term Marketing Plans did not specifically address the issue of fair trade criteria, but the challenges of their marketing environment and the impact of the 1993/94 Social Audit process, meant it became a priority for the company.

6.3 BACKGROUND TO THE REVIEW PROCESS

TC's need to review its position on food sourcing, both policy and practice, emerged as a crucial task before the department could move forward with its new marketing plans. In the interests of faster growth sourcing standards had been compromised, and it was becoming clear to them that this was unsatisfactory, especially as new markets were being considered. In this section I have given more background to the review of sourcing, by considering the foods business in relation to the overall company attitudes and philosophy, and how an awareness of core objectives is important at all levels.

6.3.1 Differing Views Within The Company

Within the company there are two schools of thought, which have been loosely termed as the 'purists' and the 'pragmatists'²¹. Whilst I found that the two camps had considerable overlap and the distinction was not clear cut, an understanding of these differing approaches was another dimension in the development of the foods business.

The pragmatists have had a significant impact on the progress of food sourcing since, in the interests of sustainability, they have endorsed commercial sourcing and overlooked dubious sources in order to achieve volume growth. They have also advocated that products which have been commercially sourced and give high turnover and high margins can act as 'support products' for those which have been sourced directly from producer groups. In practice this means a variety of things : blending a high quality commercially sourced tea with a lower grade tea from a known source; or using muesli or 'bombay mix' as a vehicle for some fairly traded nuts; or selling a popular product like Basmati rice which is bought on the open market, yet the profits it makes can support products which struggle. All these scenarios are common in TC's product range, and are the result of not only the commercial pragmatists approach to sourcing, but also a lack of resources and expertise to move things forward.

The other school of thought within the company would like to see a strict adherence to fair trade standards and believe that they must influence other traders to adopt those standards. It is likely that this debate will be an on-going one since the company practises a very open style of management, with maximum staff participation and opportunity for influence. The philosophy of the company is to progress the issues by dialogue at all levels. I found that the democratic 'culture' of frequent meetings and discussions very useful for gaining a broad understanding of the spectrum of views, but observed that this style of management could result in a lack of clarity and action. Undoubtedly the foods

department had achieved rapid growth but this may have been at the expense of the company's general philosophy, possibly causing tensions between the business areas. In particular I found that the crafts section, which was struggling to be profitable, felt it was supporting food sales by bearing the full cost of a commitment to TC's vision²². The problem, as they saw it, was that crafts had remained dedicated to establishing and building producer links whereas foods did not develop producer relationships. Their complaint is that foods are sold to existing TC customers on the back of crafts producer relationships since it is likely that there is strong customer loyalty to the TC name, and a belief by the customer that the producer will be benefiting from the purchase. Crafts have evolved policy criteria which assists them to select producer groups to trade with, and then plan the input to help producers effectively supply the market. Foods have not been able to achieve this, which seemed to me to be a matter for discord, internally and externally.

In addition to the differing philosophies described above there are several other reasons why the foods business developed with a preference for commercial sources (refer also to those mentioned in 6.1). Firstly, the autonomy of each business area has meant that the skills, background and philosophy of the individual manager has a big impact. For example, if the manager approached the problems of product ranges in straight commercial terms they would find that fair trade is costly to establish and maintain. A further difficulty was the foods business was poorly resourced, with a very small team compared to the other business areas. Secondly, foods can be more difficult to purchase directly from producers than other products (e.g. crafts, paper, textiles) and in particular issues of quality, continuity of supply, perishability, packaging materials, market standards and legislation (including market barriers) must be faced. Developing knowledge in these areas takes time and resources, and this was neglected because the foods business concentrated on the demand side²³.

6.3.2 The Role Of Strategy

The tensions described above highlight the importance a clear strategy for TC so they can achieve their objectives in the market place. The marketing strategy of "core competencies" is a concept which says that a company should examine what it does best and pursue strategies that maximise that advantage. The example given by Johnson and Scholes (1993) is of MFI the furniture retail chain, who are actually selling credit to buy furniture, and the styles of the goods are relatively unimportant, it is the credit facility that brings them the customers. Essentially it is about a company being aware of what it is they are selling, and offering products and services that match the needs and wants of

their customers. When I applied this to TC I determined that the company knows that it has a loyal customer base whose first consideration is fair trade. In other words their customers are buying justice, a more equitable world (possibly an easier conscience) and a tangible link with people whose lives have been adversely affected by world inequality. In the crafts section TC performs well in providing its customers with what, in effect, they want to purchase and much information is provided about products and producers. However, I felt that food may be compromising the very unique mix which sells TC products. In reality if a consumer wants sultanas or rice the most convenient and economical place to purchase them is at the supermarket with the rest of their "main" shop. A commitment to TC and trading justice are the reasons for purchases e.g. consumers buy Tanzanian honey not because it is organic, exotic or even tastes good but because people have improved lives as a direct result of their purchase. TC needs to go back to its 'core competency', that of offering people the opportunity to reduce poverty and exploitation through their purchases of fairly traded products.

6.4 COMMITMENT TO MOVE FORWARD

A commitment to change grew against the background described in this chapter. The compromise, lack of attention to direct sourcing and a preference for commercial sources, had to be addressed when coupled with the pressures on foods to achieve growth and profits and the challenges and opportunities of new markets. In 1993 the Executive management started to push forward the need to re-visit the foods purchasing policy and conduct a review of all the existing products. At this point the policy had not changed since the mid-1980s but in a bold step the 1993/4 Social Audit made public a commitment to begin a process of change. The growth of the sector had been impressive and it was not surprising that there had been an unwillingness to dismantle it. However, the Social Audit stated that TC is aware of the weaknesses of their country-based indirect purchasing policies for foods, so they would aim to phase this out. The Social Audit committed TC to "begin a programme which will identify better sources where necessary and revise the food purchasing policy". The following chapter examines how the policy and review process evolved. My specific involvement in the process was to take the stated commitment of the company forward in a practical way, so that by the time the next Social Audit was printed the company had a new policy and had reviewed its product range.

NOTES - CHAPTER SIX

¹ The distinction I have made between 'indirect' and 'direct' sources is as follows: indirect sources refer to those via a commercial intermediary, where the producer is not known e.g. products or commodities bought on the open market. Direct sources generally mean a fairly traded source, where the producer, or a beneficiary group is known (although the link maybe be through a third party such as another ATO).

² I reviewed every catalogue from the first one in 1979, to the most recent in 1994.

³ TC's main selling point was to claim a direct link with the producer of the product. The benefits to producers were the Unique Selling Point or USP which gave TC products special attributes (fair trade), which attracted purchases.

⁴ The three phases of development are based on my distinctions and were not part of a TC plan or specific policy.

⁵ Their food ethics included the benefits of vegetarianism, and the dangers of over-processing and additives.

⁶ This statement appeared in the 1983/84 catalogue.

⁷ The foods policy changed very little during the three phases. An information leaflet printed in 1992 described it as follows :

Foods are often marketed by national agencies, making identification of specific producers difficult. In such cases we look for effective national or regional policies which :

- *direct the benefits and production of the trade to the poor,*
- *channel development investment to improving small scale agriculture and processing industries,*
- *re-distribute land and economic inputs to peasant farmers.*

⁸ Community Foods were developing their commercial wholesaling business at the same time as Traidcraft. The managing directors established a good relationship since they both shared very similar goals, and business philosophies. Community have continued to buy for Traidcraft and the trading relationship remains open and honest, in spite of the fact

that Community has grown to be an extremely large and successful company. They try to source from any country that Traidcraft requests, which enables TC to source from specific countries, like China, Nicaragua and Tanzania.

⁹ This was related to the co-operation which was being established under EFTA, and the specialisation by ATOs in specific products (see Chapter 2).

¹⁰ TCs sales outlets see this as a key issue. The feedback from reps and retailers (reported in the 1993/94 Social Audit) emphasises the importance of producer information as a vital selling aid. Their experience in the marketplace was that customers will pay more if they are clear what they are paying extra for.

¹¹ The Marketing Director obtained this information for the review of sourcing and circulated notes entitled "Food Sourcing - A Marketing Perspective".

¹² Information on the current Marketing Plans was obtained by a semi-structured interview with the Marketing Director on 16/5/95.

¹³ The post of Foods Marketing Manager (as opposed to Foods Sourcing Manager) became vacant in January 1995 and is being held by the Marketing Director until decisions are made about the future direction of the business, and the sort of expertise required.

¹⁴ An unstructured interview (16/5/95) with the Reps department manager gave useful background for this section.

¹⁵ An example of a possible future outlet is a new consumer co-operative called 'Out of this World' which aims to establish about a dozen ethical supermarkets and sell approximately 3000 product lines.

¹⁶ Understanding where their products are positioned is vital, as the example of chocolate illustrates. The Mascao chocolate sourced from a Swiss ATO cannot compete with Cadbury's on price, but can compete with a share of the luxury market against brands like Suchards so that it would be a mistake to erode margins to compete against Cadbury's.

¹⁷ New Consumer Briefing No. 21, Spring 1995, provides this information and makes reference to a Mintel report.

¹⁸ Traidcraft management have been involved in discussions with Asda in May 1995, who are interested in fair trade because of the consumer demand. Cafédirect had grown to their third-best-selling ground coffee.

¹⁹ The campaigning is having a similar effect as advertising, which TC can benefit from without bearing the cost.

²⁰ The financial success of the foods business is largely due to Cafédirect sales and the high margins earned on foodstuffs. These margins are now under pressure as costs associated with product development increase. This can include a variety of tasks from packaging to overseas travel to verify or change sources.

²¹ 'Purists' and 'pragmatists' are terms used informally within the company to describe differing views. I observed these differences exist, but the distinctions are often blurred.

²² An informal interview with the former crafts manager on 12/12/94 provided this view.

²³ This was badly needed since historically customers had been expected to accept poor service and poor products. Faced with limited resources the foods manager had tackled these problems rather than the sourcing issues. This resulted in a tendency to prefer commercial sources which could be guaranteed to meet the standards.

CHAPTER SEVEN

FOOD PURCHASING POLICY AND REVIEW

Food sourcing had become a key issue for TC as a result of the factors discussed in the previous chapter, and it became more prominent and urgent following the publication of their 1993/4 Social Audit. The management decided to address the issue in two ways; firstly, rewriting the food purchasing policy, which would involve looking at what parameters are used in the sourcing of products, and secondly, measuring each of the current products against this new policy. This review would then show which products needed to be sourced from elsewhere. In January 1995 a 'Food Group'¹ was formed whose task was to take this process forward. Over the course of five months the policy was rewritten and the review completed.

7.1 FOOD PURCHASING POLICY

7.1.1 The Research Process

My involvement in the process was to produce a document for the foods-sourcing manager which could be used for discussion. To write this I canvassed a wide spectrum of ideas and opinion from within and outside the company². I found disparity on the nature and role of fair trade and my objective became to identify what it means to trade 'fairly' and how that could be reflected in company policy and practice. The views of TC's stakeholders were particularly illuminating and the following paragraphs give some indication of the diversity and uniqueness of their expectations.

Producers' Perceptions

Readily available information which demonstrated producers perceived needs was found from two sources, Partner Agencies³ and the producer partners themselves :

a) My interviews with the managers of Partner Agencies, Amka in Tanzania and Maasai in the Philippines (discussed in Chapter 4), highlighted that the needs of the producers can be very diverse. In Tanzania producers require "hands on" assistance from Amka and they need considerable information and direction. Their main requirement in fair trade terms is access to the market-place. Producers in the Philippines apparently face a different situation. There are many NGO schemes operating and market systems are

developed, therefore prices tend to be very low. Small groups without bargaining power suffer exploitation on trading terms. Their main needs are higher prices and prompt payment which they perceive is more effective than credit. When buyers prolong payment producers without sufficient capacity run into difficulties. This suggested to me that flexibility is extremely important and it is not helpful for ATOs to have fixed views about what the needs of producers are. The discussion in Chapter 3 notes that although credit may not always be appropriate, market information has a far more comprehensive role and impact. Invariably, well-timed and relevant information will be an appropriate form of assistance so I would suggest that TC can confidently develop this through the TX Partner Agencies.

b) Producer Partners had already, through the Social Audit, had an opportunity to comment on what is particularly important to them⁴. This highlighted a wide variety of needs and perceptions. For example, in Tanzania the main requirements of the Tabora Beekeepers Co-operative are for continuity and stability. They also require information on forward prices so they can plan, invest and take on new members to expand if market conditions are favourable. Prices paid by local traders peak and trough making forward planning very difficult. Although TC's price may be lower than the traders at certain times it is their long term commitment and consistency that is important to the co-op. In sharp contrast, TC pays the highest price of any buyer to the Tanica Coffee Factory which benefits small farmers in Tanzania. A Zimbabwean cashew nut company who has had a sporadic trading relationship with TC has recently asked them to pre-finance the next seasons crop; clearly their most pressing need is for inputs, having suffered crop failures in the recent drought. Credit can be of assistance to small producer groups and enterprises, but the focus is on appropriate credit. The Exchange advise that where possible access to credit should be obtained from local sources rather than relying on overseas sources⁵. Their past experience indicates that the relevant course of action will depend on a multitude of variables in the local situation and the economic status of the producer.

The key element which emerged during my research was the quality of the relationship with the producer partner. My observation is that if the relationship is dynamic, progressive and based on mutual respect and understanding, the benefits of the trade are more likely to be fully realised. To achieve this a two-way flow of information is vital. I found that producers who have engaged in a trade relationship with TC which has not been open and communicative have been left feeling confused and let down. The Kenyan dried mango supplier is an example of such a case, and will be the subject of a more detailed study in the following chapter.

Consumer Perceptions

Consumers' expectations were introduced in the previous chapter and I have found both internal and external views are relevant for an understanding of how this should impact on the food purchasing policy. For internal views, the Rep's Department suggest that customers want to see a tangible difference to other people's lives as a result of their purchase, and the focus must be on fair trade assistance at the micro level rather than the macro⁶. This points strongly to moving away from the country-based policies, or selling products on general campaign issues, towards showing exactly where and who the source is and how people are benefiting from the trade. Even if a product is bought through an intermediary TC must know where it comes from and who benefits. The Marketing Department believe that the key words for customers are : "Relationships", "Continuity", "Direct" and "Honesty"; whilst the key concepts are : "above average wages" and "good conditions".

I also canvassed the views of independent retailers. One, who sold both TC products and non-fair trade products⁷, reports that its own surveys have shown that even customer's unfamiliar with TC will invariably choose fair trade products, provided the message is clear. Having understood the fair trade message they then have expectations of the product (e.g. of quality) but they are prepared to pay the price differential if it is clear who is benefiting from the purchase. The shop requested that where it is not possible to be clear about this, a very high level of transparency and honesty is required so that customers can make an informed purchase. The most significant feedback from the external retailing sector concerns persistent complaints from a large Scottish wholefood retailer who also purchase from Community Foods⁸. They are particularly annoyed that TC is selling the same products and charging a fair trade premium. Dried fruit is cited as the main offender and this issue will be explored further in the next chapter. The relevance here is that many consumers quickly develop a trust in TC, which could be damaged by obscure policies and sourcing.

These examples of producers and consumers perceptions illustrate the diversity of stakeholders opinions that need to be considered. They all have needs and expectations and I considered that the task of the Food Group was to write a policy which protects and develops these relationships.

7.1.2 The Draft Document

The document I produced as a result of this broad dialogue is contained in Appendix 7.1. Its purpose was to provide a basis for wider discussion, and the first page attempts to set the policy in context by taking into account the company objectives, customer perceptions, producer partnerships and the wider fair trade movement. I used the company objectives to establish the three parameters for the policy, which became central to my argument for a clearly defined set of 'rules' which would guide future sourcing and prevent a return to the compromises of the past. My comments below give a more general background, explaining the way the policy is structured. I wrote the draft document on the assumption that the aim of the policy is to ensure that future food sourcing is carried out within a defined set of parameters, and also that TC is working towards stated priorities. My intention was that it should be a framework which facilitates a predetermined strategy. This implies a structured approach, and there is a trade-off between a narrowly focused, even rigid policy on the one hand, and a flexible, dynamic policy capable of encompassing many different situations, perceptions and needs on the other. Therefore the policy needed to be both simple and complex. On the one hand it must be a straightforward document which covers the basics of fair trade, is workable and easily applied and monitored. Achievable rules and targets which are measurable ensure progress towards the stated objectives. Yet on the other hand, it needed to be flexible enough to reflect the complexity of both producer and TC priorities, and it must be capable of varying between situations and over time.

I tried to achieve this by suggesting a two-tiered approach. Firstly by setting the parameters to work within, which would be the 'rules', a sort of base-line. Secondly, by establishing criteria to work towards, which could be targeted to reflect priorities. I felt the former should not be compromised, whereas the latter is entirely about compromise, and should involve communication and dialogue (particularly with producer partners). In addition, both the parameters and criteria are backed by statements on issues which are relevant to food trading, not only useful guidelines for sourcing but also available for wider information. This is the framework which I considered would be workable within all the given variables. However the policy framework needs two other processes to accompany it, namely, deciding on the priorities of the food sector and setting targets to ensure the business is moving towards them. In each section of the draft policy I included "Action Points" because I realised that if the desired mix of products and producers is to be attained the business needs to adopt proactive strategies.

I divided the draft policy document into four sections, which are summarised below in points i) to iv). They can be read in conjunction with the full document in Appendix 7.1.

i) Policy Parameters

The parameters were drawn from the company objectives, with the central requirement that purchases must be able to demonstrate "direct benefits to source". This prerequisite emerged from the preliminary discussions with members of the Food Group, and the Marketing Director in particular.

In this section of the document I aim to develop what fair trade means in practice. Firstly, the relationship and trading terms. The key here is facilitating a long-term trading relationship which satisfies both producer and consumer. The emphasis is on prices and payments since these are the areas which are so often inequitable on the open market. Secondly, I look at who TC should be trading with. This includes a variety of 'producers' and acknowledges that some are preferable because their structure means they are more likely to realise the benefits of the trade. The third parameter concerns where, geographically, TC should be trading. I felt this was important because of the temptation to establish commercially attractive links with Eastern Europe, which would divert them away from the Third World, and I believe there is a commonly understood perception that fair trade is a response to North/South inequality.

ii) Desirable Criteria

My idea in this section is to have flexible criteria which reflect a variety of aspirations by the various stakeholders, so that by targeting certain situations TC can ensure that reality matches its rhetoric i.e. it really is moving towards planned sustainable trade with the economically disadvantaged. This could include targeting specific regions and/or countries, and disadvantaged and marginalised groups. Sustainable production and the environment can be included not only because of their importance in their own right but also the interest of consumers in them as an "issue". It was noted in Chapters 6 that customers may have misconceptions about purchasing foods from developing countries, therefore it is important for TC to demonstrate that these issues are taken into account. Since TC neither has the expertise nor the resources to develop this I recommended that it should cultivate networks with those already in the field. Adding-value in-country by processing and packing is included as a highly desirable activity but I note that it needs careful targeting towards those most able to develop it successfully⁹. Activities in this sphere have become very popular with donor agencies and I believe there is a danger that

producers without suitable capability will be encouraged to enter processing and exporting.

iii) Food Trading Issues

My earlier comments on the threats of cash cropping (Chapter 3) and customers sensitivity to food trade (Chapter 6) suggest that the potential risks of trade must be considered. For this reason I was asked to conduct a more detailed study on food security and cash cropping issues in relation to the policy and this has been included as an appendix to the draft purchasing policy (see end of Appendix 7.1). It draws heavily on the discussion in Chapter 3, and in particular the work of the IDS workshop (especially Longhurst, 1988).

Limiting the dependency of producers on a single outlet was also discussed in Chapter 3 and in my view can most effectively be achieved by specifying a maximum percentage of total trade with one outlet¹⁰. Composites (which refer to products which contain a mixture of fairly-traded and commercially sourced ingredients e.g. mueslis) and intermediaries are included in this section because of their importance in maintaining transparent and honest trading right through the chain.

iv) Monitoring and Reviewing Systems

The final section introduces monitoring and reviewing systems which could ensure that trade is conducted within the parameters and is working towards the priorities set out. I felt this was necessary to prevent a lack of real progress in moving towards sourcing which reflects the company's objectives and the stakeholders' desires. History has shown that the pressures the company faced led to compromise, and without measurable targets and parameters the three years specified in 1982/83 to move towards direct sourcing became ten years.

7.1.3 The Consultation Process

My document was designed to be a starting point for consultation and discussion. Many of the key points were used in the final policy which appears in Appendix 7.2. Within the Food Group differences of approach and opinion emerged, broadly in-line with the tensions outlined in the previous chapter. The issue being debated was how to write a policy which would allow for flexibility, be commercially feasible and yet not deviate from the basic aims and philosophy of the company. I argue that the lack of progress

during the past 12 years indicated that an easily definable and clear cut approach was required if the fair trade logo on products was to be justified. There was disagreement amongst the group in defining what the benefits to producers were and how to set a minimum acceptable standard. During consultation a list of benefits was proposed including several which I believed were desirable consequences of the trade but not a justification in themselves e.g. increased ability to make choices, participation in decision making, being valued and adding value. To make fair trade claims on the basis of just one of these did not seem justifiable to me. Benefits, I thought, needed to be far more tangible and measurable if progress from the former country-based policies was to be made. I used an example to make this point; taking one of the benefits listed (on the first page of Appendix 7.2), if 'adding value' is the single fair trade benefit, it would be possible to justify products because they were processed in-country, on the sole basis of promoting economic development by transfer of wealth from North to South. Since fair trade is progressive in nature the key is the organisational structure of the source of the product, and whether the benefits of the trade can be fulfilled through it, therefore the sort of suppliers that are acceptable must be defined. If the policy was too flexible I was concerned that progress towards direct sourcing could be compromised and I used the following scenario to illustrate this. An established food business could diversify into processing peanut butter, and become a Traidcraft supplier on the basis that it is a medium sized business, providing employment for an urban population and a market for peanut growers. If they pay workers the average wage and growers the market price the product complies with the food purchasing criteria on the basis of adding value in country. My misgivings related to whether the product would justify the TC label. After discussion the Food Group decided to define the partnership and price parameters more clearly, so that a variety of benefits which must be 'definable' can be realised through the trading relationship. This illustrates how various aspects of policy and practice were discussed and amended until the final document in Appendix 7.2 was produced by broad agreement. But inevitably it is a compromise which reflects the diversity of contributors.

In spite of diluting some of the areas which I felt were important, the key parameter, which is described by the new policy as purchasing in a way that "directly benefits" the producers, remains. The main areas of weakness in the final draft are, in my view, the lack of measurable targets and specific mechanisms to ensure that the business is working towards a planned strategy which reflects its priorities. It is unclear whether it will prove to be a useful framework for steering the business in the future. However, it will serve to continue to direct sourcing away from a broad country-based policy towards more direct links. The policy which has been abbreviated to appear in the 1994/95 Social Audit is shown in Figure 7.1. In one sense the Social Audit has served to drive the process

forward and ensure a conclusion, and yet in another it has become the over-riding agenda, and perhaps the real need for a new policy at times became secondary. By this I mean that the concern with justifying their actions to their stakeholders took precedence over the need to formulate a clear strategy for foods which moves away from indirect sourcing towards finding products with strong fair trade attributes.

FIGURE 7.1

NEW FOOD POLICY

Traidcraft foods will differ from similar products available from the normal commercial trade because of its commitment to

- * a relationship of long term partnership and co-operation with the primary producers*
- * paying a fair price*
- * purchasing the product is a way that directly benefits the primary producers and where the benefits are definable and under their control*

Partnership means a long term continuous relationship based on co-operation, mutual respect for the people involved.

A fair price is one that is acceptable to seller and buyer and is sufficient to realise the benefits of the trade (below). A fair price and contract conditions will protect the seller against uncertainties in the market price and currency exchange rates. A fair price is paid at the agreed time in full and will be supported by ensuring the supplier has access to affordable credit where necessary.

Benefits The benefits Traidcraft's business offers producers are:

- * provision of a market where normal market entry is difficult*
- * a fair return for labour*
- * improved working conditions*
- * access to advance payments where appropriate*
- * increased ability to make choices*
- * increasing control of value added through processing and packing*
- * a trading relationship in which producers are valued as people*
- * participation in decision making*
- * community development through the proceeds of trade funding basic social needs of the producer's families and community.*

Source : Draft Social Accounts 1994/95.

7.2 THE PRODUCT REVIEW

7.2.1 Background to the Review Process

In spite of its limitations the completed food purchasing policy facilitated a review which screened each product against the new criteria. The review had begun the previous year for the 1993/94 Social Audit. Described as an "initial review" it stated that products had been measured against three criteria: who benefits; fair prices; and environmental issues. The results were printed, reporting that "about three-quarters of the products come from apparently acceptable sources, where the producer receives a fair price". The cautious wording sought to describe the changing situation in the food department, but this committed TC to ensuring that by the next Audit something more definite could be published. With the new policy written, I was asked to develop a system to review the products against it.

7.2.2 Developing a Review Method

To develop a review method I used the essential features of the policy and created a product-review form to assess each product. My objective was to identify the source of the product, judge whether it met the policy criteria and then record the benefits that were being experienced as a result of the trading relationship. The first and second drafts can be found in Appendix 7.3¹¹. The second was amended after consultation with the Food Group, to include other target groups who may benefit as a result of the trade, for example primary growers if the supplier/source is a processor. The initial pilot process was conducted on the dried fruit range, primarily because I had selected this product group to study in further detail. It proved to be an ideal pilot because it contained several categories of suppliers, both direct and indirect, and the results highlighted a variety of problem areas (which are the subject of the next chapter). After completing the pilot the entire product list was reviewed in the broad product groups¹². Unfortunately there was a fundamental difference between the pilot and the rest of the review. When conducting the dried fruit review I obtained a considerable amount of new information, for example by visiting suppliers and making relevant contacts. Anxious to conclude the review as quickly as possible the food department decided to complete the forms for products other than dried fruit in less detail and only use the information which was already on file, or existed within the company in some form. Whilst this is understandable given their restrictions of time and resources, I feel that by doing only the minimum which was required by the Social Audit the review process will ultimately be less useful for strategic planning, and this is an area in which the department appears to be quite weak.

7.2.3 The Results

The completed forms had two purposes :

i) Information for the Social Accounts¹³

Transparency is a fundamental part of Social Accounting, which includes reports on progress in sourcing. A basic spreadsheet was produced for each product group which summarised the findings of the review form. The problem with such an assessment is that the outcome largely depended on the individual doing the analysis¹⁴. The spreadsheets were given to the Social Accounts Department which used them to produce the information in Table 7.1. Four criteria were used, which reflected the key components of the new policy. The link between TC and the producer refers to the 'directness' of the relationship, for example, rice appears in the 'weak' column because it is traded on the open market and the producer is not known, whereas honey scores in the 'strong' column because there are clear links with specific producers. Similarly, the price category indicates whether TC are paying a premium price or just the market price. The benefits refer to those identified in the product-review forms (Appendix 7.3). The final category, sales value, quantifies the results by assessing whether the product largely conforms to the criteria above, or does not conform. The results, which will be published in the 1994/5 Social Accounts show that of the 121 food and beverage products 77, that is 64%, conform to the new criteria, and 44, or 36%, do not. Although this appears to be a decline on the results of the previous year¹⁵ it is anticipated by TC that the scope and depth of the review will be welcomed by stakeholders.

This process has condensed and summarised an enormous amount of information and has necessitated a judgement (conforms or does not conform) based, to a certain extent, on an individual's opinion. However, the value of the exercise is to attract attention to certain product areas, which it did successfully, as described below. As each of these areas are tackled the Social Accounts can report what action is being taken and progress will be clear.

ii) Developing a strategy for each food group

Although the Social Accounts were the driving force behind the review, I consider that the main benefit to TC was the opportunity for the food's business to look in detail at its range of products and to identify clearly the problem areas. This would then provide the

basis for a planned approach to develop each product group. My intention when writing the review forms was to ensure that sufficient information was obtained to make this process meaningful. In particular, they were designed to make the decision about the final recommendation as informed as possible. For example, if the source is to be developed, understanding the strengths and weaknesses and assessing the input required will help the department to plan its resources. Looking for new sources also requires strategic planning to advance in a less ad hoc manner. Discontinuing the product can be commercially unattractive, but the information contained in the form will help the business make the appropriate decision. The study of dried fruit in the following chapter looks at the possible implications of the various decisions.

The foods business were daunted by the task and some product groups appeared to receive a hurried and brief assessment. Recognising the limitations they faced the department decided to tackle the results of the review on a product group basis and to use the Monthly Marketing Group as the forum to look at each product group in turn¹⁶.

7.2.4 The Future

The benefit of the review for the Social Accounts is that TC are committed to tackling the 36% of products which do not meet the new criteria, and that the problems areas are now much clearer. Nuts and dried fruit are particularly weak groups so the Marketing Group should aim to prioritise them. I condensed information from the review into a Product Group Summary and Strategy. My summary for nuts which is included in Appendix 7.4 illustrates that some suggestions for action and priorities of the product group could provide a useful starting point for the Marketing Group. The purpose of the review and the information it generated has, I believe, a dual purpose; both to move to more direct sourcing; and also to strengthen existing partnerships, ensuring that the scarce resources of the business are maximised. The commitment to the latter was lacking in the review, largely because of the perception by the food department that they did not have the time. Unfortunately the pressures of day-to-day trading problems and a lack of staff tend to result in low levels of strategic planning and proactive action, and an unwillingness to set targets to measure progress. Prioritising at this level would, I argue, avoid the consequences of the previous approach to sourcing. The following chapter looks at the problems associated with this for the dried fruits product group, and highlights the need for policy and planning when there are so many complex variables.

TABLE 7.1 FOOD REVIEW ANALYSIS BY PRODUCT GROUP

PRODUCT CATEGORY	No's PROD	LINK		PRICE			BENEFIT	SALES VALUE	
		S	W	P	M	+	N/K	MOST	FEW
CHOC	11	8	3	8	3	8	3	154	68
SNACKS	6	4	2	5	1	5	1	16	12
SWEETS	2	2		2		2		12	
TEAS	8	8		6	2	6	2	291	63
INSTANT	3	2	1	2	1	2	1	274	57
COFFEES	11	11		11		11		391	
COCOA	1	1		1		1		22	
JAM	3	3		3		3		22	
SUGAR	4	4		4		4		88	
NUTS	13	6	7	8	5	7	6	76	116
FRUIT	11	2	9	2	9	3	8	51	187
NUT BUT.	4	1	3	1	3	1	3	26	20
PAPADS	2		2		2		2		6
RICE	2		2		2		2		51
SPICES	19	12	7	12	7	12	7	27	14
HONEY	7	7		7		7		81	
MUESLI	6	1	5	1	5	1	5	10	145
BAKERY	8	4	4	4	4	4	4	11	13
TOTALS	121	76	45	77	44	77	44	1552	752
% OF TOTAL	100	63	37	64	36	64	36	67	33

KEY TO TABLE :

No's PRODS = Number of items in the category, excluding different packaging representations of the same product e.g. the same tea blend in tea bags or packaged tea.

LINK- S or W = refers to the linkage between Traidcraft and the producer, strong or weak.

PRICE : P = premium price paid by TC; M = market price.

BENEFITS : + = significant benefits to the producer

N/K = benefits to producer not known.

SALES VALUE = Revenue value to TC in £'000 for products conforming to MOST or FEW of the criteria.

NOTES FOR CHAPTER SEVEN

¹ The Food Group comprised of three Executive directors, the foods sourcing manager, the administrative assistant in the food business, a representative from Traidcraft Exchange and myself.

² Those in key positions in TC plc. and TX, including Executive management, programme managers, food department, current and former crafts managers. Outside TC I spoke to a wide variety of bodies, including the Fairtrade Foundation, Oxfam, TWIN, Equal Exchange, British Association of Fair Trade Shops, New Economics Foundation, New Consumer, SAFE Alliance, Kulika Trust, NEAD and Farmers World Network.

³ Partner Agencies refer to the specific organisations which the Exchange work with in certain developing countries, an example was given in Chapter 4.

⁴ The 1993/94 Social Audit focused on the 12 African producers.

⁵ This point was made during feedback on the policy draft on 11/5/95. The Exchange have built up many contacts with producers through their programme of assistance and give a valuable perspective.

⁶ Source : Food Sourcing notes by Marketing Director on 7/2/95.

⁷ From a semi-structured interview with Gateway Crafts on 6/3/95.

⁸ Greencity have made their feelings known to TC and others in the fair trade sphere. Their particular complaint is about Turkish apricots.

⁹ Most ATOs have criteria for selecting products and producers which will use their scarce resources to maximum benefit. OWW, the Belgium ATO, has a strong emphasis on development and its sourcing policy starts with the impact on and the needs of the producer. At its General Assembly in 1990 it laid down specific criteria which would prioritise so that their "engagement and limited means" could be used as effectively as possible.

¹⁰ The rationale to limit the dependency of a producer group on one outlet is generally accepted, and was appreciated by the managers of the two partner agencies I spoke to.

Unfortunately it was not included in the final draft, which reflects the lack of measurable parameters.

¹¹ Also included is a review form for composite products, which are products made up of several ingredients, for example mueslis and dried fruit salad. Examples of completed forms are included in the next chapter.

¹² The review was completed by dividing the product list between the foods sourcing manager, the administrative assistant and myself.

¹³ The terminology of Social Audit and Social Accounts is interchangeable.

¹⁴ Unfortunately the priority of the food manager had to be to get the task completed for the 1994/95 Social Accounts deadline.

¹⁵ The 1993/94 Social Audit stated "three-quarters of the products come from apparently acceptable sources" i.e. approximately 75%.

¹⁶ Marketing Group meetings involve the sales and marketing teams and provide a forum for a holistic approach to link sourcing issues with marketing. They are the basis for monthly planning and decision-making e.g. resources for promotions.

CHAPTER EIGHT

THE DRIED FRUIT PRODUCT RANGE

INTRODUCTION

In this chapter my study of the dried fruit product range will be used to illustrate the balancing act of linking producers and consumers, which is recognised as fair trade. My chosen pilot, dried fruit, emerged from the review process as a weak group in sourcing terms, and yet as a commercially valuable and diverse range I felt it deserved particular attention. Historical sales figures (prior to 1991) are not held by the company but when wholefoods were introduced in 1983 they included a limited range of dried fruit, sourced via Community Foods (see Chapter 6). The range of 10 products which appeared in the latest catalogue can be seen in Appendix 8.1, and the table overleaf (8.1) breaks the range down into volume and value for 1994. As a group it represents approximately 12% of total food sales but, as the figures illustrate, this is dominated by a few high-sales products. Sales of the previous three years shown in Table 8.2 indicate steady growth until a drop in sales after 1993/94, which was due to the strategy by the Marketing department to set high margins in an effort to maintain profitability. Whilst acknowledging this decision has consequences for both the foods business (a drop in sales) and consumers (higher prices), the focus of this chapter is to examine what the results of the review mean for the product group and various strategies to progress sourcing. If the dried fruit range is to be strengthened so that it can continue to contribute to TC's goal of growth and profitability (as discussed in Chapters 5 and 6), then I suggest that this involves considering both the marketing and sourcing issues, and developing plans which can realise that goal.

At this point my role changed; from an active participation in the policy and review process, my research became more external, based on the results of the review and the new policy constraints. This chapter illustrates my new function; in providing the foods business with information, highlighting what I believe are the key issues and thereby facilitating the process of making informed and therefore appropriate decisions.

TABLE 8.1
DRIED FRUIT SALES 1994/5

PRODUCT	QUANTITY (kg's)	SALES VALUE *(£)
APRICOTS	17,550	95,000
SULTANAS	13,500	36,500
RAISINS	13,800	29,600
FRUIT SALAD	4,500	24,900
DATES	8,400	19,000
FRUIT AND NUT (50% Raisins)	3,000	14,920
BANANA CHIPS	1,080	5,600
WHOLE BANANAS	1,500	4,300
MANGO	1,200	4,300
APPLE RINGS	360	2,700

**Based on current prices*

SOURCE : Author's analysis of TC data, 1995.

TABLE 8.2
HISTORICAL DRIED FRUIT SALES

PRODUCT	SALES 1993/94 (£)	SALES 1992/93 (£)	SALES 1991/92 (£)
APRICOTS	101,400	81,300	67,200
SULTANAS	39,800	33,900	23,000
RAISINS	30,500	28,000	16,000
FRUIT SALAD	28,000	26,600	17,000
DATES	21,400	21,300	17,300
FRUIT AND NUT	19,500	20,000	18,700
BANANA CHIPS	7,200	6,000	5,300
MANGO	6,100	4,600	1,400
WHOLE BANANAS	5,800	5,500	4,300
APPLE RINGS	3,500	-	-

SOURCE : Authors analysis of TC data.

8.1 THE REVIEW PROCESS AND RESULTS

8.1.1 Piloting the Review Process

In the previous chapter the method of the review process was described. My analysis of dried fruit for the pilot found that the sourcing of products fell into four basic categories:

- direct from a producer partner
- bought via a commercial intermediary but from a known fair trade source
- a commercial buyer who purchases on the open market but from a specific country
- composite products i.e. product comprised of several ingredients which come from a variety of sources.

TC's dried fruit can be divided roughly into two groups.

- The vine and temperate tree fruits are bought from Community Foods. Typically consumers are familiar with the product and sales are high.
- The tropical fruits are sourced from producer partners, and tend to have low sales due to poor market acceptance and problems of quality and availability.

I observed that in broad terms the first group are easy to sell but difficult to source in accordance with the policy¹, and the latter group are commercially unattractive but there seem to be a number of fair trade sources available². Two fruits (one from each group) illustrate these issues particularly well and I have used them as the basis of a more detailed study of the problems facing TC's food business.

8.1.2 The Mango and Apricot Dilemma

Apricots

The review form for apricots (Appendix 8.2) concludes that clear benefits to source cannot be identified and therefore the product does not comply with the food purchasing policy. This conclusion was reached after lengthy discussion with the dried fruits buyer at Community Foods and my report of that meeting (written for the Marketing Director) is produced in Appendix 8.3. My investigation was thorough since I recognised that the implications of any changes need to be fully assessed. Apricots sales are the highest of

any single product³ and naturally the foods business is anxious to protect this income. The product is of an extremely high quality, with reliable continuous supplies, low market prices and excellent margins⁴. However, I found the fair trade attributes are less impressive, as although the source is known (a private packer) the benefits to Turkish apricot growers or factory workers cannot be established. As my report (Appendix 8.3) notes, Community Foods feel that it is a commercial source which does not warrant any fair trade claims. This has proved to be a problem for TC, since other wholesalers and retailers who sell exactly the same apricots feel aggrieved that the TC packaging and logo may lead customers to think that they are fairly traded (the example of the Scottish retailer was discussed in Chapter 6). This is compounded by the fact that Community Foods have developed an organic project, and they will be applying for the Fair Trade Mark for dried fruit and nut products (see point c) below). Although the organic apricots are more expensive and market acceptance is not as good (mainly due to the colour which is brown rather than orange because there is no sulphurization), I consider their main benefit is that they meet TC's new policy criteria⁵. Oxfam Trading sell these apricots, and presumably accept lower returns but they are staying within accepted fair trade parameters, therefore it hardly seems justifiable for TC to continue with the commercial source.

Information I obtained during the review (including the review summary which is included in Appendix 8.4) points to four options:

a) Develop this source

Having discussed this with Community Foods the scope for adding benefits appeared to be minimal. They felt that premiums for growers or workers were not feasible because it would not be possible to follow them through. Their established packer is commercially strong, has excellent markets and has no interest in adding a social/welfare angle to its activities. Therefore this does not appear to be a plausible option.

b) Keep the existing source

This would involve making it clear on the label that the apricots do not comply with the food purchasing policy, but that purchases of the product help to support TC's work with producer groups in other parts of the world (the role of support-products was discussed in Chapter 6). The financial benefits to TC are obvious, but the action may weaken the image of TC which could be counterproductive in an increasingly competitive fair trade market.

c) Change to Turkish organic apricots

The benefits of this strategy are that the source has already been developed by Community Foods and the product is available. Organic apricots command a premium price but since it is fair trade, and not organics, which is TC's Unique Selling Proposition (USP) the sales may be lower. The product would need careful promotion and in the short term lower sales may have to be accepted. In addition, TC must decide whether it wants to continue to source from Turkey, an issue debated in my report in Section 1.3 of Appendix 8.4⁶. Furthermore, the apricots may soon be eligible to bear the Fairtrade Mark, an issue which TC must address with regard to consistency in its labelling and messages to consumers (discussed in Chapter 5).

d) Establish a fair trade source from elsewhere

Finding commercially viable sources which meet the food purchasing policy criteria seems to be a problem. It involves a trade-off between fair trade criteria and suitable product specification, particularly price, quantity and quality (discussed below in 8.3). Getting the right balance often proves difficult, and concerns at TC over profitability mean that the criteria can be compromised. It is for this reason that I have stressed sourcing must be within measurable policy guidelines.

e) Phase out apricots

If it proves too difficult to find a fair trade source this could be an option but in view of the financial implications it would have to be done gradually, while other products are being strengthened by a marketing campaign to replace these lost sales. In the short term a significant loss of revenue would occur but in the long term TC may improve their fair trade credentials and have a unique product range in its place.

Mango

Dried mango from Retiefs Ltd in Kenya is the antithesis of apricots in almost every respect. It complies with the purchasing policy, having several strong fair trade features, yet it generates extremely low sales and commercially is a 'problem', with variable quality and variable supplies. My review for TC (in Appendix 8.5) concluded that this source needed some input in order to make it viable and my recommendation to develop the source is based on re-establishing communication with the Retiefs. Clarification on the nature and commitment of the trading relationship is required, and a study of how TC can assist them to meet the demands of European markets.

My findings suggest that TC have failed this trading partner badly in the quality of their communication and input. The Retiefs have been left feeling confused because, in spite of initial interest, TC have not responded to their supply and demand problems⁷. On the supply side Retiefs need technical assistance to improve quality, and also help in securing large enough orders to guarantee container space. On the demand side, customers generally have a low awareness of dried mango and its uses, yet I did not find evidence of efforts by TC to promote it. TC introduced Retiefs to Community Foods so they could supply a wider market but there are signs that Community will drop the product due to lack of sales in the face of strong competition from sugared tropical fruit from Thailand⁸. TC seem aware of these problems but, in my view, unless action is taken soon it may be too late for the Retiefs. Decisions must be made which will clarify their relationship and the extent of input needed to make this a viable product for TC.

The dilemma therefore, is what decisions should the food business make not only to maximise its own profitability and sustainability, but at the same time to reflect its "core competency". The purpose of my review was to provide information on the current status of products, so that the foods business can identify where action is needed. In the following two sections I use some of the marketing and sourcing issues to illustrate the complexity of the decision-making process. My view is that sourcing issues have lacked attention in the TC foods business and consequently I have focused on them (Sec. 8.3). This is not to under-play marketing but in recent years the foods business has concentrated on the delivery of its products to consumers (the demand side of the equation). As explained in Chapter 6 this was partly because this was badly needed and partly due to the experience of the manager. It may be more difficult to work with producers in developing countries but I believe TC must take on the full responsibility of their commitment and utilise the information which assists this process.

8.2 MARKETING OF DRIED FRUIT

8.2.1 Knowing the Market

TC must develop an understanding of its own and the wider market for dried fruit so that it can anticipate the response of consumers to product changes. There are many sources which TC can draw on, and I found the following useful:

i) Reports which examine the market prospects for dried fruits.

There are a number of reports available, written by institutions whose remit is to help developing countries gain access to the market, for example:

- ODNRI (1990) study on the market for dried fruit in the UK, Germany and France. Written primarily for producing countries it examines the prospects for selected dried fruits and contains a wealth of information on the market preferences for each product, including cleanliness, taste, colour, texture, sugar content, prices and packaging. General conclusions are made about the opportunities, for example, that tropical fruits have reasonable prospects within growing price competition, while apricots show good prospects, with Turkish suppliers dominating the market.
- The CBI (1991) has also produced a study of the major European market for dried fruits with information on market trends and consumer preferences. It reports a new trend of mixtures of tropical fruits and nuts in the UK.
- International Trade Centre publication "Dried/Dehydrated Fruit : A Survey of Major Markets" (International Trade Forum 1995). This report highlights the fact that consumers are not familiar with tropical fruit and usually have to develop a taste for it, although interest in the sector is growing. Mangoes are particularly unfamiliar and sales tend to be low, although they may increase if prices fall (on the open-market mango is double the price of pineapple and papaya).

ii) Specific market research

In 1994 Traidcraft Exchange commissioned market research in six food sectors, one of which was dried fruit⁹. Although the primary aim of the research was to help "steer the development and marketing activity of Traidcraft Exchange's affiliated organisations and producers partners" the results are highly relevant to TC's food business. Having

contributed financially to the research and been involved in its planning and execution, I feel the food department must develop a sense of 'ownership' of the results and use them to shape future strategies. Dried fruits emerged as an attractive sector, with significant market interest for fairly traded products. The research found that the potential was encouraging, with development based on three factors:

- high quality tree fruit, ideally sun-dried without sugar
- a clear and direct producer connection
- distribution via the health food channel.

A key issue which the report identifies for TC's food business is finding volume sources that can meet the quality criteria of the market. TX have attempted to develop the results of this research, primarily by setting up a working group of 3 ATOs to look at possibilities for joint work on dried fruits. This group has met only once and seems unable to make progress possibly because of fundamental differences on how to proceed¹⁰.

iii) Trends in the food industry

Information on general market trends is available from current periodicals. For example, the Grocer (1994) reporting on the sector last year noted that Whitworths dominate dried fruit with 23% of the £65 million business. Whitworths' move towards building a more highly specialised snack range suggests that market possibilities are significant, and their £1.3 million advertising budget aims to promote the dual usage of fruits, for both baking and snacks¹¹.

Food fairs are another extremely useful indicator of current and future trends in the industry and my report for Traidcraft of the 1995 Good Food Show highlighted the emphasis on exotics (report in Appendix 8.6).

iv) Testing own products in the market

This can provide useful feedback, and my own subjective exercise with a group of International Marketing Postgraduates at Newcastle University highlighted some issues for TC apricots and mangoes¹². In particular it reinforced the fact that mango has a very low, almost non-existent, level of consumer awareness. The group felt some information about how to use mango was needed on the packet. In general the packaging and labelling were thought to be very poor, particularly in terms of reinforcing the fair trade

attributes. Apricots were a recognised and accepted product but Turkey was questioned as a source because it was not perceived to be in the 'Third World'. I am aware that ad hoc subjective assessments like this can be misleading, yet the exercise illustrates the importance of knowing what non-Traidcraft customers think of products, if TC is to successfully supply wider markets.

In summary, a broader understanding of the dried fruit market will help TC to position its own products, develop appropriate niches, and exploit all the potential sales opportunities within its overall marketing strategy. Equally, this knowledge of the market can be made available to producers to enable them to respond to the demands of export markets, demonstrating TC's role as a linking organisation (see diagram in Appendix 3.1).

8.2.2 Addressing the Market

Addressing the market involves examining the dried fruit products, in terms of how they are presented and offered to customers. I have divided the key issues into product standards, which will be covered in the next section because they are largely concerned with sourcing (i.e. finding and helping producers to offer suitable products), and product positioning. This involves looking at key variables such as fair trade (producer benefits), higher retail prices, and health attributes, and addressing the practical implications of promotion, labelling, branding, and availability (which is the remit of the Monthly Marketing Group). The purpose of these meetings (as noted in the previous chapter) is to help the foods business plan and make decisions for each of the product ranges. These plans can include practical recommendations which reflect a policy decision. For example, if a decision is made to promote mango, recipe leaflets may be recommended as an effective selling aid which is widely used in food retailing (mango would be an ideal product because of the lack of knowledge of its uses). In addition the 'fair trade' attribute of mango could be emphasised so all the USP's are clear. Labelling is the main vehicle for getting across all the selling points of the product. Currently no nutritional information is provided, and the healthy nature of the products e.g. 'no added sugar' is not promoted at all. If a firm decision is made to target the health food sector then the Marketing Group must address this. The Group should also make a contribution to the debate on the Fairtrade Mark. The wider discussion (Chapter 5) and the specific implications for dried fruit noted earlier in this chapter suggest that TC must clarify these issues.

Having highlighted the role of the Marketing Group, and the issues which I feel it should consider on dried fruit, my concern is that the Marketing Group suffers a major weakness. It operates by consensus and represents many, diverse opinions (this problem was noted in Chapter 6). The summary at the end of this chapter supports my apprehension about their ability to achieve positive changes for dried fruit.

In my view the dried fruit range urgently requires planning. The review found little evidence of planning and I would suggest that products have been offered either because sales are good or because there is a commitment, however tenuous, to a producer partner. Planning the range would involve taking the statement of strategic intent, looking at the market research and market indicators, and making decisions about individual products. Current sales figures reflect the way in which the range has grown; the high apricot sales and low mango sales are indicative of a wider market trend, which suggests to me that products are not promoted or sold on their fair trade attributes. As a result of the new policy TC has committed itself to move to direct sourcing, and armed with the knowledge of where its problem areas lie (after the review) the business now needs to develop plans which will secure the future of the range. For example, if apricots and vine fruits prove to be difficult to source (the issues of volume and quality are discussed in the next section) and tropical fruits are relatively easy to source in comparison, then moving towards strengthening the tropical range may be the most appropriate long term strategy. The trade-offs involved in these decisions are enormous and it seems likely that progress will be slow.

8.3 SOURCING OF DRIED FRUIT

The challenge for TC is not only to meet customers expectations (particularly in terms of fair trade attributes), but also to work with producers so they can respond to the demands of the market by delivering products of the right quantity and quality at the right time. The purpose of my work has been to show that finding sources which meet the policy criteria must result not only in products which are eligible for the fair trade label but also in a trading relationship which realises tangible benefits to those trading partners. The difficulties in succeeding at this task are appreciated by many who operate within the fair trade sphere¹³. Pooling expertise and resources, and making progress collectively seems to be the most effective avenue to long term success¹⁴. This section examines some of the difficulties faced in the sourcing of dried fruits (particularly in the light of the review findings on mango and apricots) and considers avenues for further investigation.

8.3.1 Choices

TCs first task is to make decisions about the overall strategy on dried fruits, which will be in line with the marketing plans and the general environment of the business (see Chapters 5 and 6). For each product the input must be planned, which will be either to develop the existing source (for example, mango), or to find new sources (possibly the best course of action for apricots). New sources can be found using several channels :

- Direct sources are those where TC and the producer form a close trading relationship. Getting the source established can be time consuming and costly, and organisations with strong country links can be useful. Traidcraft Exchange and its partner agencies have fulfilled a role here¹⁵;
- Other ATO sources;
- Intermediaries;
- Consortiums with those who have a similar agenda and face similar problems.

By using a variety of these options it is possible to direct resources to a few key trading relationships which will yield benefits to all those involved. The parameters of the purchasing policy are designed to maximise that impact, so the trade must be measured against policy (as discussed in Chapter 7). Part of this process is an awareness of what constrains that potential producer from the market place and an assessment of whether those constraints can be addressed successfully by the partnership. A knowledge of all the barriers is important, as part of developing a full understanding of that product.

8.3.2 Barriers

In many instances the producer may need technical help and this can be provided most effectively by linking them with agencies that can get them access to resources or offer specialist skills. For example, the Intermediate Technology Development Group (ITDG) have done a considerable amount of work on the technical problems faced by small producers in drying fruit¹⁶. The Natural Resources Institute (NRI) has been working with a company in Uganda to produce handbooks for small-scale solar-dryers which could be used for training in a wider context¹⁷. TX have been planning to finance some technical assistance for the Retiefs mango business, possibly in the form of training from a food technologist. The limitations of what an ATO can achieve in terms of direct technical input must be recognised. Introducing new producers, with new products to a new market can have disastrous results and TX recommend that at least one of those variables must be known¹⁸. In general technical assistance to producers tends not to be economically viable and ATOs should work with an NGO who could fund it as part of a development programme¹⁹ (the role of policy to guide such decisions was discussed in Chapter 7).

ATOs can and do have a direct role to play in reducing other barriers. As discussed in Chapter 3, market information is one of the most crucial and most economically feasible ways of helping producers to access the market. The dried fruit market is dictated by several forces, which TC can help producers to be aware of:

i) Legislation on :

- preservatives
- microbiological standards
- labelling
- packaging
- water activity.

In UK the official standards are minimal, and so it is the demands of the market, led by the supermarkets which are the indicators. These are dictated by strict specifications, described overleaf.

ii) Product specifications :

It is normal practice for producers to be required to supply goods that meet a raw material or product specification. Generally these will be written by the buyers and it is appropriate for ATOs to provide producers with a clear guideline which sets out what is expected. Very useful guides for this purpose are the international Codex Alimentarius standards which are produced by the FAO. Since the recent GATT settlement these are being up-dated and will become increasingly important in standardising the minimum specifications a product should meet. They are designed to ensure quality and protect health. Typically they would cover :

- Product definition
- Physical description and properties
This includes colour, texture, flavour, maturation, uniformity and moisture levels.
- Quality requirements
Physical defects with maxima set for stones, stalks, stems, fruit affected by mould, sugaring or damage, immature fruit and the presence of extraneous matter.
Infestation and Contamination (evidence of), with specified microbiological level for certain bacteria, moulds etc.
- Food additives
Specifies maximum levels for those additives commonly used in the product e.g. sulphur dioxide must not exceed 'x' mg/kg.
- Contaminants
Specifies maxima for such contaminants as copper, arsenic, lead, and aflatoxin.
- Hygiene and good manufacturing practice
Most buyers require evidence that a recommended code of practice is being followed.
- Fumigation and field treatments
A full history and records must be kept.
- Storage
Temperature and shelf life.

- Packaging and weights

Specifies the preferred materials and the necessary markings. Weights, including the minimum legal weights at point of importation.

iii) Trade barriers : both tariff and non-tariff restrictions.

It was noted in Chapter 1 that since the Uruguay Round of GATT the latter will be gradually decreasing, but only to be replaced by other protective measures. The most significant one for trade in dried fruit seems to be the increasing maze of quality standards (much of which is embodied in the 1990 Food and Drug Act). My preliminary research on this suggest that an important development will be the implementation of a standard which states that the importer has to show the producer is taking "due diligence" in production and processing. To do this a simple hazard analysis system must put in place by the producer. A commonly used method is HACCP, which stands for 'hazard analysis critical control points', and is a way to detect hazards such as foreign bodies by making checks at certain 'critical' points.²⁰ Some producers may wish to go much further than this and apply for certification under the international scheme ISO 9000, which will guarantee that they work to internationally recognised standards. There is a confusing debate suggesting that, on one hand the ISO 9000 regulation will standardise at an extremely high level, and on the other that Codex Alimentarius could, by harmonising food standards across the board, push standards to the lowest denominator (Ecologist, 1993). The impact of these legislative changes will be reflected in importers specifications and it will be very important that TC is fully aware of the impact of them on current and potential trading.

Tariff barriers are much clearer and there are duties payable on most imported dried fruit. For example, apricots from South Africa attract an import duty of 5.5% (payable on the CIF price) which under GSP has reduced from 6.8%. As a result of the GATT settlement there will be an annual reduction.

An important non-tariff barrier for vine fruits is the Minimum Import Price (MIP) which operates in the EC to protect member states' own production (particularly the currant crop in Greece). This mechanism has a big impact on prices and can prevent some countries from selling their product to the EC states. Countries like Pakistan, Iran and Afghanistan who produce poorer quality product cannot sell it at what would be the market rate (i.e. lower than MIP).

8.3.3 The Impact on the Apricot/Mango Dilemma

Many marketing and sourcing issues affect the apricot and mango dilemma and it is critical that TC respond with appropriate decisions. I identified various options and initiated preliminary work so that the Monthly Marketing Group could have as many facts as possible for their deliberations.

i) Apricots

The general options in the short-medium term were discussed in Section 8.1.2. Given the circumstances (i.e. the high sales value and the pressure to maintain profits) it is very unlikely that apricots will be dropped. The ideal scenario would be to find a fair trade source and protect that income. Of the options noted in Section 8.1.2, direct sourcing has several problems and I have considered two very different possibilities:

Pakistan source

As a result of technical input from ITDG there is a potential source of apricots from several producer co-ops in the north east of Pakistan²¹. From the information available I would suggest that the source meets with the fair trade criteria but the product is not acceptable to the UK market. Apricots from that region are a different variety which is smaller and sour, and quality tends to be a problem, with infestation up to 45% reported by one buyer²². It is not clear whether the co-ops would be able to supply stable, continuous supplies in the volumes required, and this may be hard to establish due to poor communication. In addition, transportation would be very difficult and consequently, expensive. TC does not have any existing producers in that region so logistics would be very difficult. In spite of the attractive 'fair trade' qualities of this source it must be concluded that it is not a viable option, at least in the foreseeable future.

South Africa

This region is an established exporter of apricots to European markets and has recently benefited from special trade preferences with the E.U. From a fair trade perspective the links could be weak, since the trade seems to be in the hands of large commercial packers. This virtually guarantees good quality but staying within the parameters of the purchasing policy may be a problem²³. I requested the Partner Agency, Just Exchange, to investigate possible sources and provided general specifications to guide them (a copy of my fax is in Appendix 8.7).

My initial investigations have indicated that finding solutions for the apricot dilemma is not going to be simple. There would be obvious benefits to joining forces with others but, as noted earlier, attempts to form a working group of ATOs have not materialised²⁴. This is particularly disappointing because Community Foods might have been prepared to help a larger venture. However, in reality Community believe that Turkey is the only commercially viable source of apricots (see Appendix 8.3). TC are clearly making substantial income from their apricot sales, but they are also missing out on other commercial opportunities since several EFTA members have expressed interest in products which contain dried fruit (especially mueslis) but they would not accept Turkey as a source²⁵.

It is obvious that no quick decisions will be made about apricots and unless a viable new source materialises TC may have to continue with the Turkish source (but possibly switch to organic) in short-to medium-term and actively promote tropical fruits to build up other sales, as a safety mechanism.

ii) Mango and Tropical Fruits

I suggest that the three issues for TC in this sector are :

- a) Making a decision on Retiefs and if appropriate make plans for the necessary input²⁶.
- b) Committing resources to promotion and looking at developing a snack range, mueslis and other vehicles for high-margin premium products.
- c) Maximising the opportunities for joint sourcing with other ATOs²⁷, but also pursuing and exploiting a variety of options as the example below illustrates.

8.3.4 Joint Sourcing : The Case Of Tropical Wholefoods

Tropical Wholefoods who specialise in sun-dried tropical fruit (see Chapter 4) are an example of how joint ventures are mutually beneficial²⁸. Having visited Tropical Wholefoods for my research I felt they offered TC the ideal opportunity to strengthen its range of dried fruit, at virtually no expense or risk compared to establishing its own sources. It would also give Tropical Wholefoods a much-needed outlet since many more producer groups in Uganda are keen to sign contracts. I believe this potential commercial arrangement is ideal for TC for several reasons. Firstly, the source complies with the purchasing policy, and is an excellent example of fair trade in terms of the benefits to

producers²⁹. There is good information available for marketing purposes (producer stories). Secondly, it is in line with the marketing plans because it involves seeking partnerships to strengthen an existing range, rather than moving into a new areas. Thirdly, Tropical Wholefoods is already making good progress in the health sector which is a market TC want to move into; as a small enthusiastic company they are testing new ideas on the market and have a good understanding of their niche. Their pattern of growth would also welcome additional outlets via TC's established sales channels. Finally, if the products are successful they may help the foods business reduce their reliance on the income from apricots which threaten their integrity in an increasingly demanding fair trade market.

The task of bringing together producers and consumers in an equitable and sustainable way is extremely challenging in the current food-retailing economy and both of these organisations stand to benefit from pooling their efforts to ensure the venture succeeds. If TC pursues partnerships which lengthen the supply chain they must be sure that the link a customer has with the producer is direct in the sense that all the points along the chain are transparent and there are definable benefits as a result of the trade. This will be ensured if the trade is measured against the new policy criteria (Chapter 7). This example has served to illustrate one of a variety of options available to TC as it strives to move away from unknown commercial sources, using the new policy as a guide.

8.4 CONCLUSION

In this chapter I have pointed to the dual role of information. As a marketing organisation TC can use information to formulate plans and make decisions, and secondly, in its unique role as an ATO it provides information to help producers respond to the market. Dried fruit has illustrated the complexities of these functions, and I have drawn attention to some areas of weakness for TC to address. The forum chosen for this was the Monthly Marketing Group, which discussed dried fruits in July 1995. I was not present at the meeting but material referred to in this chapter was used as the basis for the Groups' deliberations. Unfortunately the meeting failed to initiate an appropriate strategy but instead became embroiled in the problem of the Turkish apricots. One of the suggestions to emerge was for TC to invest in Turkey, which I find extraordinary given the issues raised by the review. This demonstrates a problem with this forum; that it allowed the views of individuals to dominate, ignoring the information which had been provided to facilitate the discussion.

These events illustrated to me that a purchasing policy will only be valuable if the parameters are clear and uncompromising, and there is a firm commitment to adhere to it and use it as a working document (which can be evaluated and changed). If TC is truly committed to addressing the 36% of products which do not conform to the new criteria they must initiate action. The 'tools' are in place for TC to move to sources which will strengthen their credibility and ensure they are at the leading edge of the fair trade movement. If they fail to utilise those tools they may find they are threatening their integrity, and possibly their ultimate survival. Not only will they disappoint and disillusion stakeholders, but they will lose goodwill in their existing markets, making expansion in those areas more difficult. Similarly, new markets are likely to be suspicious from the start and could require independent verification.

The Social Audit has been a mixed blessing. Successful in influencing commercial business to address social concerns, and in raising TC's profile, it carries with it a heavy responsibility. TC must now face the reality of advocating a high level of transparency. For dried fruits this surely involves tackling the mango and apricot dilemma bravely and with determination. I believe this is TC's opportunity to demonstrate that it is committed to working towards developing the ideals of fairer trade through its policy and practice.

NOTES FOR CHAPTER EIGHT

¹ Sultanas are the exception, sourced by Community Foods from their Good Food Foundation organic project in Turkey. They will be applying for Fairtrade Mark.

² Banana chips, pineapple and papaya will be bought from two producer/processor organisations in the Philippines. TC received help from TX to establish links and have placed an order for banana chips. A range of sun-dried fruits from a small intermediary practising fair trade in Uganda (see Chapter 4). TC can also tap into other ATOs sources e.g. mango from Burkino Faso is a possibility.

³ Cafédirect instant generates approximately the same sales (£100,000) but all other products are much lower (most under £50,000).

⁴ Margins can be in excess of 40-50%.

⁵ There is a dispute within the foods department about Community's fair trade claims for these organic apricots and there have been suggestions by some individuals at TC that independent validation is needed. The Fairtrade Foundation should fulfil this function but there is a sceptical attitude towards them by the same department so it is likely that their recommendation would not be accepted. This highlights the problem noted in Chapter 5 concerning attitudes to fair trade bodies, which reflects TC's own insecurity.

⁶ Oxfam Trading's policy is that Turkish apricots are a 'stepping stone' while other sources are located and developed.

⁷ The relationship with the Retiefs has been handled by TC and TX and it has been characterised by a failure to deliver promises, a failure to promote the product and a failure to communicate effectively. Both have visited Retiefs and a TX report (1994) provides clear information on the areas in which Retiefs need help. Part of the problem has been that the Africa manager at TX has been in South Africa to develop Just Exchange, on a one year contract. The 1993/94 Social Audit reports the Retiefs as "disappointed" that nothing had happened as a result of the visits. TC has always congratulated itself for introducing Retiefs to Community Foods but information available in July 1995 suggests that this relationship is very fragile. TC has not been in direct contact with the Retiefs for some considerable time and supplies of dried mango via Community have run out. Community report that Retiefs have not responded to their faxes, and I would suggest that TC must make communication with Retiefs a priority.

⁸ Fruit from Thailand is very cheap compared to other sources. It is an entirely different product, processed with 60% sugar and it is used for mixing with other products. I feel it is a mistake to compete directly against this, but instead the promotion of the attributes of unsweetened mango should be maximised.

⁹ The research was conducted by Hugh Ross of Green Marketing Solutions, and the report prepared for Traidcraft Exchange entitled 'European Foods Research' is dated December 1994.

¹⁰ Traidcraft Exchange co-ordinated a meeting between TC, TWIN and Equal Exchange to discuss possibilities for joint work on dried fruits. Unfortunately, each ATO works to its own agenda and wants to prioritise certain areas and type of producers. Differences in philosophy and approach have meant that a second meeting did not materialise.

¹¹ Whilst it is vital to be aware of trends in the industry, and the activity of the major 'players' like Whitworths and Sundora can be extremely useful in this respect, TC must not confuse them with competition. It has been noted elsewhere that the most logical place to buy raisins is the supermarket; where they are cheap, convenient and excellent quality. In fact TC have very few competitors, which has pro's and con's; on the one hand this results in a low profile and illustrates the low priority for fair trade, and on the other it means that it is new territory, where TC can make its name and secure those customers who want fairly traded dried fruit.

¹² Packets of TC mango and apricots were handed around and the students were asked to comment.

¹³ The German ATO Gepa has announced a trading loss of £1 million. They trade predominantly in foods and they attribute much of their loss to the development work they have been doing with producer groups. They have maintained a 'purist' approach to fair trade and their products carry a large premium as a result. Having realised that it is not commercially viable to do product development work funded from trading operations, they are restructuring to create a charity/development arm, similar to TX.

¹⁴ Cafédirect Consortium and Max Haavelar model are examples of successful joint ventures, and are covered in Chapters 2 and 6.

¹⁵ TC needed a fair trade source of peanuts and communicated this to TX. The programme manager for Asia followed up a contact whilst visiting producer groups in India, and after several visits this resulted in TC placing an order with a company which already has TC links.

¹⁶ ITDG has worked extensively on the drying and processing fruit. Through its enquiry unit it provides information to producers on the construction of dryers, harvesting and preparing the fruit, handling of fruit, marketing issues etc.

¹⁷ NRI (formerly ODNRI) worked with Fruits of the Nile in Uganda to produce a series of handbooks which are referred to in Chapter 4.

¹⁸ Kate Potts of TX suggests that only one of these variables should be introduced at a time. I offer the following examples : sundried fruits in Uganda have established markets, and producers know how to grow and dry the product, so it is feasible to bring in new producers to expand. Another example is processors/packers of nuts who may wish to expand into nut butters, a new product but the supply and market are established.

¹⁹ Tabora Beekeepers Co-op in Tanzania received technical assistance from the TX over a five year period. It included input from a mechanic for six weeks to fix vehicles and train the local mechanic; administrative staff from the co-op also received training at a national accountancy college.

²⁰ This information was obtained from the Midway Consultancy group who specialise in the barriers developing countries face in export markets. Much of the new legislation is emerging and up-dated information is to be provided by Midway when it is available.

²¹ ITDG and the Aga Khan Rural Support Programme have been helping producers in Gilgit to process and earn income from apricots. This project was described in Chapter 4.

²² Community Foods dried fruit buyer is aware of the variety of apricots from the region, which he says are not acceptable to this market. He also cited problems with transport and infestation, which he has seen maggots spoil up to 45% of the shipment.

²³ An example of how an arrangement with commercial packers might work is the Design Inc company in Zimbabwe who supply TC with T-shirts. The cotton growers are not the target beneficiary of the project but instead the focus is on supporting an urban

venture with a strong community role. Employment conditions are much better than average and trading practices are transparent. In addition the company supports a local AIDS project and money from the sale of each T-shirt is donated.

²⁴TX has been the driving force behind this (to take their research forward) but it has not succeeded because of the differences between the ATOs (see above). Oxfam was not included and I perceive this to be because TC regard them as competitors (although the reason given was personnel changes at Oxfam). This seems very short sighted given Oxfam's own commitment to move away from Turkish sources of apricots, and the benefits of joining forces to find a common solution.

²⁵ Most European ATOs would not accept Turkey as a source because it is not part of the Third World and it has a poor human rights record. These reasons may not be valid but they are important for TC to take into account because of the commercial opportunities of changing to an accepted source (there are strong indications that scope exists for product development on mueslis, fruit bars etc.).

²⁶ The choice of action will depend on the resources available and the marketing plan. The most important task is to hold a full discussion and make a decision. Then TC must take action, whether that is informing the Retiefs that mango is no longer a viable product for TC and will gradually be phased out, or whether it involves working with others, such as TX to provide the information and direct assistance required by Retiefs to protect and develop their export markets.

²⁷ Other ATO sources were used for the tropical fruits (e.g. PFTC, see Chap 7), then followed up by TX, so TC incurred very minimal sourcing expenses.

²⁸ Tropical Wholefoods had approached TC in early 1994 but TC did not pursue it because they felt TWs prices were too high. In spite of the lack of interest from TC I pursued a meeting, which took place on 14/7/95. The outcome was very positive and is likely to result in TC selling a tropical mix from Tropical Wholefoods on a joint label.

²⁹ The source not only fulfils the essential criteria, or parameters, in terms of fair prices, a long term relationship of partnership and co-operation and tangible benefits to source (which include a fair return, increased ability to make choices, decision making and increased control of value added); but also some important secondary criteria. The majority of producers are women and the income goes to them. The fruits are organic, with all the benefits to the environment that implies (TW hope to apply for the Soil

Association seal), and the trade is with Uganda, a sub-Saharan African country heavily dependent on coffee in need of diversification.

CHAPTER NINE

CONCLUSIONS : ATOs SHOW THE WAY FORWARD

Food purchasing policies provide the necessary parameters and framework by which ATOs are guided through the practical implications of fair trade. They are therefore a necessary tool for such businesses. This study has explored how these policies can direct ATOs to appropriate sources of supply, which is a crucial function in the demanding commercial environment. Having set out to focus on producers I found that the marketing issues were strongly inter-linked, and a tension existed whereby ATOs were trying to meet the needs of all concerned in the trading chain. I discovered that fair trade relates to highly complex circumstances, which I believe makes policy more relevant and important. Throughout the study it became clear that to over-simplify the role of policy would not be constructive. Instead, the thesis demonstrates that as an ATO develops its linking function, policy becomes an important instrument with which to regulate its activities and direct it towards commercially sustainable ventures. The example of Traidcraft's mango and apricot dilemma illustrates my points; the complexity of the many variables complicates the decision-making process, yet having established policy criteria is the base-line from which this process must begin.

I found that purchasing policies have other important functions too, particularly at a time when fair trade is facing a new era, with the challenges of recent market developments, both positive and negative. ATOs want to remain at the leading edge of ethical sourcing, and I believe this is feasible if they work together and establish a mandate for the future. Their sourcing standards must be compatible and able to withstand scrutiny from the outside. The remainder of this chapter looks at some of these issues which have emerged from the thesis.

9.1 ATOs and the Future of Fair Trade

Fair trade appears to be at a crucial point in the UK, with the next 2-3 years representing a critical period. Campaigners¹ hope that the country is on the verge of a major change in shopping habits if more commercial companies become interested in fair trade. The 'issue' of fair trade must be grasped now, they say, or the opportunity will be missed, consumer interest will disappear and it could be 15 years before it reappears. The question is, who will fuel this interest, and the thesis has described the admirable efforts

of ATOs and the success of Cafédirect. However, Christian Aid have made it clear that they are working towards the concept taking off and not the actual products, and they believe that Cafédirect may not survive². For this reason they are backing the Fairtrade Foundation, which they hope will expand fair trade in a wider sense and attract many companies³.

The impact of these developments could leave ATOs in a precarious position. Clearly if the Fairtrade Foundation is able to interest mainstream companies then the effect on producers in the Third World will be greater, and ATOs will have achieved one of their purposes, that of showing the way to sustainable trading partnerships. The first chapter illustrated the need for major changes to trading relations, changes which ATOs are not capable of delivering. A spokesperson for Christian Aid suggests that ATOs have a 'prophetic' role and they have been important to take the ideas forward, but there may not be a future for them if fair trade is successful in the mainstream markets⁴. Widespread acceptance and major changes in trading practice are certainly a desirable objective but if this would mean the demise of ATOs it needed closer examination. I discovered ATOs had both positive and negative reactions to the developments; excited at the expansion of fair trade to a wider market, but worried that fair trade could be 'hijacked' or they could be marginalised. In particular, the thesis examines the concerns of ATOs that the Fairtrade Mark may, in its drive to increase the number of fair trade products with the Mark, actually 'water-down' the standards that have become accepted within the established fair trade movement.

9.2 Setting the Standards

The Fairtrade Foundation maintain that ATOs like TC do not need the Mark because their name and reputation are sufficient. The Foundation's response could be understood to mean that TC's fair trade criteria are superior to their own. In reality I found TC have been struggling to define what it means to trade fairly, and to formulate policy which can help them achieve an acceptable standard. There is evidence of tension between some ATOs and the Foundation, and the case study points to two reasons for this. The first concerns a lack of clarity on how the Foundation will apply their standards, and how they will monitor trade given their limited resources. The second relates to the insecurity within TC about their own sourcing standards. When these issues become clearer I would argue that ATOs like TC must re-consider their decision not to apply the Mark to their products. Indeed this study suggests clarification is required about who is driving progress on sourcing and standards.

ATOs are facing a new era. There are threats associated with fair trade moving into the mainstream, for example, those companies who may take on board the fair trade attribute/label, without the ethics. The Foundation, as yet, has not given ATOs the reassurance that it has the resources to maintain an acceptable level of standards. However, potentially, the Foundation could be successful where ATOs have struggled because they are not directly involved in trading, but instead they aim to persuade commercial companies (even household names) that there is a demand for fairly traded products. The Foundation assists the company to pursue that option, and for a product to bear the Mark the company has to pay a % of turnover to the Foundation who use it for checking and monitoring that the set criteria are being met. This could be an extremely effective way to increase fairly traded goods but it is heavily dependent on confidence in the Foundation, by both the commercial and ATO sectors.

There are opportunities too, for ATOs to sell fair trade products into wider, and more 'sensitised' markets. However, the wider market is highly competitive and demanding, and ATOs need to be sure that their fair trade claims will withstand scrutiny.

9.3 ATOs Leading New Developments in Fair Trade

The thesis has considered the future of ATOs as fair trade reaches wider markets, concentrating primarily on the threats, and the ATOs' need to find new markets. The expansion into foods offers promising returns and the case study illustrates where TC could achieve new sales. If ATOs are to survive and prosper they must look for secure niches where they can fully develop their role of linking producers and consumers. There are two separate, yet inter-linked, concerns. ATOs, as marketing organisations, must respond to the marketing environment and meet the demands of consumers (who may pay more for a product because of certain attributes). As 'alternative traders' they must also address the environment of their producers, and it is here that they may have unique opportunities. Even if their 'prophetic' role becomes less important in the UK in future years, the thesis points to the positive impact ATOs could have in targeting rural producers so that the benefits of the trade go to households and communities. ATOs can capitalise on their years of trading experience to address the difficulties discussed in Chapter 3 and 4. Assisting producers to respond to the demands of the market involves working with them to identify needs. The provision of information is found to be a particularly appropriate and cost-effective method of assistance. The requirements of continuous supplies of product, of acceptable quality, is best assured by ATOs targeting producers who have the capability to respond.

It is argued that ATOs must be particularly diligent when trading in foods and assessing the impact of the trade should be an integral part of their activities. The case study illustrates the problems that occur when standards are compromised.

9.4 Profitability and Sustainability

ATOs struggle to be profitable and, as the case study shows, linking producers and consumers is often not commercially feasible. Fair trade relies on consumers to pay more for the product, and for intermediaries to take smaller margins, in order to maximise the return to the producer. In the aggressive food retailing economy which characterises many European markets the distribution of wealth as it applies to fair trade must be handled very carefully indeed, or the intermediaries will not survive. The price to the consumer must be fair, but it must also reflect the 'added benefit' of the product, the USP of fair trade. This points to a careful targeting of consumers and appropriate marketing strategies. For this reason TC is in the process of addressing the issue of where it sells its products.

TC has stated that it will pursue growth via joint ventures and partnerships, and I have described how this might work with Tropical Wholefoods. Finding common ground and working together may be the only way ATOs can survive in the wider market. Whilst this has been successful for Cafédirect, other, smaller efforts have faced problems, for example with dried fruit. Why this should be so is not clear, although the study points to the differing agendas of the ATOs, and possibly a perception that they are competing with each other in a limited market⁵. This seems to be a likely explanation since at European level there is a far more successful story of co-operation, and it is not uncommon for one ATO to be responsible for sourcing a product and maintaining a trading partner which all members then purchase from. It could be this type of formalised network and the set procedures, missing at the UK level, which hampers co-operation. In the absence of these it is frequently 'personalities' who drive initiatives forward, with their own method of operating. This can make it difficult to work together, as they seem to have discovered.

9.5 The Multiple Functions of Purchasing Policies

In discussing the complexity of these issues for ATOs I have drawn out the purpose of purchasing policy as an aid to help them expand within predetermined guidelines. A purchasing policy ensures ATOs are operating within boundaries and they are working

towards progressing fair trade. There are several reasons why an ATO should commit itself to predetermined fair trade guidelines.

Firstly, it was noted above that as fair trade moves into a wider market ATOs must be able to substantiate the claims they are making about their products. If they are sourcing according to published criteria then customers will be reassured.

Secondly, it will facilitate the targeting of producers, so that ATOs use their scarce resources wisely and the likely outcome of the trade will be profitable and sustainable. Purchasing policies will guide ATOs to those partners who are most likely to be able to respond to the market and sustain and develop equitable trade.

Thirdly, if ATOs want to work together, and with others involved in similar trade (for example Tropical Wholefoods) then it is vital that their policies are clear so that the parameters are apparent to all concerned. Purchasing policies may also have a role in removing obstacles to joint ATO ventures.

Furthermore if ATOs possess clear purchasing policies those staff responsible for their implementation will have a useful mechanism to guide them in product selection. If the policy is ambiguous, too general, or it is not clear how it should be implemented then the ATO runs the risk of its business drifting away from its objectives.

9.6 The Reality for Traidcraft

The reality of bringing together producer and consumer needs in the food retailing economy is very ambitious, as TC have been discovering. Not only do they have a responsibility to avoid involving vulnerable producers in markets which may prove to be too demanding, but at the other extreme, TC must also avoid trading with those who can export without fair trade assistance (as the example of apricots in Chapter 8 illustrated).

I concluded that if an ATO compromises with whom and how it trades, even for the sake of commercial viability, they will begin to jeopardise the validity of their own fair trade claims, and possibly of the wider fair trade movement as a whole. New fair trade customers will demand transparency and the existing, faithful customers deserve it. In my view TC was acting in the interests of all its stakeholders when it initiated the review of its purchasing policy and sourcing standards. The results have shown TC their problem areas which they must now give priority. For the future they have a new food purchasing policy (see Chapter 6) which could guide them in the selection of trading partners, and avoid the compromises of the past. However, this will be dependent on a commitment by TC to use the policy as working guidelines, rather than a published 'show-piece'. The lack of measurable targets in the policy is, I believe, an area for concern but the Social Accounting process will, to some extent, ensure progress towards

direct sourcing continues. If they, and other ATOs, are to remain at the forefront of fair trade as agents of changes in consumer behaviour, I conclude that policies which direct them to positive trading relationships are the key.

NOTES FOR CHAPTER NINE

¹ Those campaigning for fair trade include a wide variety of NGOs, many of whom have been mentioned in the thesis. Christian Aid is the most prominent.

² According to a Christian Aid spokesperson the price of Cafédirect is high because the overheads are high. It is processed in Germany and the factory has to be cleaned out before and after each run. Commercial companies applying for the Mark are likely to face lower overheads and the retail price could be lower.

³ The advice they received from the 'green movement' was to establish an independent assessment panel.

⁴This view was given by a Christian Aid Campaigns officer at a Farmers World Network Conference in the Northern Region in May 1995.

⁵ This refers particularly to TC and Oxfam.

APPENDIX 3.1

THE ATO LINK BETWEEN PRODUCER AND CONSUMER

South

North

Producers ← ATOs → Consumers

Environment

- Rural
- Small units
- Poor Services

Typically Lack

- Market access
- Market information
- Appropriate Technology
- Working Capital
- Training

Need

- Opportunity to enter market
- OR
- Increased returns from market

Benefits To

- Household
- Community
- Nation / Region

Intermediary

To provide assistance

Market Dictates

- Legislation
- Trade Barriers
- Competition
- Quality

Needs

- Regular purchase of food

Preferences

- 'feel good factor' (ethical consumerism)
- Health / Exotic

Demand

- Quality
- Consistency
- Price (premium?)
- Packaging (information)

Availability

- Point of Sale
- Where can it be bought

Key Issues for ATO

- Credibility
- Volume
- Continuity

APPENDIX 4.1

PHOTOGRAPHS OF :

- **OPERATIONAL FRUIT DRYING PROJECTS IN UGANDA**
- **TRAINING AND TECHNICAL ASSISTANCE**

SOURCE : TROPICAL WHOLEFOODS LTD, 1994.

Tropical Wholefoods

1 photographs of operational fruit drying projects in Uganda

Umaru Waswa and his muslim farmers group have been cultivating pineapple for many years, and found it almost impossible to sell the fresh product profitably.

In 1993 they received training in sun-drying their pineapple from Tropical Wholefoods.

Since then they have had a guaranteed, secure market for their high quality product.

1: Umaru's group cultivate roughly 8 acres of pineapple in fertile central Uganda, inter-cropping the fruit with coffee, banana & sweet potato.

2: Small 'cabinet' solar driers are loaded with fruit early in the morning.

3: A typical 'cabinet' drier. Umaru's group are currently seeking funding to build larger driers.



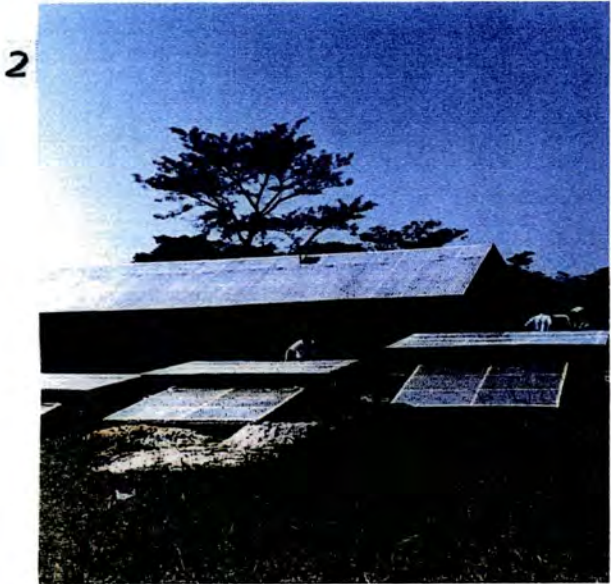


*Tropical Wholefoods
photographs of training
and technical assistance
in Uganda.*

Trading fairly means not only securing markets and guaranteeing prices for Southern partners, but also providing technical assistance and all the support necessary to make a project successful.

1&2: Testing output temperatures at a large drier site with British technicians from the Natural Resources Institute (NRI).

3&4: A training seminar in central Uganda. Groups are shown how to build their own driers, and shown around existing drier sites as part of a three day course funded by the NRI.

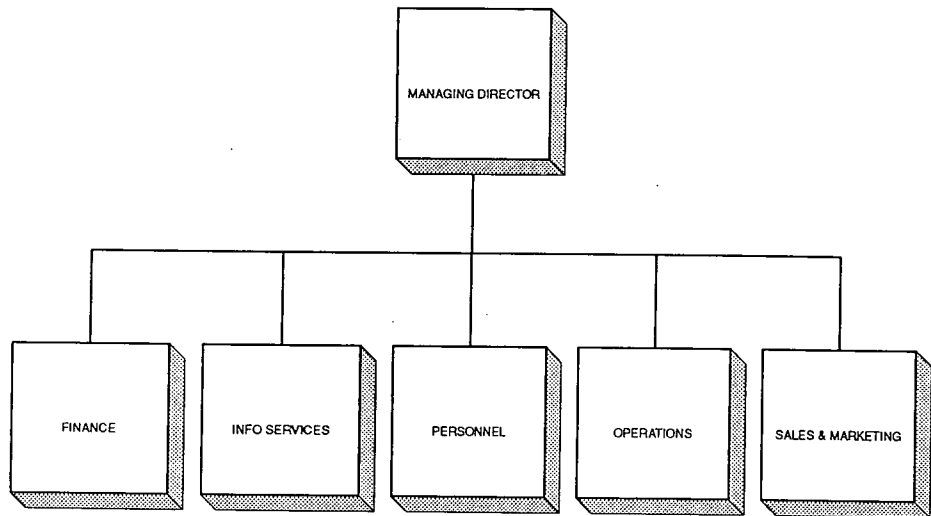


APPENDIX 5.1

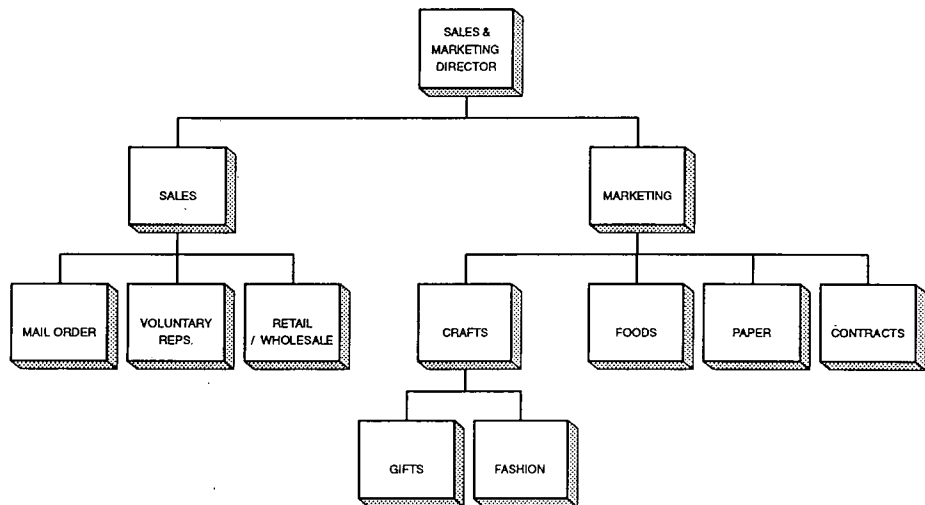
TRAIDCRAFT COMPANY STRUCTURE AND SALES & MARKETING

SOURCE : TRAIDCRAFT EXCHANGE, 1995

TRADCRAFT PLC ORGANISATION PLAN



TRAI DCRAFT PLC SALES & MARKETING

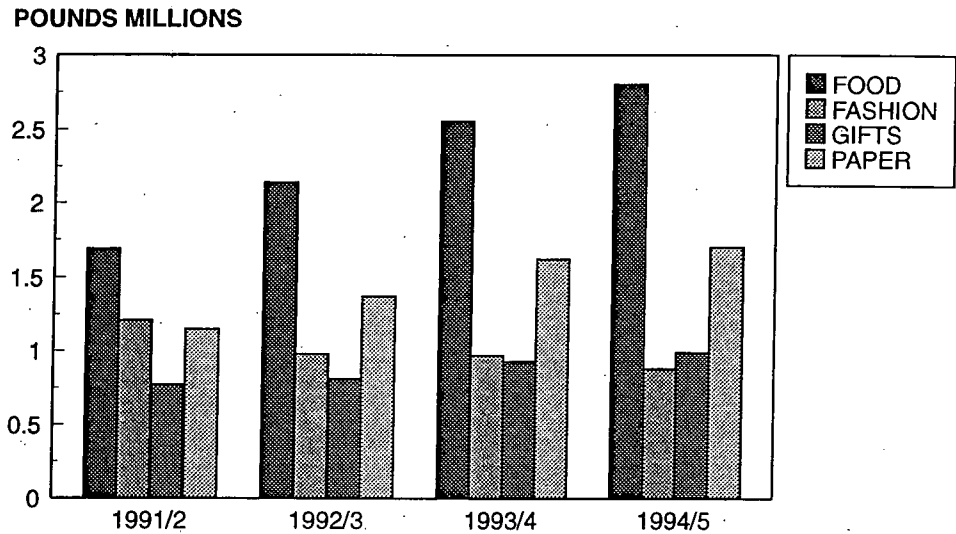


APPENDIX 5.2

TRAIDCRAFT SALES

SOURCE : TRAIDCRAFT EXCHANGE, 1995

TRAIIDCRAFT PLC SALES BY PRODUCT



FOOD SALES - INCREASING

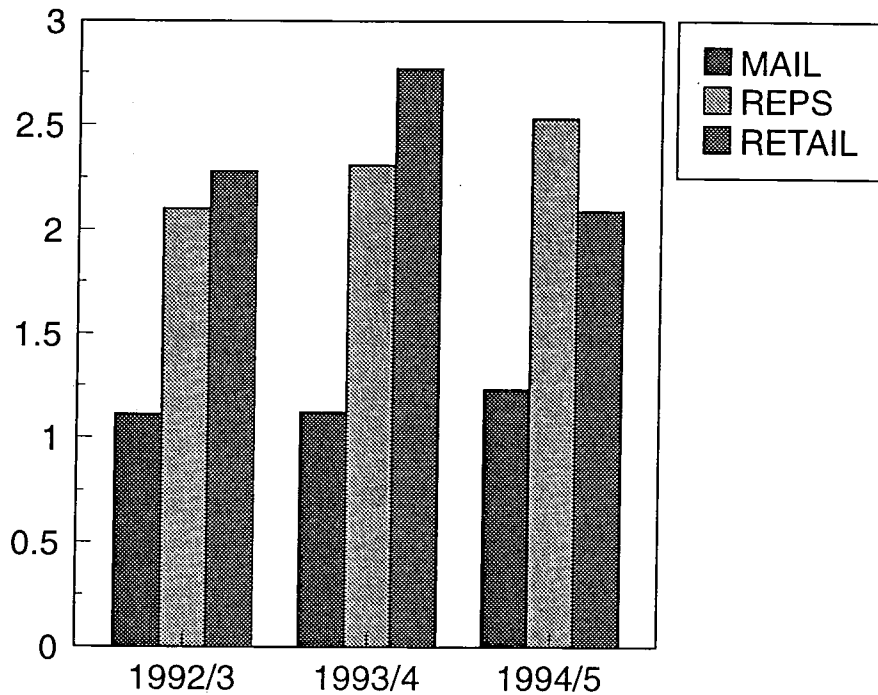
PAPER SALES - INCREASING

GIFT SALES - LEVEL/INCREASING

FASHION SALES - DECREASING

TRIDCRAFT PLC SALES

POUNDS MILLION



MAIL ORDER - 40,000 CUSTOMERS , 68% BUY LESS THAN 50 POUNDS A YEAR.

REPRESENTATIVES - 2500, VOLUNTARY

RETAIL - 2 TRIDCRAFT SHOPS AND 500 RETAIL/WHOLESALE ACCOUNTS.

APPENDIX 7.1

BACKGROUND TO THE DRAFT FOOD PURCHASING POLICY

(submitted to the Food Group in February 1995)

SETTING THE FOOD PURCHASING POLICY IN CONTEXT

1. COMPANY OBJECTIVES

"TRAIDCRAFT'S PRIMARY BUSINESS OBJECTIVE IS TO INCREASE THE VOLUME, VALUE AND QUALITY OF FAIR TRADE WITH PRIMARY PRODUCERS IN THE THIRD WORLD."

"THE GOAL IS TO CREATE OPPORTUNITIES FOR SMALL FARMERS TO SELL THEIR PRODUCTS (AND THEREBY CREATE TRANSFER OF WEALTH FROM NORTH TO SOUTH), AND TO DEMONSTRATE THAT FAIR TRADE IS COMMERCIALY VIABLE."

These statements are taken from TC publications and are used to establish the three parameters for the policy. They emphasise a constant tension : whilst providing trading opportunities for the economically disadvantaged TC also seeks to show that fair trade can work in the market place. The recession and period of sluggish growth put commercial considerations high on the agenda, and it became acceptable for commercially sourced products to be used as "support products".

2. CUSTOMER PERCEPTIONS

TC customers want transparency, honesty and evidence of direct benefits to source. The latter is of particular importance and should be a priority throughout the policy. Also has implications regarding the use of intermediaries.

Can assume high levels of tolerance on issues such as composites and the existing review of sources, but must avoid confusion and potential loss of confidence. For example, on support products, rather than expecting customers to realise that unethical products are supporting ethical ones it may be preferable to have an entirely separate range such as recycled paper.

3. PRODUCER PARTNERSHIPS

These relationships are at the core of TC's activity ; customers are buying a direct link with the producer. As competition from other "alternative products" intensifies it will become increasingly important to be clear about what distinguishes TC's products - the evidence to support claims about where it has come from, who benefited and how.

Development work is costly and involves a heavy commitment so the policy could reflect a long term strategy in which key partnerships can be identified.

4. THE WIDER FAIR TRADE MOVEMENT

The policy should be broadly compatible with other organisations, particularly with EFTA and IFAT. For example, the impact of certain lobbying work may be reduced if a prominent ATO was clearly operating outside the accepted boundaries (e.g. on the issue of the Third World).

DRAFT PROPOSALS FOR A FOOD PURCHASING POLICY

(Submitted to the Food Group in February 1995)

1. SETTING THE PARAMETERS

The policy must fulfil the requirement to demonstrate "direct benefits to source".

Three essential elements are found in the primary business objective; they provide the parameters, or the boundaries which must be operated within :

1.1 FAIR TRADE

Facilitating a long term trading relationship which satisfies both producer and consumer. Two key components are :

i) Paying fair prices

This means agreeing a price (/wage?) level that is :

- reasonable within the local context (but who defines this and using what criteria?)
- stable but not static; take account of variables such as exchange rates, inflation, seasonality.
- encourages best business practice and efficiency.
- does not distort local markets.

Fair trade (FT) cannot be tightly defined : what it means to a producer will depend on their circumstances. For example, it does not necessarily mean a higher than average price; access to the market and payment of a price in itself can be FT. Or it may mean access to market information so that the producer can plan and make decisions, or purely payment on time.

ii) Advance payments

May be given to producers that require it for investment and development. Differentiate according to need/circumstances e.g. big suppliers may be given a low interest loan rather than interest free credit.

Action Points

- Initial review to establish what the benefits will be, or how benefits can be realised.
- Agree contract that is fair to both parties.
- Review arrangement annually, or more frequently if any factors are unstable.

1.2 PRODUCER PARTNERS

Must have a clearly identifiable source which falls within one of the accepted categories. Broadly they could be :

a) **Small producers**, preferably primary producers democratically organised in to groups.

But must consider processors (landless poor) and variations within the category. Assess each situation but need to be able to target certain types of organisations as being most likely to realise the maximum benefit.

b) **Commercial companies** which can demonstrate :

- fair wages and good working conditions

assessed on an individual basis, within local context - will usually mean "better than average"

- workers' participation in ownership and/or decision making

- knock on effects for the local community.

c) **State marketing bodies/parastatals** which :

- pay fair prices and on time

- pass on premiums to producers

- can show producer participation in ownership and/or management.

Action Points

- Set minimum %'s of partners which fall in group a), and target as preferable.
- Ensure those in b) and c) are measurably "better" and a real benefit can be seen at grass roots.
- Be proactive by assisting certain partners to achieve the criteria e.g. establishing a welfare programme (planned development work which would be limited to a few "strategic partnerships" and may be in co-operation with others).

1.3 THIRD WORLD

Growing consumer awareness of fair trade and successful campaigning and lobbying work suggest that it is important to stay within a widely accepted perception i.e. trade with the 'third world'. A clear mission is important for maximum impact.

TC states that it trades with producers in Africa, Asia and Latin America. Needs to clarify position with Near and Middle East. Not an economic issue, purely a geographical one.

2. TARGETING DESIRABLE CRITERIA

This section looks at criteria which the policy could target as desirable (as opposed to 'essential' in Section 1). It is not a complete list and could also include aspirations of the producers.

Targeting can ensure that the "ethical profile" or spread of products/producers matches the planned strategy. The following may be considered :

2.1 SPECIFIC REGIONS AND/OR COUNTRIES

Which regions and why ?

May target sub-Saharan Africa because of the declining economies and negative effects of the GATT deal.

Or countries trying to rebuild after a long period of difficulty (Ethiopia), supporting struggling peoples (South Africa).

NB Moving away from the country policies of the old food sourcing criteria, so this must be clearly in addition to parameters set out above.

Action Points

Target certain areas and aim to source a certain % of total products from there.

Measure the cost of this activity.

2.2 DISADVANTAGED AND MARGINALISED GROUPS

The basic parameters for producers in Section 1 cover a very wide range of situations, so it would be appropriate for the FPP to prioritise certain types of groups. Purchasing from a certain mix of groups must reflect not only the priorities but also the practicalities. Such groups may include:

- producers isolated from the market place and open to exploitation
- women producers
- those with disabilities
- indigenous peoples
- refugees.

2.3 SUSTAINABLE PRODUCTION AND THE ENVIRONMENT

What are the key issues and how can TC help partners achieve the optimum in terms of positive impact ? Need a detailed understanding of the producers' circumstances so would only be able to target a few, but there is potential to use existing networks (NGO's).

Organic production and biodiversity are high profile issues so may wish to acknowledge their importance in a measurable way (by assisting a partner/s).

Action Point

Lack expertise so need to build up contacts, especially those operating in the field.

2.4 PROCESSING, PACKAGING AND ADDING VALUE IN COUNTRY

Assisting and enabling producers to earn more from their products. Can be proactive in this area but acknowledgement of the aspirations and vision of the producer is crucial.

Could target certain groups with the potential to develop these activities.

Action Points

Dialogue with producer partners, and providing appropriate information and assistance so that they can make decisions about the way to develop their businesses. Target those most able to capitalise on this input.

3. STATEMENTS ON OTHER ISSUES RELEVANT TO FOOD TRADING

In addition to the parameters and criteria set out above the policy should include various statements of the company's position on certain issues. Rather than strict policies they would operate more as guidelines which affect trading practice.

Some of the following areas could be considered :

3.1 FOOD SECURITY AND STAPLES

More detailed notes to follow but will include :

- Definitions of food security
- Threats and opportunities of cash cropping
- Danger areas
- Action and monitoring.

3.2 LIMITING DEPENDENCY

A pragmatic approach to some of the potential dangers noted above is to ensure that producers spread the risk of their activities. Generally, dependency on one crop or one outlet would be undesirable.

Action Point

Limit the percentage bought of a producers' total volume by establishing a range within which the company operates e.g. 30 - 60%. A specific % can then be agreed with each producer depending on their circumstances and this can be regularly (annually, or even 6 monthly if a new partner in need of special help) reviewed.

This requires full dialogue and a thorough assessment.

3.3 COMPOSITES

Transparency and honesty appear to be the main requirements. Setting a minimum percentage may be attractive for a policy statement but in practice could give rise to difficulties for certain high value products.

Clarity is of key importance, particularly on packaging.

3.4 INTERMEDIARIES

These can be divided into two broad groups and the policies applied to each may be very different:

i) Intermediaries who link TC with the producer and do all the sourcing and importing work e.g.

a) Other ATO's

TC can "contract out" its responsibilities.

b) Commercial traders (Community Wholefoods)

Key issue is how do TC ensure 'direct benefits to source' ?

c) Specialist companies and organisations (products and regions) who operate in an ethical way and could show fair trade criteria.

Action Points

- Decide what % of total food business could come through various categories (by producer numbers or sales volume?).
- Prioritise certain types of intermediary.
- Initial review and regular monitoring very important. Producers could still participate in questionnaires. Necessity of visits depends on category; b) and c) need careful monitoring.
- Develop a "check list" to ensure that trade through intermediaries realises an equivalent level of benefits to producers as direct trade.
- Need detailed policy to be clear on who TC will use as intermediaries and what the terms are.

ii) Organisations involved at some point in the supply chain e.g. packer, processors, brokers. This group appears to be more straightforward and includes many types of organisations that handle the product and who will be involved in a contract with TC.

The main criteria are transparency and business integrity - how are they measured and monitored ?

4. MONITORING AND REVIEW SYSTEMS

4.1 INITIAL REVIEW

Develop a proforma report and a food review panel to establish whether any proposed trade is within the parameters outlined in Section One. If these 'basics' are clear then the review can examine whether any of the criteria (Sec. 2) are applicable and what potential there would be to develop.

Is there any merit in a points system ?

The initial review should ensure that the spread of products/producers at a given time reflects the company's stated priorities.

4.2 ANNUAL REVIEW

By reports and contact visits, to provide feedback and an opportunity for dialogue to develop the partnership.

Questionnaires/reports can be modified for intermediaries (may need to be less detailed for some and more for others).

The extra work that annual reviewing creates needs to be calculated and additional resources planned for. It must be the clear responsibility of an individual.

Planning the reviews so that they are staggered throughout the year and form part of each monthly work plan would be essential.

Both of the above will help the business to plan strategically, e.g. input required by producers over defined time periods.

NB The existing review of the current supplier base is a separate task to be completed first.

ALISON GRIFFITH

FEBRUARY 1995

APPENDIX TO THE FOOD PURCHASING POLICY (SEC 3.1)

FOOD SECURITY AND STAPLES

1. Definitions of Food Security

World Bank : "Access by all people at all times to enough food for an active healthy life."

NGO declaration adds :

"Food security is best assured when food is locally produced, processed, stored and distributed and is available on a continuous basis."

Cash crops, the critics argue, compete with food crops for scarce resources, and can have a negative impact on national level food availability and cause food insecurity.

The purpose of the policy guideline is to address the issue and make statements about how Traidcraft (TC) view their involvement in smallholder cash cropping.

2. Assumptions

- Trade may be pursued by :

- developing country governments who need foreign exchange (for imports, debt payment etc.)
- smallholders who require income for basic needs (education, health, fuel).

- Food security is influenced by government policies in the North and South, but TCs remit is to address the impact at household level. Negative effects of cash cropping on food availability and nutrition at this level can be avoided.

- Dependency on external factors (prices, exchange rates, marketing systems) make producers vulnerable and TC has a role and responsibility to minimise the risk.

3. Supporting Arguments

- Cash crops and food crops can complement each other rather than compete, leading to total food supply increases. Studies have shown that yields of staples increase when grown jointly with cash crops because of more intensive cropping practices and higher inputs. It has been found that countries doing well in cash crop production also do well in food crops.

- Farmers have a strong desire for their own food security and will ensure that sufficient food is produced in spite of the high opportunity cost of doing so. Higher yields of staples compensate for a reduced acreage. Inter cropping and maximising differing seasonal requirements are common practices.

This highlights the importance of **producer control**.

- Income earned from cash cropping can have a positive effect on the diet of a household. This is especially so when women have access to the income, and have sufficient nutritional knowledge.

The role of **women** and **education** is therefore very important.

4. Most Favourable and Least Favourable Circumstances

Whilst it would be impossible for any one situation to embrace all the favoured conditions, TC can pursue a policy of "promoting the best and avoiding the worst". Below are the circumstances which are generally believed (see IDS Bulletin, 1988) to ensure maximum benefit.

FAVOURABLE

1. The crop should be :

- also a food crop
- multi purpose, has local uses and can be processed locally
- quick to mature
- easy to store
- complements existing farming patterns (seasonality, rotations, inter cropping).

2. Income :

- available to women
- cash payments spread throughout the year.

3. Markets and Policy :

- several marketing outlets
- prices that do not lead to massive adoption at the expense of staples.
- food markets which are well integrated (for the adequate supply of food to everyone).

4. Control and education :

- producer control, preferably through organisational structures which can distribute wider benefits
- education for the changing environment : new crops and their uses; changing nutritional status of the household.

UNFAVOURABLE

1. Monocrop which cannot be eaten and is not processed locally.

Competitive within the farming system.

2. Income is paid to men only, in lump sums.

Women do not get access to the income and also face increasing pressures in their role as food providers.

3. Poor markets and distribution systems : less food available and prices rise.

4. Producers do not have control over what and how much to produce (may depend on land ownership, contract farming schemes, government policy).

5. Minimising Risk and Reducing Uncertainty

Producing for export exposes smallholders to external forces and greatly increases risk. Failure to cope with external pressures could involve disastrous losses and have a serious impact at household level. By offering services such as **credit facilities** and **market information** TC reduces these risks and helps to strengthen the position of the producer.

Dependency is also a risk and TC seek to avoid this by :

- limiting the percentage it will purchase of a producers total volume, and actively seeking other markets with the producer.
- encouraging diversification in to other crops or products where appropriate.
- promoting local and regional trade.

6. Evaluating the Environmental and Social Impact

Cash cropping will have environmental and social consequences which can impact food security.

i) Environmental

Negative consequences can be :

- monocropping
- high use of chemical inputs
- loss of biodiversity
- abandoning traditional farming practices such as rotations
- pollution and waste of non-renewal energy involved in transporting foods long distances.

In response to this TC can promote :

- diversity of crops and use of local species
- traditional cultivation methods, using local knowledge and practice
- education on appropriate input levels (although with smallholders the high cost of inputs normally prohibits excessive applications)
- more local and regional trade.

ii) Social Impact

Negative consequences can be :

- control over income : if women do not receive the income then it may not be used for family welfare; yet if they do receive it this can lead to frictions and interference in the project from men.
- workload of women may increase : either because the intensive husbandry required for many cash crops leaves less time for family related tasks, or they may have to cultivate poorer and more remote land for food crops .
- breakdown of the traditional community structure e.g. when incomes are earned by individuals and communal arrangements are not applied.
- a lack of adequate nutritional knowledge to cope with the impact of new crops on the diet, and also new nutritional needs.

The responses to these issues are complex and it will be important for TC to carefully assess the social impact of the trade. It is believed that cash cropping can have a positive impact on women, by empowering them and providing income which can be invested in family welfare. The trade may also be important for its contribution to an appropriate transfer of skills, particularly if processing is involved.

Evaluation of the environmental and social consequences of cash cropping, particularly where they impact food availability, must form an integral part of the assessment and monitoring procedures.

7. Food Staples

A cash crop is defined as a crop intended for sale or export. Therefore food staples which are sold may be considered in the same way as other cash crops. The potential risks and benefits are the same and a careful assessment will ensure that unacceptable and unsustainable ventures are avoided. In fact, it may prove to be a favourable choice since it may possess many of the characteristics of a beneficial cash crop (see point 4 above).

Traidcraft do not operate a policy of trading on the basis of 'country needs' so there is no justification for avoiding countries with a food security problem. The criteria used by Traidcraft is that there must be direct benefits to the source of the product. However in some cases poor public acceptance of the product may be a powerful

factor which causes TC to avoid trade partnerships in a particular country (e.g. if there has been a long famine). If this would deny producers of a much needed opportunity then every effort can be made to re-educate consumers.

ALISON GRIFFITH

APRIL 1995

APPENDIX 7.2

FINAL DOCUMENT FROM THE FOOD GROUP

PURCHASING POLICY - FOODS

Introduction

Traidcraft's Food and Beverage business has grown rapidly over the past few years and some of the issues relating to fair trade have changed and evolved in that time. This revised purchasing policy incorporates characteristics which are unique in the trading of such products and reflects those changes.

Traidcraft's prime aim is 'to expand and establish trading systems which are more just and which express the principles of love and justice fundamental to the Christian faith'. A more specific business objective has been defined as 'to increase the volume, value and quality of fair trade with primary producers in the Third World'. This policy aims to define principles of 'fair trade' which are practical and applicable and which allow Traidcraft to realise the above objectives.

The policy consists of two sets of criteria which are product specific. The first set defined as 'essential criteria' are those which all Traidcrafts products should ultimately meet. The second set defined as 'secondary criteria' are those which in themselves do not define a fairly traded product but may be considered as desirable 'add ons' to the essential criteria, dependent on the specific nature of the product or its origin. In addition there are a number of broader policy statements which apply to the foods business.

Essential Criteria

The following principles will apply to define a TC fairly traded product:

- There is a long term relationship of partnership and co-operation between buyer and supplier of the product.*
- A fair price is paid for the product.*
- Products are purchased only from the suppliers where there is a clear and definable benefit accruing to the producers of that product which arise as a result of the purchase.*

Definitions of terms used in essential criteria

Partnership

A relationship which is long-term and has continuity in order to progress and measure the defined benefits. Also one where there is mutual respect and concern and where issues are dealt with through co-operation rather than negotiation.

Fair price

One which is mutually acceptable to buyer and seller and which allows the possibility of defined benefits to be realised. A fair price is also one which protects against uncertainties, especially market price or currency fluctuations. It is not always linked to market price, nor is it always above the market price. The availability or facilitation of credit from TC and its commitment to being 'good payers' also link to a fair price.

Benefits

The following represents a list of fair trade benefits which is by no means exhaustive. It does not prioritise or specify a minimum which must apply to products. This is because regional, cultural or product characteristics will cause this to vary product by product. Typical benefits may be:

- a fair return for labour*
- community development*
- improved working conditions*
- participation in decision making*
- increased ability to make choices*
- being valued*
- access to advance payments*
- increasing control of added value e.g. processing*
- provision of a market where normal entry is impractical or difficult*

Supplier

The organisation which contracts the purchase transaction with the buyer. This will in most circumstances be an organisation representing the target producers as defined for that product and through whom benefits are channelled and measured. Typically this organisation will be e.g. small to medium sized business, community group, federation of small farmers, co-operative group, parastatal organisation.

Producer

For each product there will be a defined target producer which will, whenever possible be the primary producer, defined here as the person most closely linked with the cultivation of the product e.g. small farmer, plantation worker. Dependent upon regional or product specific variations, certain types of primary producer may not be the target group e.g. migrant workers, casual workers. In certain circumstances there may be good reason to target other groups where benefits accrue. e.g. processors, packers. Care will be taken to explore the supply chain in these circumstances to ensure that raw materials are not from sources which are

unacceptable. Product packaging and promotion should ensure that a products 'fair trade' justification is not misleading.

Buyer

The organisation who contracts the purchase transaction with the supplier. This maybe Traidcraft or it may be another organisation who will supply Traidcrafts purchasing criteria on its behalf. If the latter then Traidcraft will ensure that appropriate mechanisms are put in place to ensure that its criteria are applied. Traidcraft endorses the international fair trade network and recognises the need to share resources.

Product

This refers to product purchased from the supplier not necessarily the product retailed to the consumer. Reference should be made to policy statements on quality and use of commercially sourced products.

Secondary Criteria

The following principles will be applied where possible and are a desirable progression which may happen as part of the relationship of partnership with the supplier. They are not in themselves sufficient to define a fairly traded product although any one or more combined with the essential criteria should be regarded as positive.

Sustainable agriculture

Traidcraft recognises the need for progressive agricultural techniques, a respect for the environment and sustainable land management. In partnership with its suppliers, TC will always seek to discuss and develop this area.

Added value

TC will aim to maximise the value added in the country of cultivation by processing or packaging as close to the source as possible. This will not be at the expense of fulfilling essential criteria and achieving TCs objectives as stated. Therefore the maximisation of sales and the benefits resulting from that should not be compromised by reducing the saleability of a product through lower quality or increased costs.

Target groups/Regions

TC may wish to target specific types of producers or regions e.g. Africa, disadvantaged or marginalised producers, women's groups etc. In particular this may direct choices over whether to buy from one supplier or another.

Other Food Policies

These are not specific criteria but are general policy statements.

Quality and hygiene

TC will only purchase products which fulfil minimum legal standards of hygiene and will perform all necessary analysis to ensure that such standards are met. It will also endeavour to maximise quality without compromising its objectives and the fulfilling of essential criteria.

Use of intermediaries

There is a recognition that in the supply chain of any food there will be a series of intermediaries where the definition of above 'supplier' will not apply e.g. processor, packers, brokers, shippers, agents etc. In the contract established between buyer and supplier, account will need to be taken of such intermediaries. TC will only deal with intermediaries who are transparent with cost, who are perceived to apply business integrity and who will agree to the transaction being audited.

Use of commercially sourced products

it may be that for marketing reasons or for product specific reasons, commercially sourced products need to be incorporated into the final retail product e.g. to maintain quality standards or as ingredients in a processed product. This is acceptable if by doing so the essential criteria are met and benefits are maximised to producers. it is important in such cases that product packaging and promotion are not misleading and that the specific fair trade story is communicated effectively to customers. TC will maximise the percentage of fairly traded ingredients in a retail product without compromising saleability through quality. it will also aim to fairly trade commercially sourced products when there is the potential to do so.

Food security and staples

TC will not purchase products which compromise food security in a particular country or region or which compromise the staple needs of a country or regions population. The products in question are typically cereals, root vegetables, pulses etc. and are those which form basic protein requirements. Circumstances under which TC will purchase are firstly where there is a surplus of production and secondly where by exporting the income derived has greater potential for economic uplift than if the product was sold internally.

Verification Principles

TC will on an annual basis review its food and beverage products suppliers against its essential criteria in order to assess and measure the benefits accrued to target producers, to put into practice the relationship of partnership and to evaluate prices paid. This review will help to formulate workplans, allocate resources and to recognise priorities in the foods business. The review process will be formalised and carried out through personal visits, sharing resources and information with other organisations, social accounting review, correspondence and questionnaires, Traidcraft Exchange and their partner organisations.

JO OSMAN
16/5/95

APPENDIX 7.3

EXAMPLES OF QUESTIONNAIRE FORMS FOR THE REVIEW OF TRADCRAFT PRODUCTS AGAINST THE NEW FOOD PURCHASING POLICY CRITERIA

FIRST DRAFT

PRODUCT REVIEW FOR _____

SECTION ONE

1. SOURCE _____

CATEGORY : Producer co-op/group

Intermediate trading org

ATO

Other .

Meets criteria Y N *

Who developed the source ? _____

Brief description of structure and functions :

2. BENEFITS

i) To Source

Business Development :

Technical input _____

Dev skills & Training _____

Market information _____

Developing markets _____

Other _____

Terms of Trade :

Credit _____

Continuity _____

Other _____

ARE BENEFITS CLEAR AND ADEQUATE ? Y [] N [] *

ii) To Primary Producer (if not source)

Who are the primary producers and how are they benefiting ?

What is the social impact of the trade ?

ARE BENEFITS CLEAR AND ADEQUATE ? Y [] N [] *

3. FAIR PRICES

How are prices determined and in what ways can they be defined as "fair" :

i) To Source _____

ii) To Producers _____

iii) At Other Points Along the Supply Chain _____

Transparency and Accountability

i) Between Source and Producers _____

ii) Between Source and Traidcraft _____

4. PARTNERSHIP

Who are the partners ? _____

Is this a) direct source _____
b) contracted out (e.g.ATO) _____

How is a relationship of partnership and co-operation ensured?

Date of last visit _____

Is there a "producer story" for marketing ? Y [] N []

SECTION TWO : STRATEGIC IMPLICATIONS

a) VALUE OF PRODUCT

£/p.a. i.e. very imp []
average []
minimal []

Could it be substituted ? _____

Is it part of a range ? _____

b) MARKET POTENTIAL

Does product fit in with TCs marketing plan and general market trends?

b) ETHICAL CONSIDERATIONS :

Adding value in country _____

Supporting marginalised or disadvantaged groups _____

Area/region _____

Sustainable production _____

Food security and staples _____

i.e. could the product contribute to the desired 'balance'?

c) DEPENDENCY

What proportion of trade is with TC ?

SECTION THREE : SUMMARY AND CONCLUSIONS

1. From the four criteria in Section One, can "CLEAR BENEFITS TO SOURCE" be identified ?

Y []

N []

(i.e. does this product comply with the food purchasing policy)

2. What are the strengths and weaknesses of this product (and source) in relation to the criteria, and what input is required to consolidate the "fair trade" as per the policy?

Strengths _____

Weaknesses _____

Input _____

RECOMMENDATION

Given the input required, and the strategic implications noted in Section Two, which of the following options is most appropriate ? :

a) Develop this source []

b) Look for new sources []

potential sources : _____

time period : _____

c) Discontinue product []

time scale _____

SUPPLY CHAIN FOR _____

LINKS	ORGANISATION	BENEFITS/F. TRADE
--------------	---------------------	--------------------------

TRAIDCRAFT

|
WHOLESALER

|
IMPORTER

|
EXPORTER

|
PROCESSOR & PACKER

|
INTERMEDIARY
(local buyer)

|
PRIMARY PRODUCER

- "Source" is _____
- Benefits and "fair" prices apply at *
- Transparency in the chain applies at #
(N.B. do producers have access to information ?)

COMPOSITE PRODUCT REVIEW FOR _____

Attached are completed product review forms for the following ingredients :

These products meet the criteria and represent% of the total composite product.

The remaining% is comprised of :

PRODUCT :	SOURCE :	FT POTENTIAL:
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Relevant Fair Trade Features of this Product :

- Transparency on Packaging

-

-

Market Considerations :

i) Sales value of the product £/p.a. H []
M []
L []

ii) Product range _____

iii) Market plan and trends _____

iv) Potential to :

- Change sources
- Switch ingredients

in order to increase the % of fairly traded ingredients.

SUMMARY AND RECOMMENDATIONS

SECOND DRAFT

PRODUCT REVIEW FOR _____

SECTION ONE

1. SUPPLIER _____

STRUCTURE AND FUNCTION :

Meets criteria Y [] N [] *

Who developed/is responsible for the contact? _____

THE TARGET GROUPS ARE:

A _____

B _____

C _____

N.B. indicate the primary producer

2. BENEFITS

To Target Group A :

i) Business Development :

(e.g. technical input, skills, training)

ii) Market Development :

(information, access, new markets etc)

iii) Terms of Trade :

(credit, continuity, legislation)

iv) Social and Welfare :

(employment conditions, community welfare)

ARE BENEFITS CLEAR AND ADEQUATE ? Y [] N [] *

To Target Group B :

i) Business Development :

ii) Market Development :

iii) Terms of Trade :

iv) Social and Welfare :

ARE BENEFITS CLEAR AND ADEQUATE ? Y [] N [] *

TO TARGET GROUP C :

Complete as above.

3. FAIR PRICES

How are prices determined and in what ways can they be defined as "fair" :

i) To Supplier _____

Action to be taken	Y[]	N[]
--------------------	------	------

ii) To Producers _____

Action to be taken	Y[]	N[]
--------------------	------	------

iii) At Other Points Along the Supply Chain _____

Transparency and Accountability

i) Between Supplier and Primary Producers _____

ii) Between Supplier and Traidcraft _____

4. PARTNERSHIP

Who are the partners ? _____

Is this a) direct source _____

b) contracted out (e.g.ATO) _____

Is the link

STRONG []

WEAK []

How is a relationship of partnership and co-operation ensured?

Date of last visit _____

Report reference _____

Is there a "producer story" for marketing ?

Y [] N []

SECTION TWO : STRATEGIC IMPLICATIONS

a) SALES VALUE OF PRODUCT

£/p.a. i.e. very imp []
average []
minimal []

Could it be substituted ? _____

Is it part of a range ? _____

b) MARKET POTENTIAL

Does product fit in with TCs marketing plan and general market trends?

b) ETHICAL CONSIDERATIONS :

Adding value in country _____

Supporting marginalised or disadvantaged groups _____

Area/region _____

Sustainable production _____

Food security and staples _____

i.e. does the product fulfil any secondary criteria prioritised ?

c) DEPENDENCY

What proportion of trade is with TC ?

<25 % []

25 - 50% []

50 -75% []

>75% []

SECTION THREE : SUMMARY AND CONCLUSIONS

1. From the four criteria in Section One, can "CLEAR BENEFITS TO SOURCE" be identified ?

Y []

N []

(i.e. does this product comply with the food purchasing policy)

2. What are the strengths and weaknesses of this product (and source) in relation to the criteria, and what input is required to consolidate the "fair trade" as per the policy?

Strengths _____

Weaknesses _____

Input _____

RECOMMENDATION

Given the input required, and the strategic implications noted in Section Two, which of the following options is most appropriate ?

a) Develop this source []

Overleaf list any **action points** in relation to prices and planned input for development.

b) Look for new sources []

potential sources : _____

time period : _____

c) Discontinue product []

timescale _____

SUPPLY CHAIN FOR _____

LINKS	ORGANISATION	BENEFITS/F.TRADE
--------------	---------------------	-------------------------

TRAIDCRAFT

|
WHOLESALER

|
IMPORTER

|
EXPORTER

|
PROCESSOR & PACKER

|
INTERMEDIARY
(local buyer)

|
PRIMARY PRODUCER

- "Source" is _____
- Benefits and "fair" prices apply at *
- Transparency in the chain applies at #
(N.B. do producers have access to information ?)

Do producers have access to information ?

FORM COMPLETED BY : _____

DATE : _____

APPENDIX 7.4
EXAMPLE OF A PRODUCT GROUP SUMMARY

PRODUCT GROUP SUMMARY AND STRATEGY : NUTS

1. Main groups :

- i) Direct
 - Cashews (7.25%)
 - Peanuts

- ii) Secondary FT source
 - Almonds (EE)
 - Pecans (TWIN)
 - Brazils (")
 - Macadamias (OWW)

- iii) Commercial known source - hazelnuts

NB CF source from large coop but according to the file buy from a variety a brokers so this cannot be guaranteed.

- iv) Commercial unknown source
 - walnuts
 - cashews (82.75%)

An estimated breakdown of the projected sales figures (rounded down) for this group is as follows :

Direct	£25,000	15%	
			} 44%
Secondary	£47,000	29%	
Commercial	£91,000	56%	

In spite of the shortcomings of such a crude calculation it does indicate the need to address the commercial sources.

2. ACTION REQUIRED

i) Cashews from Zambia

- Clarify relationship and improve communication with ZCC
- Liaise with OWW (and TX ?) to get info about the impact of the trade on producers
- Plan sales and contract with ZCC for maximum volume possible (what are the issues : lack of continuity and volume from ZCC or price of nuts too high?).

ii) Obtain current information on sources from ATOs for almonds, pecans, brazils and macadamias.

iii) Hazelnuts :

- clarify FKB source from Community
- investigate organic GFF source as alternative
- develop strategy to transfer market share (to macadamias?)

iv) Walnuts :

- find alternative source (with help from TX; investigate Indian producers)
- label product clearly in the interim.

v) Cashews :

- investigate alternative source if ZCC cannot supply volume e.g. OWW nuts from Honduras
- if commercial nuts are purchased for price reasons this should be limited to a maximum of 50% (how to label to this effect?).

3. PRIORITIES AND STRATEGIES

Short term :

- strengthen sources of supply as above
- ensure that mueslis, bakery products and snacks contain TC nuts
- take action on nut butters, and negotiate with Agrocel on peanut butter
- promote a "Tropical" range to include the exotic nuts
- address the issue of clear labelling

Medium - long term :

- develop fruit and nuts products which will maximise sales e.g. health bar, new cereals
- target new sources (esp. from Africa?).

ALISON GRIFFITH

MAY 1995

APPENDIX 8.1

**TRAIDCRAFT FOODS CATALOGUE
1995/96 EDITION**

FOODS

TEAS, COFFEES AND TISSUES

from



TRAIDCRAFT

Trading for a fairer world

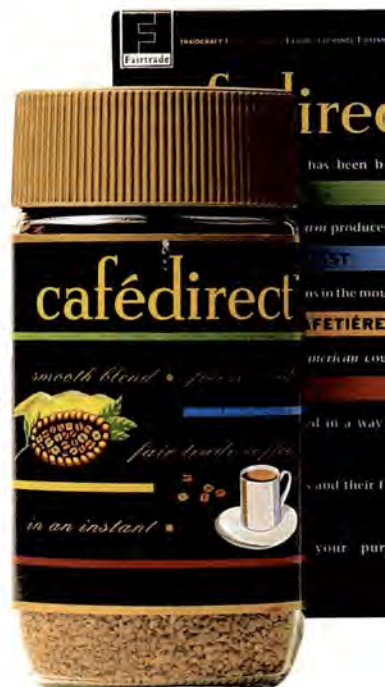
1995/96 Edition

Welcome to Traidcraft's new Foods, Teas, Coffees and Tissues Brochure for 1995. There's a quality range of fairly traded produce - from everyday basics to special treats - including Cafedirect ground and instant coffee, which is now widely available in supermarkets. The sales success of Cafedirect indicates the growing number of people taking on the message of fair trade.

Buying fairly traded food gives 'third world' farmers a better deal and makes a real difference to people who otherwise are in a very vulnerable position, at the mercy of fluctuations in commodity prices and the dictates of western markets.

To try to ensure that as many products as possible benefit the growers directly, Traidcraft is continuing to review its sources. This means a shift away from our previous policy of indirect buying from countries who have favourable national policies for small farmers, to direct contact with groups or with other fair trade organisations working with these groups. The features on Kangra Valley tea and the Panay Fruits and Trading Company in this brochure show two positive results of Traidcraft's review process. By choosing produce from Traidcraft's new Food Brochure, you can show regular support for people in 'third world' communities working together for a better future.

Prices in this brochure are correct at time of going to press, but due to changes in the prices of commodities they may subsequently alter. Please contact our Customer Services Department on (0191) 491 0591 for the latest information.



<p>TRAIIDCRAFT ground coffee</p> <p><i>fairly traded</i></p> <p>Dark Roast AFTER DINNER BLEND</p> <p>for filters and cafetières 8oz 227g e for best before see top</p>	<p>TRAIIDCRAFT ground coffee</p> <p><i>fairly traded</i></p> <p>Light Roast BREAKFAST BLEND</p> <p>for filters and cafetières 8oz 227g e for best before see top</p>	<p>TRAIIDCRAFT ground coffee</p> <p><i>fairly traded</i></p> <p>Decaffeinated MEDIUM ROAST</p> <p>for filters and cafetières 8oz 227g e for best before see top</p>	<p>TRAIIDCRAFT ground coffee</p> <p><i>fairly traded</i></p> <p>Medium Roast ALL DAY BLEND</p> <p>for filters and cafetières 8oz 227g e for best before see top</p>
--	--	---	---

Traidcraft's fairly traded ground coffees and coffee beans combine full, rich flavours with a fair deal for coffee growers. The coffees are mainly grown on family farms and sold through the farmers' own cooperatives. The growers are guaranteed a minimum price linked to production cost.

COFFEE BEANS

Fairly traded quality blends of premium Arabica beans, roasted to give a smooth rich flavour.

Medium Roast
2 x 227g ref: 81078 £5.80
Dark Roast
2 x 227g ref: 81280 £5.80
Medium Roast Decaffeinated
2 x 227g ref: 81299 £6.50
Medium Roast Organic
Certified by UK Soil Association.
2 x 227g ref: 82104 £6.50

GROUND COFFEE

A blend of Arabica and robusta beans which give a consistent, high quality flavour. All are standard grind for use in filter machines, percolators and cafetières.

Light Roast
6 x 227g ref: 80772 £14.34
24 x 227g ref: 80780 £56.16
Medium Roast
6 x 227g ref: 80799 £14.34
24 x 227g ref: 80802 £56.16
Dark Roast
6 x 227g ref: 80810 £14.34
24 x 227g ref: 80829 £56.16
Medium Roast Decaffeinated
6 x 227g ref: 80837 £15.90
24 x 227g ref: 80845 £62.40
Ground Coffee Variety Pack
2 x 227g Medium Roast; 1 x 227g Light Roast; 1 x 227g Dark Roast; 2 x 227g Medium Roast Decaffeinated.
6 x 227g ref: 81248 £15.60

Forestal Ground Coffee

For every pack \$0.25 (US) goes to conservation programmes. The coffee is processed and packed in Costa Rica. Medium roast standard grind, in a larger 250g soft fill vacuum pack.
6 x 250g ref: 80764 £16.20
20 x 250g ref: 80756 £53.00

COFFEE COLLECTIONS

Two collections of fairly traded ground coffee for filter machines, percolators and cafetières.
Choice Roast
Three of the finest Arabica ground coffees, from cooperatives in Costa Rica. Light, medium and dark roasts, four sachets of each. Total weight of coffee 1lb. ref: 83704 £7.25
Connoisseurs' Choice (Decaff)
Four decaffeinated ground coffees from cooperatives in Latin America. Three sachets of each coffee. Total weight of coffee 1lb. ref: 83712 £7.99

INSTANT COFFEE

Encafe
Mild tasting powdered coffee from Nicaragua.
6 x 100g ref: 81116 £13.80
24 x 100g ref: 81051 £54.00
500g tub ref: 81108 £10.95
Campaign
Mild flavoured powdered coffee processed in Tanzania, which provides over 100 well paid jobs.
6 x 100g ref: 80330 £13.50
24 x 100g ref: 80101 £52.80
750g tub ref: 80128 £15.75

CAFEDIRECT

This pioneering fair trade product is available as both ground and coffee from major supermarkets as well as from Traidcraft. Promoted jointly by four of Britain's leading alternative trading organisations, coffee is sourced directly from approved cooperatives in Mexico, Peru, Costa Rica and Tanzania.

Cafedirect

High quality, pure Arabica medium roast ground coffee, suitable for filter machines and cafetières.
6 x 227g ref: 80519
24 x 227g ref: 80527

Cafedirect Instant

A premium freeze-dried instant coffee made from the best quality coffee beans from approved fair trade sources.
6 x 100g ref: 81310
24 x 100g ref: 81418

Cafedirect Gift Barrel

Hermetically sealed barrel containing two 8oz (227g) packs of Cafedirect ground coffee. ref: 8369





Special Brew

You'll notice a new brand of speciality tea, Kangra Valley, in this year's Food brochure. Introduced as part of Traidcraft's review of its range and sources of Kangra Valley is produced by a co-operative in the Jharkhand Pradesh region in North India.

The Palampur Co-operative Tea Factory Ltd was established in 1970 and is situated in the Kangra Valley in the Himalayan foothills. It seeks to develop the economy in a positive way and has just under 300 smallholders selling green leaf tea to the factory for processing. All of these smallholders have shares in the co-operative, the members receive a share of the profit and each member has one vote, irrespective of the size of their holding.

SPECIALITY TEAS

Available either as loose tea or 2-cup teabags.

NEW Kangra Speciality Tea

A finely flavoured tea similar to Darjeeling in quality and taste, but lighter in colour.

4 x 125g (loose) ref: 83372 £4.40

4 x 40 2-cup bags/125g ref: 83364 £5.20

Assam

Indian tea renowned for its rich taste and bright colour.

4 x 125g (loose) ref: 84646 £4.00

4 x 40 2-cup teabags/125g ref: 82473 £5.00

COCOA

Bolivian Cocoa

From El Ceibo, a federation of farmers' cooperatives in Bolivia which runs processing facilities, an export business and an education programme benefitting thousands of peasant families. El Ceibo also supplies cocoa for Mascao fairly traded chocolate which means more opportunities to sell to Alternative Trading Organisations at a much better price than that offered on the world market.

6 x 125g tub
ref: 82422 £7.20

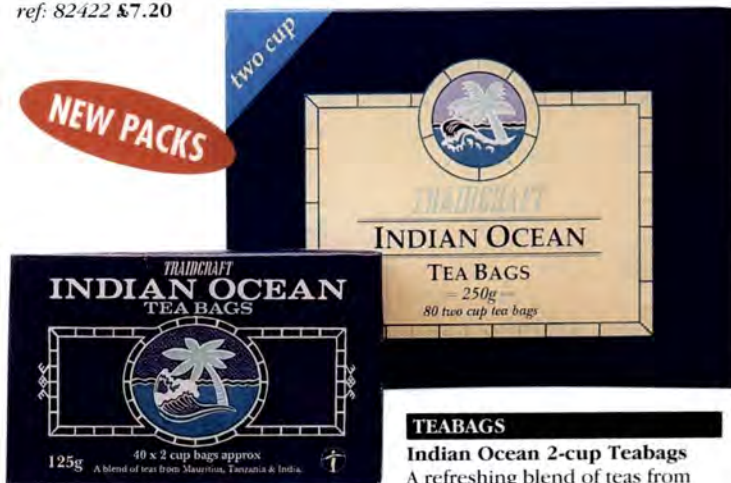
Please phone your order on

0191 491 0855

using Access, Visa or Mastercard

Teabag Caddy Gift Set

Encourage family or friends to sample our Assam, Nilgiri and new Kangra teabags with a set of three decorative caddies. Approx. 80 2-cup teabags per set. Caddies made in Europe. ref: 80373 £7.99



TEABAGS

Indian Ocean 2-cup Teabags

A refreshing blend of teas from our selected sources in Kenya, Mauritius and Tanzania as well as from suppliers in South India paying fair wages to their members.

4 x 40 bags/125g ref: 82481 £3.80

48 x 40 bags/125g ref: 82538 £42.72

4 x 80 bags/250g ref: 84557 £6.00

24 x 80 bags/250g ref: 83011 £34.32

1 x 240 bags/750g ref: 82503 £4.38

Indian Ocean 1-cup Teabags

4 x 120 bags/250g ref: 84565 £6.80

24 x 120 bags/250g ref: 83755 £39.60

1 x 1100 bags/2.5kg ref: 82511 £12.80

East African

Breakfast Blend Teabags

Enjoy a better cup of tea which means a better deal for tea growers too. Traidcraft's high quality Breakfast Blend uses teas from selected known smallholders or cooperative groups in Kenya, Mauritius and Tanzania which benefit the growers directly.

Breakfast Blend 2-cup Teabags

4 x 80 bags/250g ref: 83062 £6.40

24 x 80 bags/250g ref: 83054 £36.72

Breakfast Blend 1-cup Teabags

4 x 120 bags/250g ref: 83046 £7.20

24 x 120 bags/250g ref: 83038 £42.00

LOOSE TEAS

WDM Loose Tea

A fine blend of teas from smallholder cooperative growers in Mauritius. Packed at Craft Aid providing work for physically disabled people on the island.

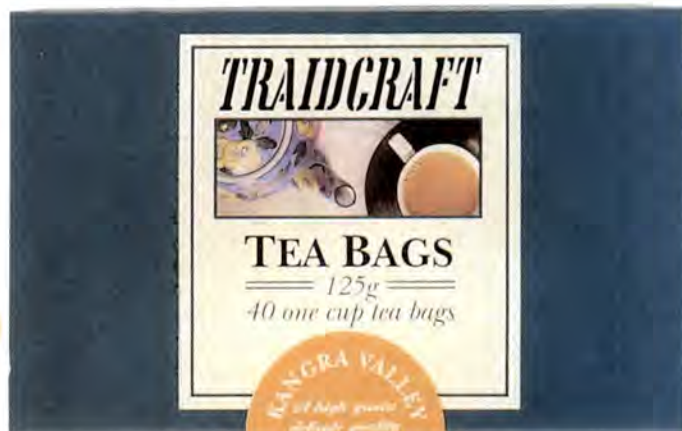
2 x 250g ref: 80470 £3.10

20 x 250g ref: 80489 £30.00

Tanzanian Loose Tea

2 x 250g ref: 84522 £2.50

24 x 250g ref: 80225 £28.80



WARNING

Please note that in rare cases nuts can cause a severe allergic reaction.

We have taken care to indicate product ingredients where relevant.

DRIED FRUIT

Use Traidcraft's dried fruit in your favourite recipes or enjoy as a delicious snack. All dried fruit is prepared in its country of origin.

Apple Rings

6 x 100g ref: 85219 £5.10

Apricots From Turkey.

6 x 250g ref: 85235 £9.60

Banana Chips From the Philippines (see producer story opposite).

6 x 100g ref: 85243 £4.20

Whole Sundried Bananas From Ecuador.

6 x 250g ref: 85324 £4.98

Desiccated Coconut From Sri Lanka.

6 x 250g ref: 85197 £4.80

Dates

6 x 500g ref: 85332 £8.10

Mango Pieces

From a Christian family business in Kenya.

6 x 100g ref: 85340 £6.30

Raisins From Chile.

6 x 500g ref: 82074 £7.50

Organic Sultanas

Grown on small-scale Turkish farms.

6 x 250g ref: 85383 £5.40

6 x 500g ref: 85375 £9.30

Dried Fruit Salad

A mix of peaches, pears, apricots, apples and prunes.

6 x 250g ref: 85359 £9.60

Baking Pack

1 each of: 250g apricots, 250g sultanas, 500g raisins, 500g dates, 250g desiccated coconut, 250g walnuts.

ref: 82376 £7.80

HOUSEHOLD TISSUES

All of Traidcraft tissues are made from recycled paper and avoid the use of Optical Brightening Agents (OBAs) and the creation of dioxins in their manufacture.

Large Strong Tissues

An extra-large size tissue handy for everyday household use. 100 2-ply white tissues in each box. Available in units of 12 boxes.

ref: 79715 £12.00

Toilet Tissues

Economy-sized packs with 240 sheets per roll, 40 rolls per pack.

Green ref: 78751 £16.00

Pink ref: 78735 £16.00

Peach ref: 78980 £16.00

White ref: 78786 £16.00

Kitchen Rolls

Twinn pack, 60 2-ply sheets per roll. ref: 79065 £0.99

Family Facial Tissues

150 2-ply white tissues in each box. Available in units of 12 boxes.

ref: 79472 £12.00



A Fruitful Relationship

As Traidcraft continues to review its food sourcing, you'll hear about groups who are new suppliers. From early summer 1995, the Panay Fruits and Trading Company in Iloilo City in the Philippines will be supplying banana chips to Traidcraft for the first time.

The Panay Fruits and Trading Company (PFTC) was set up in 1991 by a women's organisation in order to link recognised groups of farmers and peasant women, to a co-operative structure, and making and selling banana chips is its first business venture.

Because PFTC encompasses a network of 10 organisations with a total of around 7,000 members, it benefits different groups in different ways. The farmers and producers providing the raw materials receive a higher price than normal for their produce and also benefit from transport costs since PFTC collects from the farmers through their own buying centres. The women processing the banana chips get a fair reward for their work as well as seeing improvement in their morale and social status. In addition, the local community has been shown, by the work of PFTC, that by working together and helping each other, people can improve their own living conditions.

HOW TO ORDER

You can order from this brochure by post, telephone or fax. Please give complete reference numbers and descriptions, and add the following carriage and handling charges.

Orders up to £75 - £3.50

Orders over £75 - FREE

Please remember to give payment details, either credit card authorisation or a cheque made payable to Traidcraft plc.

BY POST

Traidcraft plc, Kingsway, Gateshead, Tyne & Wear NE11 0NE.

BY TELEPHONE OR FAX

Telephone (0191) 491 0855 or Fax - (0191) 487 0133 and place your order using Access, Visa or Mastercard

If you have any queries please ring our

Customer Services (0191) 491 0591

If you want more copies of this Food Brochure please quote ref: 98841 on your order.

A BLOW FOR FAIR TRADE

FAMILY PACK

Recycled Tissues

150 WHITE 2 PLY

TRAIDCRAFT

Trading for a fairer world

Trading for a fairer world means

- paying people in the 'third world' fair prices
- giving them credit when they need it
- working together for a better future

craft's popular tropical fruit
e imported directly from the
of Agricultural Cooperatives
ina Faso, one of the poorest
es in Africa. The Union
and sells fresh fruit and
les, and by making jam from



Extra Jam
Content 48g of guava per 100g;
Content 65g of sugar per 100g.
ref: 80942 £11.10

SPICES AND HERBS

Black Pepper

ref: 82805 £3.00

Peppercorns

ref: 82716 £2.72

Mill Refill

ref: 82872 £3.80

owder

ref: 82740 £2.72

on

ref: 82775 £3.24

ref: 84948 £2.72

Coriander

ref: 82708 £2.00

Cumin

ref: 82732 £2.72

Cumin Seeds

ref: 82783 £2.72

owder (Madras)

ref: 82767 £2.00

Masala

ref: 84905 £2.00

owder In foil packs.

ref: 84913 £3.24

Ginger

ref: 82791 £2.72

ppices

ref: 82821 £2.00

Nutmegs

ref: 84921 £2.72

ic

ref: 82856 £2.00

Traidcraft's herbs are

d at the Gemini Project in

aba, Ethiopia.

ref: 80578 £3.92

ref: 80586 £3.92

Wine Gift Set

s with a mix of cinnamon,

ardamom and ginger which

e up your wine. In an

ed cotton drawstring

nd produced by the Gemini

n Ethiopia which provides

and work for the mothers of

g nett. ref: 84816 £2.98

some of the fruit, adds value to the
produce. However, it's still not easy
for the Union to export because of
high transport costs and tariff
barriers. By buying our jams you're
showing support for the efforts of
many local African producers.

NEW Jam Twin Pack

Have the best of both worlds with
one jar each of our Guava and
Mango Extra Jams.
2 x 340g ref: 83348 £3.90



Mango Extra Jam
Fruit content 48g of mango per 100g;
sugar content 67g of sugar per 100g.
6 x 340g ref: 80853 £11.10

NUT SPREADS

These spreads, full of flavour but
free of all artificial additives and
preservatives, make an unusual and
tasty change as sandwich fillings,
dips or recipe ingredients. The
source of the nuts will vary due to
availability but will be from
Tanzania, Mozambique, Nicaragua,
Turkey, Zambia or China.

Cashew Butter
6 x 170g jars ref: 81833 £10.50

Hazel Butter
6 x 170g jars ref: 81825 £9.90

Crunchy Peanut Butter
6 x 340g jars ref: 81809 £7.20

Tahini Spread
Sesame seed paste.
6 x 340g jars ref: 81817 £8.28



HONEY

Traidcraft honeys from Latin America
and Africa are a natural way of
trading fairly. Use as a delicious
sweetener or in your favourite
baking recipes. Traidcraft honeys are
also used in some of our bakery
products listed on p5.

Sweet Justice Set Honey
Pure set honey from Latin America.
2 x 340g ref: 81647 £2.70
6 x 340g ref: 81884 £7.80

Tanzanian Tabora Clear Honey
Clear honey from one of Africa's
leading beekeepers' cooperatives,
which has received major assistance
from Traidcraft in recent years. The
cooperative members receive a fair
price for their honey and this
additional income has helped
families invest in increasing food
production.
2 x 340g ref: 81655 £2.50
6 x 340g ref: 81906 £7.20

**Organic Tropical Forest Set
Honey**
Gathered from wild bees by East
African beekeepers' cooperatives,
using traditional, sustainable
methods. Earnings from the sales of
the honey help the beekeepers to
maintain the natural environment
and the tropical forest. Traidcraft has
funded organic certification of this
honey by the UK Soil Association.
2 x 340g ref: 81205 £3.00
6 x 340g ref: 81353 £8.70

Wild Blossom Honey
From a church initiative in Chile
which markets honey for around
1,000 small-scale producers.
2 x 340g ref: 80403 £2.70
6 x 340g ref: 80454 £7.80

NEW Flavoured Honeys
Delicious Wild Blossom honey
delicately flavoured with either
orange, lemon, or passion fruit juice
and attractively packaged in
hexagonal jars. 2% juice content.



NEW Honey with Orange Juice
Wild Blossom honey flavoured with
orange juice. 2% juice content.
2 x 227g ref: 83219 £3.10



SUGARS

Traidcraft's fairly traded Mauritian
sugars are packed at Craft Aid, a
project providing work
opportunities for physically disabled
people. Sugar workers are covered
by the country's minimum wage
legislation, which is properly
followed and checked. Also used in
our cakes and puddings.

Dark Muscovado Sugar
A soft, fine grained brown sugar
with the rich flavour and aroma of
molasses. Use for baking fruit cakes
and spicy gingerbread.
10 x 500g ref: 82015 £9.30

Demerara Sugar
A golden, crunchy sugar ideal for
sweetening coffee or on cereals.
10 x 500g ref: 82317 £7.80

Golden Caster Sugar
This free flowing sugar is a perfect
fairly traded alternative to refined
caster sugar for cakes and biscuits.
10 x 500g ref: 82341 £7.50

Raw Cane Sugar
A Traidcraft favourite, this
granulated sugar is a versatile
ingredient for all kinds of cooking.
10 x 500g ref: 82295 £7.00

NEW Variety Sugar Pack
Contents: 4 x 500g Raw Cane Sugar,
2 x 500g Demerara Sugar, 2 x 500g
Golden Caster Sugar, 2 x 500g Dark
Muscovado Sugar.
Total 10 x 500g ref: 83356 £8.30



NEW Honey with Passion Fruit Juice
Wild Blossom honey flavoured with
passion fruit juice. 2% juice content.
2 x 227g ref: 83313 £3.10

NEW Honey with Lemon Juice
Wild Blossom honey flavoured with
lemon juice. 2% juice content.
2 x 227g ref: 83305 £3.10



BREAKFAST CEREALS

NEW Andean Crunch

At a special introductory price, a tasty, high quality alternative to muesli which includes oats, muscovado sugar from the Philippines, popped quinoa from Bolivia, raisins, Brazil nuts from Peru, honey from Cuba, crisps of rice, coconut, soya flour and salt. Quinoa is a grain from South America which has been grown in the high regions of the Andes for thousands of years. 6 x 350g ref: 81434 £8.10

Muesli

Contains at least 35% fruit and nut.

Nut Muesli 6 x 500g ref: 81914 £6.90

Fruit Muesli 6 x 500g ref: 81922 £6.90

Crunchy Tropical Cereal

With a minimum 45% fruit and nut. Ingredients raisins, jumbo oats, honey, oats, toasted malted wheat flakes, banana chips, sultanas, pineapple, papaya, pumpkin seeds and cashews. 6 x 500g ref: 81930 £7.20

Apricot Crunchy Cereal

Ingredients: toasted oat flakes, malted wheat flakes, sultanas, apricot pieces and almond flakes. 6 x 500g ref: 82147 £7.20

NEW
FLAVOURED
CHOCOLATE

SWEETS AND SNACKS

Mascao Fairly Traded Chocolate

This Swiss-made chocolate has been so successful that there are now six delicious varieties to choose from, including two new flavoured plain chocolate bars. Mascao Minis are also available - perfect for sharing a fair trade treat among friends. Both the principal ingredients of cocoa and sugar are fairly traded; the cocoa comes from El Ceibo in Bolivia and the unrefined raw cane muscovado sugar from small independent farmers in the Philippines. Bulk quantities supplied in display cartons. Cocoa solids 31% minimum, milk solids 22% minimum. PLEASE NOTE, MILK CHOCOLATE CONTAINS GROUND HAZELNUTS.

Milk

25 x 100g ref: 82023 £27.50
3 x 100g ref: 82635 £3.60

Nut

18 x 100g ref: 82813 £20.70
3 x 100g ref: 82651 £3.75

Praline

16 x 100g ref: 82112 £19.20
3 x 100g ref: 82643 £3.90

Plain

25 x 100g ref: 83070 £28.75
3 x 100g ref: 82686 £3.75

NEW Flavoured Mascao Chocolate

Flavoured plain chocolate. Cocoa solids 60% minimum.

Orange

25 x 100g ref: 83216 £30.00
3 x 100g ref: 83259 £3.90

Coconut

24 x 100g ref: 83275 £28.80
3 x 100g ref: 83283 £3.75

NEW Mascao Minis

Irresistible bite-size mixed pack of mini milk and plain chocolate bars. Approx. 56 bars in each pack. Cocoa solids 31% minimum, milk solids 22% minimum. 250g.

ref: 82724 £4.99



NEW Chocolate Covered Brazil Nuts

A luxury treat which also gives a fair deal to food producers. The Brazil nuts are supplied by a Peruvian alternative trading organisation which provides transport and access to credit for the brazil nut gatherers in remote rainforest areas in south east Peru. The plain chocolate coating is from Ghana. Minimum cocoa solids 49%.

12 x 100g ref: 83127 £23.88

Crystals

Milk chocolate with a honeycomb centre. From a family business in Harare, Zimbabwe, providing good working conditions and excellent terms of employment.

200g box ref: 83968 £2.40

Traidcraft offers a tempting selection of confectionery and plenty of excuses to treat yourself. All 10 x 100g packs.

Yoghurt Coated Banana Chips

ref: 85073 £9.50

Yoghurt Coated Peanuts

ref: 82910 £9.00

Yoghurt Coated Raisins

ref: 82902 £9.00

Raisins & Yoghurt Coated Peanuts

ref: 82953 £7.50

Peanuts & Yoghurt Coated Raisins

ref: 82945 £7.50

Snacks Pack

Indulge yourself with 2 each of: 100g Roast Cashews, 100g Roasted Salted Peanuts, 100g Yoghurt Coated Peanuts, 100g Yoghurt Coated Raisins, 100g Yoghurt Coated Banana Chips.

ref: 82848 £9.50

NEW Snack Bars

An appetising and nutritional change from chocolate snacks, Traidcraft's new Barrita snack bars include cashew nuts from Honduras, brazil nuts from Bolivia, Cuban honey, Nicaraguan sesame seeds and muscovado sugar from the Philippines. A guaranteed 63% of ingredients come from 'third world' countries. Bars packed in own display boxes.

NEW Barrita Nut Bars

30 x 25g ref: 83232 £13.50

NEW Barrita Sesame Bars

40 x 30g ref: 83240 £8.80

Vine Fruit Cereal

Ingredients: toasted oat flakes, malted wheat flakes, black raisins, sultanas and bran flakes.

6 x 500g ref: 82155

Cereal Variety Pack

With Traidcraft's variety pack of cereals you can have a different delicious breakfast every morning the working week. 1 pack each 500g Apricot Crunchy Cereal, Vine Fruit Cereal, 500g Nut Muesli, 500g Fruit Muesli and 2 packs 500g Crunchy Tropical Cereal. ref: 82120

SNACK JARS

Savoury nibbles packaged in shatterproof plastic jars.

Roasted Salted Peanuts

500g jar ref: 8525

Roasted Organic Cashews

From Zambia, certified organic by the Zambian Department of Agriculture.

475g jar ref: 8527

Bombay Mix

Popular spicy mix of peanuts, and chick peas.

375g jar ref: 8530

Luxury Three Nut Selection

125g each of almonds (West Indies), macadamias (Costa Rica) and hazelnuts (Peru).

3 x 125g ref: 8261

BAKERY

Fruit & Nut Cake

900g/2lb ref: 8138

Flapjacks

Delicious flapjacks using Traidcraft's Chilean honey, brazil nuts from Peru and hazelnuts and apricots from small Turkish farms. 8 flaps in each double pack.

NEW Apricot & Walnut Flapjacks

2 x 150g/5oz ref: 8316

Date & Hazelnut Flapjacks

2 x 150g/5oz ref: 8262

Apricot & Brazil Flapjacks

2 x 150g/5oz ref: 8259

POPPADOMS

Produced by a long-established women's cooperative in India around 12,000 members.

Punjabi Masala (Spicy)

10 x 200g ref: 8258

Plain

10 x 200g ref: 8257

RICE

Brown Basmati Rice From India

6 x 500g ref: 8545

White Basmati Rice From India

6 x 500g ref: 8233



APPENDIX 8.2

QUESTIONNAIRE FOR THE PILOT REVIEW OF TRAIDCRAFT APRICOTS AGAINST THE NEW FOOD PURCHASING POLICY CRITERIA

FIRST DRAFT

PRODUCT REVIEW FOR APRICOTS

SECTION ONE

1. SOURCE KIRICI

CATEGORY : Producer co-op/group
 Intermediate trading org
 ATO
 Other . (PACKER)

Meets criteria Y N * NOT CLEAR

Who developed the source ? COMMUNITY FOODS (CF)

Brief description of structure and functions :

Kirici are a family business who buy + sell apricots in the east of Turkey (most packers are in the more prosperous west). They have traded with CF since 1984.

2. BENEFITS

i) To Source

Business Development :

Technical input } Assistance from CF has been considerable
Dev skills & Training } but Kirici are now well established. CF are
Market information } encouraging expansion + have given help/advice
Developing markets } on the purchase of 2 large metal detectors.
Other } Info from CF -> Kirici. N.B. CF are a big buyer of
 } Turkish apricots + main supplier to UK markets
 } (of the 500t imported they handle 1500t).

Terms of Trade :

Credit Originally credit helped Kirici to expand but CF consider they no longer need it

Continuity CF are committed to one packer, as their 11 year

Other trading relationship demonstrates

ARE BENEFITS CLEAR AND ADEQUATE ?

Y [] N []*

ii) To Primary Producer (if not source)

Who are the primary producers and how are they benefiting? Growers are not organised into groups & often use a village broker. Kiricis provide a stable outlet

What is the social impact of the trade? but there is a wide choice.

Employment for 300 women in an area where jobs are scarce.

* Individual growers choose packers on loyalty & payment methods.

ARE BENEFITS CLEAR AND ADEQUATE ?

Y [] N []*

3. FAIR PRICES

How are prices determined and in what ways can they be defined as "fair" :

The world market for apricots involves the packer

i) To Source (Kirici) taking all the risk. They quote advance prices and trust the market to act as they predicted; if it doesn't, they will lose out. But CF are committed to Kiricis & unlike other traders, will not switch even if the price is lower elsewhere.

ii) To Producers

Packers, like Kirici, pay the market price which is subject to big fluctuations.

iii) At Other Points Along the Supply Chain

CF's margins are not known but the apricot market is highly competitive and world market price is low.

TC's margins are very high at 66%.

Transparency and Accountability

i) Between Source and Producers Not known, but CF considers Kirici to be "relatively honest".

ii) Between Source and Traidcraft CF + TC enjoy a long-standing + open relationship (≈ 20yrs). CF give access to info + readily state that this is not, in their view, a fair trade source.

4. PARTNERSHIP

Who are the partners? CF + Kirici

Is this a) direct source _____

b) contracted out (e.g.ATO) ✓

How is a relationship of partnership and cooperation ensured?

CF helped Kirici to get established, + now visit them annually to give advice on the market, legislation and quality standards.

Date of last visit Summer 1994

Is there a "producer story" for marketing?

Y[] N[

SECTION TWO : STRATEGIC IMPLICATIONS

a) VALUE OF PRODUCT

£/p.a. 95,000 i.e. very imp't []
average []
minimal []

Could it be substituted? Yes eg organic apricots

Is it part of a range? Yes - dried fruit • Baking
• Snack

b) MARKET POTENTIAL

Does product fit in with TCs marketing plan and general market trends?

Apricots are the most important product in the dried fruit range, with potential as an ingredient for other products.

b) ETHICAL CONSIDERATIONS :

Adding value in country Processing + packaging in the region
Supporting marginalised or disadvantaged groups No, not clear

Area/region Turkey must be a low priority
Sustainable production N/K (NB high sulphurization of fruit)
Food security and staples Not an issue in Turkey

i.e. could the product contribute to the desired 'balance'?

NO

c) DEPENDENCY

What proportion of trade is with TC ?

Minimal; but Kirici is heavily dependent on CF.

SECTION THREE : SUMMARY AND CONCLUSIONS

1. From the four criteria in Section One, can "CLEAR BENEFITS TO SOURCE" be identified ?

Y []

N [✓]

(i.e. does this product comply with the food purchasing policy)

2. What are the strengths and weaknesses of this product (and source) in relation to the criteria, and what input is required to consolidate the "fair trade" as per the policy?

Strengths A very valuable product for TC in
financial terms.
Input from CF is consistent and good.

Weaknesses Very little evidence of CURRENT benefits
to source. Packaging in the East (as opposed to
the West) is the only tangible one. Kiria are now
commercially robust (see below).

Input N/A

RECOMMENDATION

Given the input required, and the strategic implications noted in Section Two, which of the following options is most appropriate ? :

a) Develop this source []

b) Look for new sources []

potential sources : Organic from Turkey

time period : ASAP - URGENT!

Also investigate:

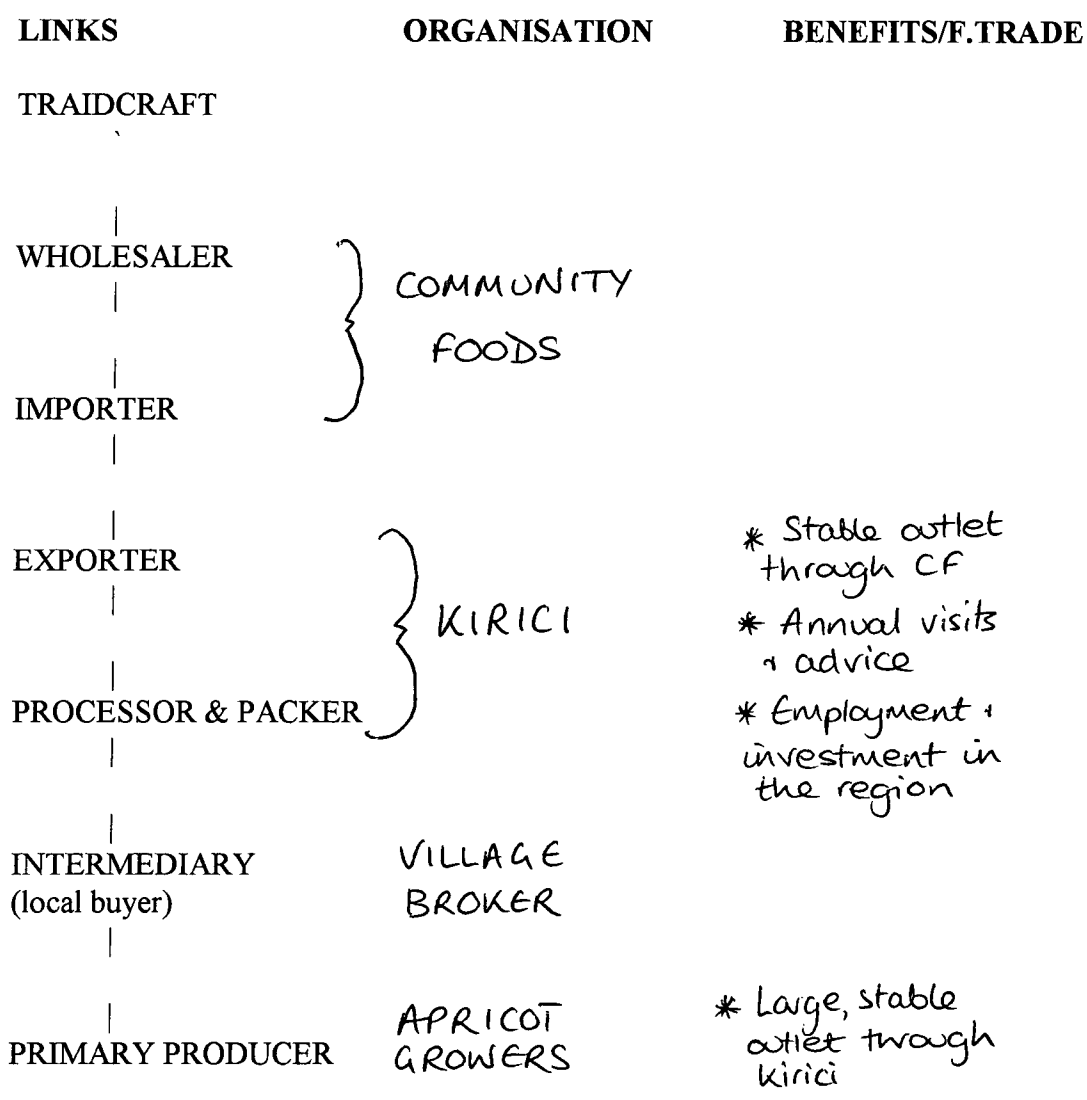
- Pakistan
- South Africa

c) Discontinue product []

timescale _____

CF have considered the possibilities to develop this source so that measurable benefits can be identified to growers, workers or the local area; but they feel it is not feasible. They try to trade equitably with Kiricis, but this is in the context of the world market. That market is buoyant and there are many sellers and buyers, so it is likely that growers get a reasonable price, but by no means certain.

SUPPLY CHAIN FOR APRICOTS



- Source" is KIRICI
- Benefits and "fair" prices apply at *
- Transparency in the chain applies at # (N.B. do producers have access to information ?)

Producers tend to store apricots + sell when the price is high. There is a wide choice of buyers and they are aware of the fluctuations.

APPENDIX 8.3

REPORT FOR THE MARKETING DIRECTOR AND FOOD BUSINESS OF TRAIDCRAFT

VISIT TO COMMUNITY FOODS ON 23RD MARCH 1995 FOR THE PILOT REVIEW OF DRIED FRUITS

The main purpose of the meeting with Bill Henry, (Director and dried fruit buyer), was to obtain information to complete product review forms. This highlighted some problems and the discussion attempted to seek possible solutions, particularly for apricots.

SUMMARY

1. APRICOTS

The current source of apricots is from Community Foods' (CF) packer, Kirici, and does not meet the new purchasing policy criteria. CF feel that this is a purely commercial source and no "fair trade" (FT) claims can be made about it.

Earlier reports on file suggest that this source would have probably met the criteria when it was first developed but now seems to have "outgrown" that situation. It would be useful to have a model of how to proceed with such a case.

TC are under pressure to drop the product from other wholesalers and retailers who are selling the commercial apricots and are aggrieved that the Traidcraft packaging and logo lead customers to believe they are fairly traded.

2. GOOD FOOD FOUNDATION (GFF)

Organic dried fruit and nuts are being produced by growers who have direct contracts with CF (who are a member of the GFF initiative). A system of independent assessments of the trade means that CF feels the products will be eligible for the Fair Trade Mark.

Premium prices are charged for the organic and fair trade angle so it is likely that sales will be lower, but there seems to be scope for effective marketing by the provision of information. For example, the poor colour of the apricots (due to no sulphurization) can be overcome by careful packaging and promotion of the very superior taste.

3. TURKISH SOURCES

There may be a limit to how long TC can continue to justify purchases from Turkey. Pressure to source from the "Third World" may intensify as Turkey plans to join the EU. Oxfam see Turkey as a temporary source and there may be possibilities to join forces to look for new suppliers.

4. COMMUNITY AND FAIR TRADE

In spite of their commitment to ethical and fair trading CF operate within the commercial arena and cannot afford to develop sources which do not compete well on price, are of a high quality and can be supplied in large volumes.

Their investment in Turkey through GFF is an indication of the type of project they would be keen on, but this has received capital from other firms. The possibility of adding benefits to existing sources was discussed (e.g. through NGO projects) but dismissed as too difficult to set up and monitor.

CF did express interest in Herbal and Fruit teas and there may be potential to develop a joint interest there. This could enhance their range of fair trade teas, since they have recently purchased the trading rights to Clipper teas. Mr Henry reported a "tremendous response" and it is to be sold in Safeways (ending the company principle not to sell to supermarkets!).

1.0 FAIR TRADE IN DRIED APRICOTS FROM TURKEY

The product review has highlighted a potential dilemma with the current source of dried apricots. Namely, what action should be taken if the FT benefits (such as access to the market, business development etc.) are eroded because the target group progresses to a point beyond needing assistance.

Community Foods, one of the largest suppliers of dried apricots to the UK market, feel that their source can no longer be called a "fair trade" source. When TC first started to buy these apricots this would not have been the case. CF have a long standing relationship with their packer and Andrew Jack's report for TC in 1987 gives evidence of the valuable development work and favourable trade terms which the packer received from CF. This assistance, along with astute business management and an increasing world market enabled the Kiricis to firmly establish themselves as a large and successful exporter.

CF have tried, unsuccessfully, to think of new ways to add benefits but there appears to be minimal scope for development. Premiums for growers or workers are not feasible and they feel it would be too difficult to ensure that any agreed criteria are followed through. It would seem that this particular source is now in a strong commercial position and there is no scope for developing a social/welfare angle to its activities.

1.1 Justification of the Source

The status of this source requires urgent clarification since these apricots provide TC with its highest sales in foodstuffs. Understandably TC may wish to justify its purchases, which it could do on three levels :

a) Community Foods practice "fair trade" by their non-exploitative approach to trading, their openness, honesty and integrity. They have strong links with the Kiricis and visit annually. They try to give advice and encourage investment and business development. Prices and terms of trade are largely dictated by the market but CF commit themselves to buy from Kirici even when the price may be lower from another packer.

b) The apricots are sorted and packed in Malatya which brings 300+ jobs, mainly for women. This is valuable employment in a large city in the East of the country where

the apricots are grown. Most of the big packers are situated in the West which is more developed and nearer the European market.

c) Turkey is a country of small-medium sized farms and trade in apricots supports households rather than large business.

These justifications are weak on several counts.

1.2 Fair Trade?

As noted above, CF would say that it is not a fair trade source because Kiricis are fully commercial and there are no additional benefits from the trade to them or primary producers. There appear to be no opportunities to provide benefits, even though CF have given this considerable thought.

It could be argued that Kiricis have "graduated" to the commercial world and no longer need assistance. This does not necessarily mean that the trade is no longer fair, but it must be judged by the accepted standards of the FT movement. The general view of the FT market is an important yard stick and it seems that these apricots are not considered to meet with the criteria.

Kiricis are now in the optimum position of a stable trading relationship with a fair partner, and independent commercial strength.

Fair trade claims which are ambiguous and open to dispute are potentially damaging, regardless of whether TC feels it can justify the source. The problem is how the product is perceived in the market place. By selling it as a fairly traded product TC have received criticism from wholefood retailers who sell exactly the same apricots but do not credit them with the additional selling point. TC should take their cue from CF who do not consider it to be a candidate for a fair trade product, as they clearly do their organic range.

By applying for the Fair Trade Mark on other dried fruit CF will be differentiating a product range, an effort which could be undermined if TC sell commercial apricots as FT ones. TC must compete within the fair trade market for market share; it has a strong FT image and its name should not be used to sell commercial products as FT. This would be "unfair" to the other organisations selling the FT dried fruit and could discredit their work (and ultimately the FT movement).

For example, Oxfam sell the GFF organic apricots which are more expensive and sales will probably be smaller, but they are operating within the parameters which ATOs accept.

TC needs to take immediate action and has several options, for example :

a) Switching to organic apricots and adopting a marketing campaign (and in the short term accepting smaller margins and maybe lower sales).

b) Clarifying the status of the source by an independent assessment (the Fairtrade Foundation ?).

c) Careful labelling so that customers know exactly what they are purchasing.

1.3 Turkey as a Source

Farming conditions in Turkey tend to be favourable and the rural population generally experience a reasonable standard of living. The country is very productive and produces food for home consumption and export. Therefore, trade on the basis of supporting small farmers (as with tea growers in East Africa) is not a justification in itself. Many small farmers in Europe would be just as eligible.

CF tried to establish trade with a marginalised, poor group of farmers in a remote mountainous area 2-3 hours from Malatya. However the problem of communication meant that when they went to collect the product after harvest the farmers had already sold it to another buyer. They had invested a good deal of effort in to the project for absolutely no return. Not surprisingly they are not keen to repeat projects of that nature. The experience also indicates that even farmers in remote areas have access to the market in some form.

A further factor for TC to consider is the possibility that Turkey will join the EU. In spite of the human rights issues Turkey has recently signed a customs union with the European Parliament, and the next step will be an application to become a full member. There are strong opinions on whether this is likely to happen, but regardless of the debates, it would seem sensible for TC to take steps to develop new sources.

In general it would seem inadvisable for Traidcraft to develop and invest in sources in Turkey if the overall strategic plan is to focus on other areas. Oxfam see Turkey as an

interim source and are looking at alternatives. Perhaps there is scope for a joint venture.

2.0 SOURCING OPTIONS

Potential for other sources is not promising. CF believe that Turkish apricots are the only commercially viable source. Australian and South African are not tradable here because they cannot compete on price. South American have a long distances to come and tend to be too sharp in taste. There are many varieties of apricot and not all are acceptable for drying, or liked by the market in the UK. Iranian sources have been unsuccessful because of quality, which tends to be a big problem with developing countries. With most dried fruits CF use a large packer to ensure quality. ATOs demand very small quantities which makes it untenable to establish sources.

Flavour (variety) and quality are important, but CF are most concerned with PRICE, because apricots have become very competitive. The prices are subject to enormous fluctuations (\$3500 down to \$1000 in less than a year), which is mostly borne by the packer. Farmers tend to be able to store and sell when price is up. The big increase in demand and lower price has resulted in many new markets for apricots as they become a substitute e.g. consumers will buy them in preference to vine fruits and they are even being developed as the basis of a non fat marg substitute for baking.

TC and CF are clearly working to very different agendas. CF are firmly locked in to the commercial market driven mainly by price and quantity , whereas TC have to go for niche markets and capitalise on the USP of its products. However, there is one area in which their interests overlap, the work of the Good Food Foundation. This is CFs attempt to differentiate the market, and establish trade which benefits farming communities directly.

2.1 Good Food Foundation

The GFF was set up 8 years ago by 5 firms from France, Germany, Denmark, Netherlands and the UK. Community are the UK firm and are responsible for promoting the work and products in the UK and Ireland.

The GFF saw an opportunity for organic dried fruit and nuts and established some work in Turkey which would ensure that they held a leading position in the market

place. By providing information, technical assistance and a price incentive, they encourage farmers to convert to organic production.

The level of input and support by GFF has enabled growers to change production methods and there are now stable quantities of sultanas, apricots and hazelnuts being produced. Figs and walnuts are also being introduced in the range.

TC currently buys sultanas from this source.

To qualify for the Soil Association seal the products must be traceable back to source, and so independent inspectors are employed to carry out an audit.

The trading arrangements are as follows :

- CF buys from a large packer in the region of production. Packers are chosen on their facilities and quality of product.
- Packers may have purchased direct from the grower or through a village broker.
- Individual growers have been given contracts by CF which are a guarantee to buy the produce at a 5% premium.

Hazelnut growers receive credit since they tend to be poorer and in need of assistance.

The GFF tries to convert all the growers within a village to organic production so that the environmental benefits are maximised. Technical staff give field advice and also monitor the activities of growers. The independent audit ensures that the fruit purchased by CF is traceable back to the individual growers it has the contracts with. If individuals do not adhere to the rules of the scheme their contracts are withdrawn.

The market is competitive and producers have the option to sell to other outlets, such as commercial packers or the Government purchasing agency. This ensures that the GFF is not able to dominate the market.

The project is primarily about organics but CF are applying to the Fairtrade Foundation for the Mark on the basis that there are clear and measurable benefits to

the growers. In addition to the work of the GFF, CF visits annually and continues to build on their many years of trading with Turkish growers.

3.0 DRIED FRUIT MARKETS

On the commercial market tropical fruits are not competing well on price, except produce from Thailand which is 60% sugar and very cheap. Price is a big issue for CF but for ATOs there is an opportunity for a premium in the more limited fair trade market. This is a marketing issue and there is every reason to believe that a demand could be created if the products and the producer behind them were communicated effectively.

On the supply side the main problem is quality. Retiefs mango and pineapple are not selling well through CF because the price is high (it is not sold as FT) and the quality poor. CF had mango and pineapple from Zimbabwe which was cheaper and superior in taste (it had been soaked in juice). CF have been losing money on Retiefs (£1000) and are planning to stop trading with them.

CF are looking at volume lines which presumably is a reflection of their attempt to survive in an increasingly competitive market. 25% of their business is now in exports (e.g. raisins and almonds to Kenya's Asian and expat community).

4.0 SCOPE FOR JOINT SOURCING WITH COMMUNITY FOODS

Unfortunately joint sourcing will be limited due to the competitive environment that CF is operating in. They want big volumes, low prices and high quality and it is unrealistic to expect them to be interested in developing new sources for the ATO market. However, their commercial success has enabled them to invest in the GFF venture, and there are real benefits for farming communities as a result. TC could support and capitalise on this work by using its special marketing opportunities to promote the products and establish additional sales.

However, TC does need to take action to develop alternative sources to Turkey, and direct sources for raisins, dates and other dried fruits. The cost of this development work could be spread by a joint exercise with Oxfam, TWIN and Equal Exchange. CF could be used in an advisory capacity and may be willing to get involved if volume is a possibility.

TX may be able to follow up the interest in Herbal teas. CF would be an ideal link between the ATO market and the large companies who dominate this market (possibly only two are responsible for all the herb/fruit/spice teas).

APPENDIX 8.4

COPY OF REVIEW SUMMARY PRODUCED FOR TRAIDCRAFT'S FOOD BUSINESS

PRODUCT GROUP SUMMARY AND STRATEGY : DRIED FRUIT

1. GROUPINGS

- i) Direct
 - Mango
 - Banana chips
- ii) Secondary
 - Sultanas
- iii) Commercial known source- Apricots

N.B. See report on discussions with Community

- iv) Commercial unknown source
 - Raisins
 - Dates
 - Dried Fruit Salad

Breakdown of estimated sales figures :

Direct	£10,000	5%	}	21%
Secondary	£35,000	16%		
Commercial	£165,000	79%		

Clearly, the main reason for the high % of commercial sales is apricots, and some may argue that this is still a fair trade source.

2. ACTION REQUIRED

i) Mango (Retiefs)

a) Production assistance

- Communicate with TX and Retiefs about what technical assistance can be offered; how and who mobilises resources.
- Quality and standardisation are issues

b) Marketing

- Clarify the relationship with Community (they wish to drop the product because it is uneconomic; dropped pineapple without warning)
- Promote mango and investigate market potential for other products
- Product information needed to increase awareness about attributes and uses.

N.B. Relationship with Retiefs seems to have declined because of lack of communication and lack of action. Product sales are very low, which may be partly due to price but also poor promotion.

3. STRATEGY

i) In general vine fruits and sub-tropical fruits are difficult to source as per the new policy.

There is considerable potential for tropical fruits both in terms of sources and expanding markets.

Strategy should decrease the importance of the former and increase the latter.

Turkish organic sources may be an interim solution but they are essentially organic rather than fair trade products, and they do not fit in with the TC image.

In spite of the above, vine fruits (and dates?) are important to the range including muesli and bakery products. Good sources would be a significant contribution to the business. Assistance in sourcing is needed. Possibilities include :

- Raisins; is there potential for Just Exchange to approach packers and set up a Design Inc type project ? Or to use NGO/Aid project who want to promote non trad export or welfare type projects.

- Dates; try to source directly from Pakistan, or Middle East. Use joint ATO initiative to do some of the leg work

ii) Apricots need an individual assessment and strategy given the financial importance of the product. Interim solution may be to change to Turkish organic apricots. Could keep on commercial apricots and be transparent on labelling. In the longer term other sources could be investigated (Tanzania, South Africa with the help of TX and partners), but an even better solution would be to transfer some of the market share from apricots to dried mango, pineapple, papaya. This will involve a very specific campaign.

iii) Apple rings and other temperate fruits should not be bought.

Fruit salad possibilities:

- currently no 'fair trade' benefits from this product, so could phase out and strengthen tropical fruit mix.
- use organic sources from Turkey and re-package with % information (price will be higher, and sales and margin lower).

iv) Health benefits can be promoted but need to be aware that product from the Philippines contains a high percentage of sugar and, in fat (banana). When labelling is introduced this may reduce sales. Retiefs products and any sundried produce could capitalise on the health factor.

ALISON GRIFFITH

MAY 1995

Terms of Trade :

Credit CF provide payment in advance
Continuity CF are unpredictable e.g. withdrew order
Other for pineapple without notice.

ARE BENEFITS CLEAR AND ADEQUATE ? Y [] N []*

They have potential to be .

ii) To Primary Producer (if not source)

Who are the primary producers and how are they benefiting? Subsistence farmers on the Tana River who sell mangoes for income. Retiefs take the excess mangoes during the 'glut', when normal market is saturated.

What is the social impact of the trade ?

N/K i.e. how the extra income is spent

ARE BENEFITS CLEAR AND ADEQUATE ? Y [] N []*

3. FAIR PRICES

How are prices determined and in what ways can they be defined as "fair" :

i) To Source Not clear since the price appears to be below the local market price at times. But the trade provides export opportunities - is this adequate?

ii) To Producers Normal market price is offered even during the glut when many mangoes rot because they cannot be sold.

iii) At Other Points Along the Supply Chain CF act as importer but details of the mango trade (their margins) are not known.

Transparency and Accountability

- i) Between Source and Producers Producers appear to have no influence and no access to information. Retiefs use a buyer agent + it is purely a commercial operation. However, they have a progressive + altruistic approach
ii) Between Source and Traidcraft (but hard to measure!).

Trading via CF can be confusing + there is evidence that Retiefs have felt 'let down'. But at least there is a mechanism for them to express that.

4. PARTNERSHIP

Who are the partners? TC + RETIEF

Is this a) direct source ✓ VIA CF
b) contracted out (e.g.ATO) _____

How is a relationship of partnership and cooperation ensured?

Several Plc + Tx visits but largely via letters. Since the trade began in 1986 there has been little input. More recent contact needs to be galvanised; + translated into assistance + product promotion.

Date of last visit June 1994 (by Tx)

Is there a "producer story" for marketing?

Y [] N []

SECTION TWO : STRATEGIC IMPLICATIONS

a) VALUE OF PRODUCT

£/p.a. 5500 i.e. very imp't [
average [
minimal [

Could it be substituted? Yes, Tropical Wholefoods
Is it part of a range? Dried fruit; but tropical fruits are minimal

b) MARKET POTENTIAL

Does product fit in with TCs marketing plan and general market trends?

Yes, emphasis on dried fruit, with opportunities to promote fair trade with 'tropical' sources. Evidence that the market is receptive + could become more so.

b) ETHICAL CONSIDERATIONS :

Adding value in country Dried + packed in Malindi, Kenya
Supporting marginalised or disadvantaged groups No evidence of assistance to women; but offers a market to very isolated farmers.
Area/region Africa - big need for trade diversification
Sustainable production Mangotrees are fertiliser + pesticide free
Food security and staples The trees grow naturally along river + do not occupy land for food production.

i.e. could the product contribute to the desired 'balance'?

Yes

c) DEPENDENCY

What proportion of trade is with TC ?

Exports are 70% of Retiefs total output - 100% of that is traded via CF, with 15% to TC.

SECTION THREE : SUMMARY AND CONCLUSIONS

1. From the four criteria in Section One, can "CLEAR BENEFITS TO SOURCE" be identified ?

Y [

N [

(i.e. does this product comply with the food purchasing policy)

2. What are the strengths and weaknesses of this product (and source) in relation to the criteria, and what input is required to consolidate the "fair trade" as per the policy?

Strengths Clear benefits to source, and good 'producer story' material.
The products have market potential.

Weaknesses Potential producer dependency on Reliefs, & a lack of transparency. Reliefs need assistance with production and quality of the dried fruit.

Input 1. Clarify relationship with CF
2. Ascertain what assistance is required, & mobilise resources.
3. Communicate this to Reliefs.

RECOMMENDATION

Given the input required, and the strategic implications noted in Section Two, which of the following options is most appropriate ? :

a) Develop this source [

1. Plan future assistance + development needs
2. Work on the rationalisation + promotion of the tropical fruit range.

b) Look for new sources []

potential sources : _____

time period : _____

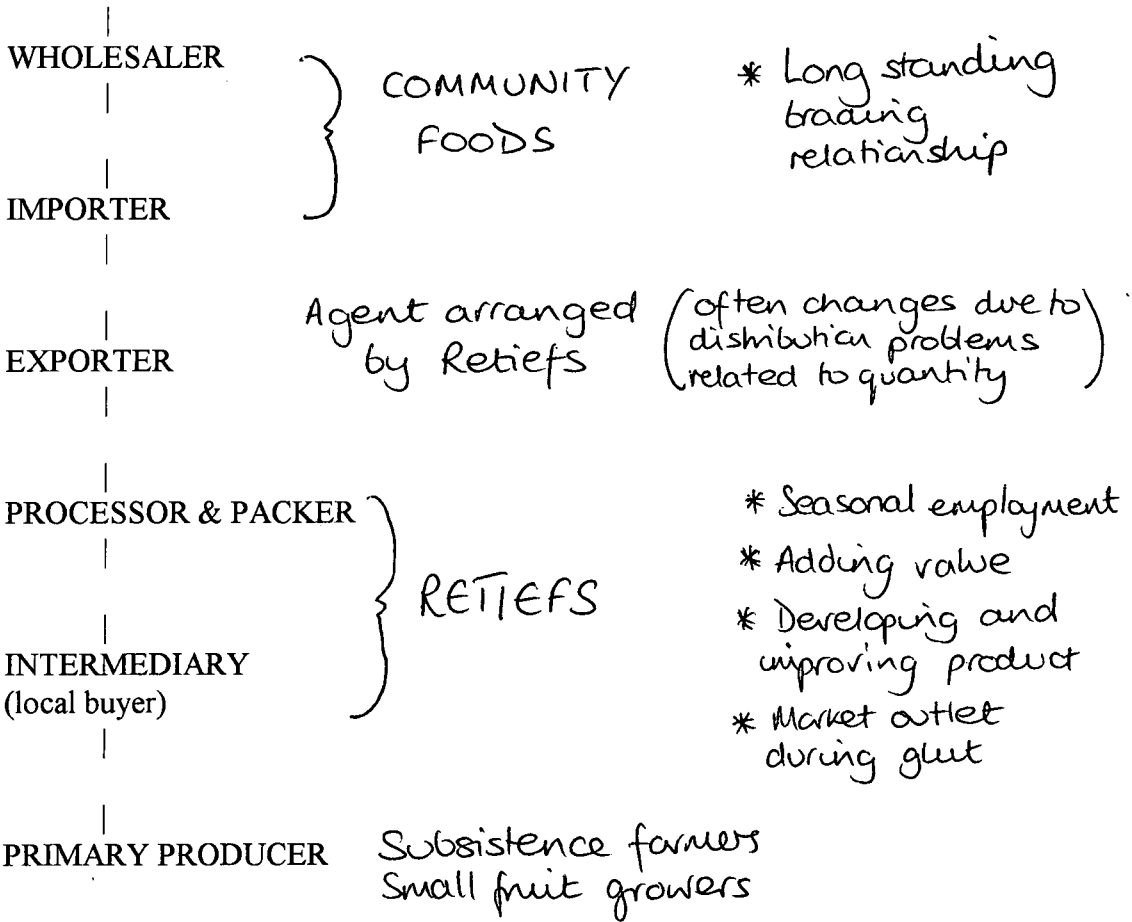
c) Discontinue product []

timescale _____

SUPPLY CHAIN FOR DRIED MANGO

LINKS ORGANISATION BENEFITS/F. TRADE

TRAIDCRAFT



- "Source" is Reliefs (processor + intermediary)
- Benefits and "fair" prices apply at *
- Transparency in the chain applies at #
(N.B. do producers have access to information ?)

APPENDIX 8.6

REPORT OF THE 1995 GOOD FOOD SHOW FOR TRADCRAFT

FOOD SHOW REPORT

1.0 General Trends and Influences

1.1 Strong international influence

- Mediterranean; olives, sundried toms, oils, vinegars and herb products.
- American; Texmex, salsa, chilli sauces
- Asian; spices, especially curry mixes and speciality breads.
- "Exotic" products/ingredients featured widely.

1.2 Drinks

i) Soft drinks

Fastest growing sector is apparently flavoured mineral/spring water. Taking market share from fizzy drinks and juices; positioned somewhere between the two.

Juice seemed to be less popular; fewer stands and frequently boring or poor quality products.

ii) Wine

Massive amount of interest; big promotions on the "other" markets e.g. S. Africa, Chile, Australia.

Interesting differentiation by a group called "Women in Wine", which indicates possible scope for alternative messages through wine.

iii) Beverages

- Tea

Big push on Herb and Fruit teas (London H & S Co probably the most attractive stand). Most tea companies pushing their own range but only about 2 companies actually produce it because of the difficulties and expense involved.

H&S launched new teas which had improved flavour.

- Coffee

Flavoured coffee popular

Much competition in general

Chocolate covered coffee beans receiving good response

N.B. Whittards having discussions about fair trade.

1.3 Health messages

Emphasis on "Safe and Wholesome" food. MAFF issuing info on

Quality

Hygiene

Health.

Much of the show devoted to the drinks and snacks, and within those product groups the health message was evident :

- Flavoured mineral water, and herbal teas

Contain fruit and spices, free from caffeine, sugar, and additives.

- Many snacks based on fruit and vegetables.

Trend of recent years emphasised i.e. increase fruit and veg and reduce fat and sugar. Natural production methods and lack of additives frequently used as USP's.

Even Billingtons Sugar managed to use the most popular trends in their promotion, with strong messages that the products were both healthy (unrefined) and exotic (from Mauritius).

2.0 Exotic Fruit and Vegetables

Many products containing exotic F&V :

2.1 Snack foods

- Fruit bars

e.g. Fruseli; 100% fruit (Okanagan); Banana and date.

Apricots popular but tropical fruit becoming more common.

- Crisps

Root veg crisps, which included sweet potato and other tropical roots.

Plantain chips (full of fat and not sweet).

- Dried fruit and nuts

Macadamias, cashews, mango, banana and pineapple making a significant impression in the popular market dominated by apricots, vine fruits, dates, almonds and peanuts.

2.2 Cakes

Dominated by trad. fruit cakes but some interest in tropical fruit e.g. banana and cashew, mango and ginger.

2.3 Muesli

Tropical muesli holding its own.

2.4 Dried vegetables

Tomatoes, courgettes, aubergines, mushrooms and chillies for Med. cooking. Exclusive, niche market image which lends itself well to mail order (see also dried fruits, herbs and spices).

3.0 Fair Trade Impact

Four stands were promoting fair trade products :

- Cafédirect

Visual display of Fair Trade seemed weak but coffee tasting and leaflet distribution may have done more to get the right messages across.

- Oxfam Trading

Promoting most of their foods, in particular chocolate (which could be sampled) was selling well, along with coffee and honey. Strong campaigning focus - obtained several hundred signatures on letters to supermarket managers.

- Community Foods

Clipper teas; reported significant interest with many people saying they would ask their shop to stock it.

- Tropical Wholefoods

Impressive display with much information on the Ugandan producers of the sun dried fruit and veg. Tasting of banana and pineapple popular. Superior products which are commanding a premium because of their quality.

The stands were spread throughout the hall and there appeared to be a good number of people passing through them, and significant exposure to the fair trade message.

4.0 General Observations

(which may be relevant to Traidcraft)

4.1 The large number of 'ordinary' consumers attending the Show indicates that there is a substantial interest in food and the British can no longer be described as conservative or impartial. In particular healthy and exotic foods are receiving a lot of attention.

4.2 Consumers are experimenting with new tastes and flavourings, and this is combined with a desire for convenience
e.g. herb dip mixes, pre-mixed curry bases, bottled sauces (tomato based/ Mexican popular).

4.3 Unusual foods such as macadamia nuts or dried mango often had recipe leaflets with instructions for use.

4.4 With fair trade coffee, tea and chocolate becoming widely available in supermarkets it could be appropriate to look at developing some speciality ranges which lend themselves well to mail order. The "Healthy Eating" and "Gourmet Market" sections at the Show indicated the possibilities.

4.5 Potential market opportunities for fairly traded products in the following :

- Sundried fruit and veg for cooking
- Healthy snacks; fruit bar, veg crisps, dried fruit.
- Tomato and chilli sauces

- Herb and fruit teas, and flavoured coffees
- Chocolate coffee beans
- Wines
- Herbs and spices; increased range and mixes.

ALISON GRIFFITH

MARCH 1995

APPENDIX 8.7

COPY OF LETTER AND INFORMATION FAXED TO 'JUST EXCHANGE' FOR RESEARCH ON DRIED FRUIT SOURCES

Jacqui Coetzee
Just Exchange
Cape Town
South Africa

13/6/95

Dear Jacqui,

RE : DRIED FRUIT SUPPLIERS

The food department at Traidcraft Plc have just completed a review of their suppliers and consequently are interested in investigating new sources for certain products. Dried fruit is one range that is being looked at in more detail and I have enclosed a list of the products currently sold with their estimated '95/'96 sales, and country of origin.

Plans are underway to strengthen the tropical fruit range, with good sources of supply available (pineapple and papaya from the Philippines and mango and banana from Uganda).

Apricots and vine fruits are the main concern and we would like to have alternative sources. They are valuable in commercial terms and the apricots in particular are extremely popular. Prices are competitive and the quality very high but we feel that the source of supply no longer meets our 'fair trade' criteria.

We know that the UK already imports apricots and vine fruits from South Africa and wondered if it would be possible for Just Exchange to make some preliminary investigations ? We suspect that the trade will be controlled by large packers, which is often necessary to get the volume and quality. The question is, would any of the

packers be interested in 'fair trade' in terms of their purchasing policy, employment conditions, welfare projects and benefits to the community ?
If small farmers can be targeted that would be a major plus.

The main issues are :

1. The source : can it meet the fair trade criteria ?

2. The product

- quality i.e. quality control systems
- supply issues e.g. continuity
- samples will be required.

3. Pricing

To be negotiated on both competitive and fair terms.

Other dried fruits would also be of interest but apricots and vine fruits are our immediate concern. Perhaps you could let us know fairly quickly what your initial thoughts are, but we realise that to identify and establish new sources will take a considerable time, and we are not expecting miracles overnight!

We look forward to hearing from you.

Yours sincerely,

Alison Griffith

For the Food Department.

TRAIDCRAFT DRIED FRUIT SALES

<u>PRODUCT</u>	<u>VOLUME</u> (KG's)	<u>COUNTRY OF ORIGIN</u>
APRICOTS	17,550	TURKEY
SULTANAS	13,500	TURKEY
RAISINS	15,000	CHILE
DATES	8,400	PAKISTAN
MANGO	1,222	KENYA
BANANA	2,580	PHILIPPINES
FRUIT SALAD :	4,500	
- 40% apricots		Turkey
- 60% prunes, pears peaches apples		Various

PRODUCT SPECIFICATION FOR APRICOTS

PRODUCT DETAILS :

- Whole pitted apricots (i.e. with the stone removed)
- Some halves may be acceptable for use as an ingredient in other products
- Graded by size, Traidcraft currently buys size 140/160
- Colour : bright orange due to the sulphuring process
- Preservative sulphur dioxide has a maximum permitted level of 2000mg/kg
- Moisture content must be low enough to prevent fermentation (preferably below 18%)
- Shelf life of 12 months
- Quality :
 - cleanliness (number of stems; quantity of dirt e.g stones, sand; foreign elements e.g. seeds)
 - absence of infestation, particularly white mites
- Microbiological standards apply
- Appearance and flavour

Turkish apricots are favoured by the UK market because of their clean appearance and relatively sweet flavour. Spotting due to rain damage must be kept to a minimum because most of Traidcraft's apricots are sold retail (rather than processed in to other products).

PRICES

Fluctuate considerably - in one year can vary between US\$3,500 and \$1,000. Turkey has been able to respond to a large increase in demand and its prices are very competitive. The anticipated and actual size of the Turkish crop has a big impact on prices.

It is hoped that South African apricots are more competitive on price now that tariffs no longer apply, due to the introduction of GSP.

PACKAGING AND LABELLING

Traidcraft packs in to 500g packs on site and would import apricots in lined export cartons of 12.5kgs.

PRODUCT SPECIFICATIONS FOR VINE FRUITS

It is thought that the market is less sensitive to product variations and therefore there is more scope, than with apricots, in terms of the specific product characteristics e.g. colour, grade. Currently TC buys organic seeded sultanas. The raisins are also seeded. Both are pre-washed.

Quality standards for apricots would apply, i.e. moisture content, shelflife, preservative, cleanliness.

Pricing and tariffs :

Will be affected by the Minimum Import Price in the European Community and the export prices of the South African marketing boards.

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