Fair Trade Isn’t Fair   
Brief by Alisa Stringer



The rhetoric on the side of fair trade can sound very appealing to judges. It is the negative debater’s job to bring the debate back into the real world. Fair trade is only good if it works in practice. Unfortunately, Fair Trade results in major consequences to both the producer and the consumer. Many Fair Trade organizations are corrupt. The movement focuses on the consumer’s impulses. Most of the money made from Fair Trade products ends up lining the pockets of middlemen. It is time to point out these faults.

The following brief presents evidence from multiple sources suggesting that fair trade fails to provide long term benefits to the people it is supposed to help. The tags used in this brief include:

1. Fair Trade Harms Coffee Farmers
2. Faulty Fair Trade Certification
3. Fair Trade fails to address Major Problems
4. False Promises of Fair Trade
5. Workers are Worse Off Under Fair Trade
6. Fair Trade is Ineffective
7. Negative Impacts of Fair Trade
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Fair Trade isn’t Fair

Fair Trade Harms Coffee Farmers

“An Unfair Deal” Foreign Policy, June 20, 2011.

https://foreignpolicy.com/2011/06/20/an-unfair-deal/

In Nicaragua — a country that earns nearly a quarter of its export income from coffee — many family farms participate in "organic" and "fair-trade" certification systems, under which they submit to inspections of their labor standards and environmental practices in exchange for higher prices for their beans. Unfortunately, according to results recently published by economists Tina Beuchelt and Manfred Zeller in Ecological Economics, higher prices only go so far. The certified beans bring in more money, but once you take into account increased production costs, such as bringing the maintenance of farms up to code and shorter labor hours, the final profit is no higher, and in many cases is actually lower: Some Nicaraguan fair-trade farmers were taking home as much as $55 less per harvest than their noncertified competitors. Worse, while 60.9 percent of the "unfair" coffee-producing households observed were below Nicaragua’s official poverty line, 68.6 percent of the fair-trade farmers were. The results were even starker for organic farmers, with 71.3 percent below the poverty line.

Faulty Fair Trade Certification

Paul O’Donoghue. “Fruit firm's plantation 'abused staff' in Honduras; Fruit firm accused of abusing workers.” The Times, December 6, 2018.

https://www.thetimes.co.uk/article/fruit-firm-s-plantation-abused-staff-in-honduras-m2qh6skx9

A Honduran melon plantation owned by the Dublin-based Fyffes, one of the world's most prominent fruit companies, has had its FairTrade certification suspended after allegations of abuse. The plantation, called Suragroh, received the certification from FairTrade USA in April. The number of people working there varies from several hundred to thousands during harvest. The endorsement, which allowed Fyffes to market produce from Suragroh as FairTrade-certified, was criticized by charities, unions and non-government organizations. They claimed that workers had been subjected to different forms of abuse, including not being paid the legal minimum wage, being exposed to hazardous chemicals while working and not being allowed to form unions.

Fair Trade fails to address Major Problems

“Fair trade is not the solution” The New African, April 4, 2013.

https://newafricanmagazine.com/news-analysis/long-reads/fair-trade-is-not-the-solution/

"As such, [the Fairtrade Foundation that owns] the "fairtrade mark" does not even address the structural issues we've mentioned. It is a romantic engagement of charitable thinking hut it cannot work. It might be well-meaning but it's misguided and it's posturing. Smallholder coffee farmers are poor because they don't have an access to the inputs chat will get them to a higher level. They are at the lower end of the value chain, that's why they are poor. They don't diversify their crops and they have insecurity in terms of their finances. So to turn around and say that [fairtrade] is a solution, I can't accept that. If anything, it becomes like an unintended obfuscation and distracts the conversation from the real issue. Agriculture has been proven to have two to four times more potential to bring about prosperity than any other sector. But fairtrade is not the solution. Dealing with the structural issues is."

False Promises of Fair Trade

Jeremy Weber. “Fair Trade coffee enthusiasts should confront reality?” The Cato Journal, Accessed 12/27/18.

https://object.cato.org/sites/cato.org/files/serials/files/cato-journal/2007/1/cj27n1-9.pdf

While the participation of large transnational companies may alter the dynamics of the FairTrade coffee system, FairTrade faces more serious practical issues. A large gap divides the story depicted by FairTrade marketing materials from the standards of FLO and the advantages of producer participation. This misleading representation of FairTrade has led many socially conscious coffee drinkers to hold unexamined assumptions about the benefits of FairTrade. In trying to boost sales many retailers claim that FairTrade coffee guarantees a living wage to coffee growers. A major promoter of FairTrade coffee, Global Exchange (2005), states on its website, "FairTrade guarantees to poor farmers organized in cooperatives around the world: a living wage." While it remains to be seen what constitutes a "living wage," in reality, FairTrade guarantees nothing to producers. FairTrade ensures a minimum price to organizations of producers, but not to individual producers. The organization serves as an intermediary between the producer and the market. Producers receive the price stipulated in the organization's export contract, which must meet or exceed the FairTrade minimum price, minus the expenses of the organization. Since FairTrade eliminates "unnecessary" intermediaries, producer organizations must perform the tasks previously conducted by those intermediaries. In this arrangement, an organization must obtain financing to buy coffee from its members, sort and process coffee, and coordinate export logistics. Each of those activities generates expenses which, if not managed effectively and efficiently, can consume much of the higher FairTrade price before it reaches growers. In some cases, organizations' export costs have been high enough to induce member producers to sell to the local market instead of to their organization for the FairTrade market.

Workers are Worse Off Under Fair Trade

“Not so Fair Trade.” The Economist. May 19, 2014.

https://www.economist.com/baobab/2014/05/19/not-so-fair-trade

Buying ‘Fairtrade’ coffee is not really helping the very poor, [new research](http://ftepr.org/publications/#publication-563) suggests. By comparing living standards in Fairtrade-certified producing areas in Ethiopia and Uganda with similar non-Fairtrade regions, four development economists from the School of Oriental and African Studies (SOAS) in London found that Fair Trade agricultural workers often earned lower incomes. After four years of fieldwork in the coffee, tea and flower sectors in Ethiopia and Uganda, where they gathered 1,700 survey responses and conducted more than 100 interviews, the SOAS researchers found people living in ordinary rural communities enjoyed a higher standard of living than seasonal and casual agricultural workers who received an apparently subsidized wage for producing Fairtrade exports. Women’s wages were especially low among producers selling into Fairtrade markets, according to the researchers.

**Fair Trade is Ineffective**

“Fairtrade fails to tackle poverty, report says.” The Telegraph, February 24,2008. https://www.telegraph.co.uk/news/earth/earthnews/3326576/Fairtrade-fails-to-tackle-poverty-report-says.html

Tom Clougherty, policy director at the Adam Smith Institute, said: "At best, Fairtrade is a marketing device that does the poor little good. "At worst, it may inadvertently be harming some of the planet's most vulnerable people. There is nothing wrong with being concerned about the working conditions, wages and environment of workers, but we don't believe Fairtrade is the most effective model. They make assumptions about agriculture in the developing world - that they must be small farming cooperatives, but this is just not sustainable if countries are to develop."

**Negative Impacts of Fair Trade**

“Fair Trade: Its Real Impact on the Working Poor.” The Review of Social and Economic Issues, Spring 2015. <ftp://ftp.repec.org/opt/ReDIF/RePEc/rau/rseijr/SP15/RSEI-SP15-A1.pdf>

Fair trade has had a negative effect on developing countries. Its adherents are trying to impose a premium on prices so workers get paid more, but this does not make people more productive. Instead, it prices poor producers out of the market. The goals may be noble, but the solutions they provide do not work and are incompatible with free trade and the free market. The claims made by the fair trade labeling organizations that they are alleviating poverty are not compatible with the evidence. First, the increase in wages that stem from the premium price is minimal, but those that do occur only reduce the wages and/or labor of those workers not covered by this scheme. Second, corruption has become a problem, because fair trade farms are also engaging in the same bad old practices as before. Cases such as the one in Peru have led to a credibility issue concerning the labeling organizations in the United States (Weitzman, 2006). Third, the drive for increasing worker standing has led to price increases raising the cost of labor. Fourth, their policies on child labor have forced children into less profitable trades or jobs. Fifth, the drive for more environmentally sustainable practices has led to increase again in the cost of production. Finally, the distributive politics of fair trade concentrates benefits only among the interest groups of licensing agencies, certified farmers, and retailers, while it spreads the costs across the global economy.

Fair Trade threatens Future Economies

Tim Harford. “Mind the Fair Trade Gap.” The Financial Times, May 29, 2015.

https://www.ft.com/content/fc9a2e14-03e1-11e5-a70f-00144feabdc0

Another study, by Tina Beuchelt and Manfred Zeller, found the fair trade certified farmers in Nicaragua started at a similar income level to conventional farmers and, if anything, slipped backwards. A recent survey by Raluca Dragusanu, Nathan Nunn, and Daniele Giovannucci was more upbeat but still found the evidence in favour of fair trade "mixed and incomplete". A final irony is that if fair trade does deliver higher incomes for farmers, it may prove too successful for its own good. If coffee farmers are able to sell more coffee at a premium price, more people will want to become coffee farmers. One possible result is that the market price for uncertified coffee falls and, on balance, coffee farmers are no better off. As the development economist Paul Collier once wrote, fair trade certified farmers "get charity as long as they stay producing the crops that have locked them into poverty". It is a telling point. For all the good I may wish the people who make my coffee, a globalised tip jar makes a precarious foundation for their future prosperity.

Wages and Conditions Worse with Fair Trade

“Study Finds Seasonal Workers Worse Off In Fair Trade Operations.” Boston’s NPR News Station, June 2, 2014.

<https://www.globalhealingcenter.com/natural-health/fair-trade-coffee/>

On his team's research and findings. "We spent a lot of time in the field, about a thousand person days of fieldwork was done, and we tried to compare areas dominated by a Fair Trade certified producer organization, with other areas. In some cases, it was also so-called small-holder producers of coffee or tea, but where there was no Fair Trade certified producer, not a lot of difference positively was made to wages and working conditions by the Fair Trade certification. But what we found was very, very striking and surprising to us, which was the wages and working conditions, on average, in these comparisons, were worse in the areas dominated by Fair Trade certified producer organizations."

Fair Trade Fails in the Long Term

Ana Ionova “Ethical cocoa schemes no panacea for struggling farmers.” Reuters, April 1 9, 2018.

https://www.reuters.com/article/us-cocoa-sustainability-farmers-analysis/ethical-cocoa-schemes-no-panacea-for-struggling-farmers-idUSKBN1HQ1UE

The trouble for cocoa farmers is the premiums they receive for beans sold under the biggest and most popular of these ethical sustainability schemes are falling. Under fire for not doing enough to stop deforestation, child labor and low wages in the industry, big chocolate makers from Mars to Hershey to Ferrero have promised to only buy cocoa certified as ethical and sustainable by 2020. The volume of cocoa sold through schemes such as Fairtrade, Rainforest Alliance and UTZ Certified has climbed sharply in the past few years as companies work towards their targets. Cocoa sales from the top three certifiers rose from 564,769 tonnes in 2013 to 953,458 tonnes in 2016, equivalent to about 20 percent of global supply. But data from UTZ, the biggest scheme which markets more than half of the world’s independently certified cocoa, shows premiums farmers receive for beans sold under its label have fallen by a third in the last five years.

Fair Trade Excludes Those Who Need It Most

Ndongo Samba Sylla. “Fairtrade is an unjust movement that serves the rich.” The Guardian, September 5, 2014. <https://www.theguardian.com/global-development/2014/sep/05/fairtrade-unjust-movement-serves-rich>

FT no doubt helps poor and vulnerable producers, but it certainly is not at the service of the poorest. Effective certification demand is positively correlated to country income. Countries ranked by the World Bank as upper middle-income account for 54% of producer organisations having received FT certification against 21% in the case of low-income countries. As for least developed countries (LDCs), they only account for 13.5% of effective certification demand. Whatever definition of poverty and economic vulnerability is used, the conclusion is the same: FT tends to exclude the poorest countries.

Fair Trade: New Name, Same Problem

Amrita Narlikar and Dan Kim. “Unfair Trade: The Fair-Trade Movement Does More Harm Than Good.” Foreign Affairs, April 4, 2013.

[*https://www.foreignaffairs.com/articles/africa/2013-04-04/unfair-trade*](https://www.foreignaffairs.com/articles/africa/2013-04-04/unfair-trade)

Ethical consumers should be commended for wanting to improve the plight of needy farmers in the so-called global South, but fair trade is the wrong instrument to achieve this objective. The premiums charged for fair-trade products are just another direct farm subsidy. Admittedly, those subsidies are miniscule in comparison with the ones that OECD governments hand out. (In 2010, retail sales of fair-trade-labeled products totaled about $5.5 billion, with about $66 million premium -- or about 1.2 percent of total retail sales -- reaching the participating producers.) But there is irony and inefficiency in counteracting one subsidy with another, especially since consumers in developed countries ultimately pay both, either through taxes or at high-end supermarkets such as Whole Foods.