Fairtrade Is Ineffective  
Negative Brief by Nathaniel Arroyave



Fair Trade is based on the basic premise that people should be paid a ‘fair’ price for their work, regardless of market fluctuations or supply and demand. This philosophy has actualized most prominently through the Fairtrade Foundation, a certification group which has become almost synonymous with fair trade as a concept. In this brief, we will be addressing the inherent practical flaws within fair trade and Fairtrade’s setup itself. Without seeming overly harsh, a good deal of the evidence shows that, more often than not, perhaps the biggest benefit Fairtrade products offer is virtue-signaling for the consumer - with little to no benefit to those involved in actually producing and harvesting the product.

The tags used in this brief include:

1. Fairtrade ‘benefits’ often don’t reach workers
2. Fairtrade handicaps workers’s wages
3. Fairtrade premiums are ineffective
4. Fair Trade labelling for companies is unreliable
5. Fairtrade certification leaves many ethical issues unaddressed
6. Fairtrade certification alone doesn’t solve poverty
7. Fairtrade labelling is vulnerable to criminal fraud
8. Higher prices don’t correlate to more money for the exporting country
9. Fairtrade has no control over how cooperatives’ money is spent
10. Fairtrade’s potential positive impact is limited in scope

Fairtrade ‘benefits’ often don’t reach workers

Cramer, Christopher. “Harsh Truths Are Necessary If Fairtrade Is to Change the Lives of the Very Poor.” The Guardian, Guardian News and Media, 24 May 2014, [www.theguardian.com/global-development/2014/may/24/harsh-truths-are-necessary-fairtrade](http://www.theguardian.com/global-development/2014/may/24/harsh-truths-are-necessary-fairtrade).

We also knew that Fairtrade standards for tea and coffee have always been far more concerned with the incomes of producers than with wage workers' earnings. What did surprise us is how wages are typically lower, and on the whole conditions worse, for workers in areas with Fairtrade organisations than for those in other areas. Careful statistical analysis allowed us to separate out the possible effects of other factors, such as the scale of production. Still, the differences were in most cases, and especially for wages, statistically significant. Explaining why it should be that workers in areas dominated by Fairtrade organisations are so often worse off than workers in other areas is a complex and challenging task. Our full report explores some possible reasons. It was also surprising to learn that many people do not benefit from the "community" projects supported with funds generated by the "social premium" consumers pay for Fairtrade products. Researchers at Soas, University of London, formerly know as the School of Oriental and African Studies, found that many of the poorest are unable to use these facilities. In one Fairtrade tea co-operative the modern toilets funded with the premium were exclusively for the use of senior co-op managers. One of our interviewees, James in Uganda, is desperately poor and lives with his elderly father in an inadequate shack very close to a tea factory supported by Fairtrade. Despite the fact that his father was once a worker at the tea factory, James is charged fees at the factory's Fairtrade health clinic. He cannot afford them and instead has to make his way on one leg to a government clinic more than 5km away to get free treatment. At another Ugandan co-operative supported by Fairtrade, we spoke to poor children who had been turned away from the Fairtrade-supported school as they owed fees. In this case, the Fairtrade premium did not support the very poor but was used to build houses for the teachers.

Fairtrade handicaps workers’ wages

*Worstall, Tim. “Surprise! Fairtrade Doesn't Benefit The Poor Peasants.” Forbes, Forbes Magazine, 20 June 2014,* [*www.forbes.com/sites/timworstall/2014/05/25/surprise-fairtrade-doesnt-benefit-the-poor-peasants/#5da66ca3370d*](http://www.forbes.com/sites/timworstall/2014/05/25/surprise-fairtrade-doesnt-benefit-the-poor-peasants/#5da66ca3370d)*.*

Fairtrade is really only open to people working at the level of an individual peasant. Indeed, some of the various schemes insist that mechanisation should not be allowed as one example of the resolutely small scale that they insist everyone work at. And in agriculture (where almost all Fairtrade is) is one of those sectors where there are huge, vast even, economies of scale. This matters, this matters a lot. For the maximum amount that labour can be paid is of course the value of the production from that labour. And it might be all very well to insist that people using the most basic hand tools to grow something should get a bit more money. But their productivity is still going to be that of someone growing something using only hand held tools. Whereas mechanising the production process (which inevitably means much larger scale production) will mean vastly more productive labour and thus at least the potential for much higher wages for that labour. So the insistence that there's a bit of extra money but only if you stick with the inefficient methods therefore means that Fairtrade is putting a cap on the possible earnings. For they're resolutely ruling out the possibility of using some more efficient production method. Fairtrade might make the poor peasantry marginally better paid but at the price of insisting that they remain poor peasants.

Fairtrade premiums are ineffective

*Morrison, Sarah, and Philip Booth. “Fairtrade: Is It Really Fair?” The Independent, Independent Digital News and Media, 6 May 2012,* [*www.independent.co.uk/news/world/politics/fairtrade-is-it-really-fair-7717624.html*](http://www.independent.co.uk/news/world/politics/fairtrade-is-it-really-fair-7717624.html)*.*

There are many ways in which poor farmers can get better prices. They can do so through speciality brands, via traditional trade channels and using other labelling initiatives. Does Fairtrade help? The evidence is limited, but even proponents of Fairtrade would argue that only about 50 per cent of the extra money spent by consumers is available to spend on social projects, and others have suggested a figure much closer to zero. No clear evidence has been produced to suggest that farmers themselves actually receive higher prices under Fairtrade.

Fair Trade labelling for companies is unreliable

*Ebben, Paula. “Fair Trade Fakes? Don't Believe All The Labels.” CBS Boston, CBS Boston, 20 Sept. 2011, boston.cbslocal.com/2011/09/20/fair-trade-fakes-dont-believe-all-the-labels/.*

Unfortunately, many shoppers are paying more for products that are mislabeled and not really made in any socially conscious manner. The number of American companies looking for fair trade certification jumped 50-percent last year. Megy Karydes of world-shoppe.com explained, “What’s going on right now in the fair trade industry is what we’re calling ‘fair washing’. It’s a play off on the concept of ‘green washing’, where some companies are claiming to be fair trade and may not necessarily be fair trade.” WBZ-TV’s Paula Ebben reports Concerned shoppers can search for logos, such as the Fair Trade Federation and Fair Trade USA for some assurance. But even those labels can’t truly guarantee your money is being spent the way your conscience wants, according to Renee Bowers of the Fair Trade Federation.

Fairtrade certification leaves many ethical issues unaddressed

*van Vark, Caspar. “Behind the Label: Can We Trust Certification to Give Us Fairer Products?” The Guardian, Guardian News and Media, 10 Mar. 2016,* [*www.theguardian.com/sustainable-business/2016/mar/10/fairtrade-labels-certification-rainforest-alliance*](http://www.theguardian.com/sustainable-business/2016/mar/10/fairtrade-labels-certification-rainforest-alliance)*.*

Recent programmes launched by global confectionery companies with cocoa-producing communities show how certification is just one part of what is happening on the ground today. About 20 years ago, third-party certification of cocoa was a step forward for an industry that had previously not been able to trace its beans much further back than the export dockyard. Today, the industry is more aware that certification alone isn’t addressing problems of low productivity, poor infrastructure and child labour, which continue to destabilise the supply chain. Programmes such as Mondelēz’s Cocoa Life and the Nestlé Cocoa Plan are using partnerships with civil society organisations to address those issues, alongside certification.

Fairtrade certification alone doesn’t solve poverty

*van Vark, Caspar. “Behind the Label: Can We Trust Certification to Give Us Fairer Products?” The Guardian, Guardian News and Media, 10 Mar. 2016,* [*www.theguardian.com/sustainable-business/2016/mar/10/fairtrade-labels-certification-rainforest-alliance*](http://www.theguardian.com/sustainable-business/2016/mar/10/fairtrade-labels-certification-rainforest-alliance)*.*

Mondelez recently announced that 21% of its cocoa is now “sustainably sourced”, meaning it has come either through Cocoa Life or certification. This figure – and the very need for a programme like Cocoa Life – might surprise consumers who thought that years of certifications under Fairtrade, Rainforest Alliance, UTZ and others had done more to create sustainable producer communities. “Consumers expect certification to be building capacity at farm level, but it’s not a development tool. Certification alone doesn’t address the problem that consumers think it addresses,” said Nicolas Mounard, chief executive of Farm Africa. This is one of the tensions that businesses face when it comes to certification, particularly in food and drink: consumers expect high standards and constant improvement on the ground, but supply chains are complex. Certification on its own can’t perform miracles, and the shorthand of the label can’t convey the complexity of what it does and doesn’t do.

Fairtrade labelling is vulnerable to criminal fraud

*Hyde, Dan. “Middle-Class Shoppers Warned to Watch for Fairtrade Fraudsters.” The Telegraph, Telegraph Media Group, 6 May 2015,* [*www.telegraph.co.uk/news/shopping-and-consumer-news/11584885/Middle-class-shoppers-warned-to-watch-for-Fairtrade-fraudsters.html*](http://www.telegraph.co.uk/news/shopping-and-consumer-news/11584885/Middle-class-shoppers-warned-to-watch-for-Fairtrade-fraudsters.html)*.*

Well-meaning shoppers may be wasting money on groceries bearing fake Fairtrade or organic logos, after police in Europe identified counterfeit food labels as one of the fastest growing frauds. Fairtrade or organic bananas, vegetables, tea and other items are bought by millions of people concerned about the provenance of the food on their plates. But the certification logos on packaging can be “easily replicated and affixed” by experienced counterfeiters, the Europol law enforcement agency said. Its experts warn that organised crime groups have “joined forces” to run counterfeiting operations inside the EU. They are forging quality labels on “everyday products” that can then be sold at a premium, as opposed to the traditional fake handbags and medicines. A report by the agency cites organic food as an example, saying there has been a rise in “unscrupulous” traders “exploiting” those who can pay more for the weekly shop. “Counterfeiters regularly copy/forge these certification marks and apply them to counterfeit products to make them appear genuine,” the report says. “The food industry has seen a growth in the abuse of 'organic’ labels attached to products that do not comply with the organic certification but have higher retail prices.”

Higher prices don’t correlate to more money for the exporting country

*Griffiths, Peter. “Ethical Objections to Fairtrade.” Journal of Business Ethics, June 2011.*

In practice, retailers, wholesalers and manufacturers are free to charge whatever they wish for Fairtrade products. Fairtrade does not monitor or control how much extra they charge. It is almost never possible for a customer to determine how much extra is charged, because retailers almost never sell identical Fairtrade and nonFairtrade products side by side. There are differences in brand, quality, origin, etc. which make price comparisons impossible. There is no shortage of evidence that consumers are willing to pay more for Fairtrade coffee, and it would be surprising if retailers did not price accordingly. Very occasionally it is possible to calculate how much extra is paid. One of the largest British café chains let it be known that they were charging 10p a cup extra for Fairtrade coffee, which made it possible to calculate that less than 1% of the extra price reached the Third World exporter. That is to say customers would have achieved at least 100 times as much if they had given the 10p to a reputable charity instead of buying Fairtrade. Valkila, Haaparanta and Niemi (2010, p. 266) were able to get information not normally available on coffee sales, and found that consumers in Finland paid considerably more for Fairtrade certified coffee than for alternatives, but that only 11.5% of the extra paid went to the exporting country. The amount reaching the farmer is not calculated. Kilian, Jones, Pratt and Villalobos (2006) talk of US Fairtrade coffee getting $5 per lb extra at retail, of which the exporting cooperative would have received 10c, or 2%. Fairtrade’s own figures do not suggest that these figures would be unusual. Calculations from figures produced by Fairtrade Labelling Organizations International (2010) show that on average 1.53 percent of the retail price reaches the Third World as extra payment from Fairtrade membership – 52m Euros from sales of 3.2 billion.

Fairtrade has no control over how cooperatives’ money is spent

*Griffiths, Peter. “Ethical Objections to Fairtrade.” Journal of Business Ethics, June 2011.*

Any extra money not spent on achieving certification and business expenses may be spent on social projects. Some of the social projects are building local schools, clinics, or baseball fields. Some of the projects are community (44% of expenditure on social projects), education (14%), environment (1%), health (10%), women’s programmes (5%) and others (25%) (Fairtrade Labelling Organizations International, 2010). It is acceptable within the Fairtrade ethos that all the extra money is spent in this way and that none is passed on to farmers. Fairtrade does not control what the cooperatives do with the money or measure its impact. There is almost no published information by researchers on what extra money individual cooperatives get, and how much money they spend on each activity. There have been very few attempts at measuring the impact but, even if one ignores the methodological problems with these (which are discussed in a later section), it is not possible to take a tiny number of case studies of selected successful cooperatives, nearly all producing coffee, and to generalize the results to 3000 producers supplying thousands of products.

Fairtrade’s potential positive impact is limited in scope

*Macatonia, Steven. “Why Fairtrade Isn't Fair Enough.” The Guardian, Guardian News and Media, 5 Mar. 2014,* [*www.theguardian.com/sustainable-business/coffee-fairtrade-not-fair-enough*](http://www.theguardian.com/sustainable-business/coffee-fairtrade-not-fair-enough)*.*

Fairtrade certification set the tone to fulfill the need for socially sustainable coffee production by providing a price safety net to coffee producing cooperatives. However, the output of Fairtrade certified production is mostly mass market commodity grade coffee which doesn't deliver the impact to really change producers' lives in a significant way. There is little freedom for the individual farmer and no incentive to focus on quality or innovation. A more sustainable approach would reward excellence. It would be based on quality, innovation, growth and economic progress. It would be accessible to all farmers, not restricted to just co-operatives. In 2012, 430,000 metric tons of Fairtrade certified coffee was produced but only 30% was sold under Fairtrade conditions. Despite investment in certification, farmers would only receive commodity prices for the remaining 70% of their crop. Positive social impact from the coffee value chain founded on the basis of Fairtrade certification is limited by world markets.