

## Definitions and Key Issues Concerning Equitable Trading



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## Aim of presentation



- ◆ To highlight some questions and challenges for ethical or equitable trading
- ◆ Reflect on experience to date in coffee specific, more generic initiatives & initiatives outside the sector
- ◆ Huge variation between initiatives
  - Evolution
  - Structure
  - Monitoring

## Some of the initiatives



- ◆ Rainforest alliance
- ◆ Eco OK
- ◆ Fairtrade Labelling (FLO)
- ◆ Ethical Trading Initiative
- ◆ Social Accountability International / SA8000
- ◆ Sustainable Agriculture Initiative Platform (SAI Platform)
- ◆ Organic (IFOAM)
- ◆ Utz Kapeh Foundation

## Standards



- ◆ A set of principles & criteria (and sometimes indicators) setting out what is expected of members/ key stakeholders, usually producers
- ◆ Ethical standards focus on environmental, social and sometimes economic issues
- ◆ May build on quality or food safety
- ◆ Often performance focused; may have some process elements

## What does the standard cover?



- ◆ Social issues only, particularly labour standards (ETI and SA 8000)
- ◆ Environmental origins (IFOAM, Eco-OK); often introduce social principles
- ◆ Origins in food safety, with introduction of labour and environmental criteria (Utz Kapeh)
- ◆ Only the Fairtrade standard covers price and trading relationship

## Design of the standard?



- ◆ Difference in depth of guidance in standard
- ◆ Detailed standards aids auditing; producers are clear on requirements
- ◆ But potentially inflexible & limited ability to transfer to differing social and environmental conditions.
- ◆ More flexible guidelines may be less comparable and potentially less credible.
- ◆ Alternative is to establish universal principles and criteria interpreted for different situations through and approved process (e.g. FSC)



## To whom does it belong?

- ◆ Basic categorisation of initiatives
  - Company
  - Industry
  - Independent
    - Civil society
    - Multi-stakeholder



## Producer involvement in initiatives?

- ◆ Origins in the north
- ◆ Some southern driven initiatives, but often in response to demands fed down the supply chain.
- ◆ Limited southern participation even in explicitly international initiatives
- ◆ Efforts to add southern voice
  - ETI experimental projects
  - Fairtrade regional producer assemblies & representation on board



## How is the standard monitored?

- ◆ First party auditing (usually by buyers)
  - Usually confidential to the supply chain partners.
  - May be reported in summary form in corporate annual reports
- ◆ Third party auditing
  - Producers are assessed for compliance with performance standard.
  - Award of certificate for product or site



## Reporting

- ◆ Communication of results of 3<sup>rd</sup> party certification may be to:
  - Consumer: Product certification may enable product to bear a consumer label (Fairtrade, organic, Eco-OK)
  - Business to business (Utz Kapeh, SA 8000)
- ◆ Communication of progress & learning through reports to the initiative (e.g. ETI)



## Costs of compliance and certification

- ◆ 2 kinds of cost
  - Meeting the standard
  - Cost of certification
- ◆ Producers usually bear costs of compliance, but some buyers contribute
  - Part of long term relationship & capacity building in Fairtrade
  - Organic projects e.g. EPOPA
  - Private companies may contract NGOs/ work with donors to develop producer capacity



## Cost barriers

- ◆ Challenges of compliance for small producers (especially if they lack info etc)
- ◆ High cost of certification, especially if auditors are foreign; need for local systems
- ◆ Greater unit costs for smaller producers
  - Benefits of joint certification (e.g. Internal Control Systems developed by IFOAM)
  - High certification costs may be offset by trading partners or donors in the early stages.
- ◆ Benefits in a non-certified system?

## Key questions for ethical standards



1. What does the standard cover?
2. How is the standard designed?
3. To whom does it belong?
4. To what extent are producers involved in initiatives and standard setting?
5. How is the standard monitored?
6. Who bears the costs of compliance and certification?

## Challenges



- ◆ Inclusion of wide range of stakeholders
- ◆ Flexibility of interpretation without losing credibility
- ◆ Incorporation of lesson-learning
- ◆ Ensure access for smaller and disadvantaged producers
- ◆ Capacity building
- ◆ Sharing of responsibility along the value chain