

## SPECIAL REPORT RESPONSIBLE BUSINESS

## FAIR TRADE PRODUCTS

# Confusion reigns over labelling

Consumers seem to be unclear over exactly what ethical products are, explains Sarah Murray

With retailers such as Marks and Spencer and J Sainsbury extending their range of fair trade products into cotton, the fair trade movement appears to be gaining momentum.

However, with many consumers unable to distinguish between fair trade products and other ethically-sourced goods and, with some companies taking non-fair trade approaches to ethical sourcing, the question is whether fair trade will ever become a significant chunk of the ethical retail market.

For a start, British shoppers

Their confusion is understandable. Certified by the UK's Fairtrade Foundation, the Fairtrade mark on products guarantees that disadvantaged producers in developing countries are getting a decent price for their goods. However, this is just one of a range of measures being taken by companies that want to demonstrate a responsible approach to their sourcing.

Others include certification of sustainable production by groups such as the Rainforest Alliance, a New York-based conservation group that audits social and environmental conditions. At the same time, companies in sectors such as clothing, footwear and toys have been making efforts to stamp out abuses in the factories in which they manufacture their goods.

Robert Davies, chief executive of the International Business Leaders Forum, sees a convergence of the different approaches.

"There's a significant merger between ecological and social standards, so the notion of fair trade is more with a small f and a small t."

However, Mike Barry, head of corporate responsibility at M&S, believes it remains important to distinguish between the various forms of ethical sourcing.

"We've been very clear that the fair trade certification is about the cotton growing – the actual factories that turn it into a garment are not covered," he says.



Making a bean: the Fairtrade mark on products guarantees that disadvantaged producers in developing countries are getting a decent price for their goods

NewsCast

'Fair trade is particularly valuable to smallholders, who are the most vulnerable'

remain confused by ethical products.

While 66 per cent of those surveyed by the Fraser Consultancy, the communications research and strategy company, expected to buy more fair trade and ethical products in the next year, almost half said they were unsure about the differences between fair trade, ethically produced and organic goods and nearly 60 per cent expressed a desire for more information on these products.\*

"We have high standards at every point in our supply chain in the handling of cotton, but we're not going to claim those factories are certified as fair trade – such a certification does not exist."

What is more, fair trade cotton remains a tiny proportion of cotton consumed. M&S estimates the world's fair trade cotton amounts to less than 1,000 tonnes a year, about half of which meets the company's quality requirements.

"To put that in context, M&S is using about 50,000 tonnes of cotton a year – and that's M&S alone," he says. "If you think of all the other retailers in the world, you've got 20m tonnes of cotton, so no one is getting too carried away about this."

For M&S, says Mr Barry, fair trade is "what the customer can

touch and feel in the store... but fair trade without core labour standards is meaningless – it's a fig leaf".

Another question hanging over fair trade is whether a system designed to give independent farmers in developing countries – usually working in co-operatives – a better deal can be applied to products manufactured on an industrial scale where the workers have no stake in the company.

"Fair trade is particularly valuable to smallholders, who are the most vulnerable," says Mr Davies. "But when you graduate to large-scale industrial processes then it's a case of whether the company has got good labour standards."

Even companies that source their raw materials from small farmers are not always con-

vinced fair trade is the most effective method of ethical sourcing. Kraft, one of the world's largest purchasers of agricultural commodities – much sourced from developing countries – has chosen not to pursue the fair trade route.

Instead the company is working with the Rainforest Alliance to certify a growing percentage of its coffee as sustainably grown.

Kraft is blending Rainforest Alliance certified products into its mainstream coffees and has started to sell some 100 per cent certified coffees in the UK, Scandinavia and France. It pays certified growers a premium for their produce, but it is a premium based on the market price.

Part of the decision to take this route was based on market research.

"From our consumers, who are more mass market brand consumers, we see little or no interest in fair trade products," says Annetjeke Wijn, Kraft's senior director of the commodity sustainability programme.

However, she also believes that while fair trade products have helped raise awareness of the issues, sustainability certification will prove more effective in improving the lot of small farmers.

"There will be ups and downs [in the market]. There's no question of that," says Ms Wijn.

"But you can see that farmers who work more sustainably are more resilient [to price fluctuations] because they work more efficiently. They understand their business better, they can look out into the future and they have access to markets so

they're not relying on a single guy who buys their bag of coffee."

For some, however, voluntary efforts by companies are not sufficient to guarantee developing country producers a fair deal.

"We welcome the steps that multinationals are taking to pay producers a decent price," says Dominic Eagleton, policy officer at ActionAid UK.

"But there's a danger that this will distract from the public policies needed to address the commodities crisis facing poor farmers and low wages for workers in factories – and one thing it requires is a rethinking of competition policy to address abuses of corporate buyer power."

\*The Fraser Consultancy, *Conflicted Consumers*, 2005