

Fair trade in forest products

A briefing note for companies and NGOs involved with ethical trade.

Fair trade schemes create ethical links between export companies and producers in developing countries and buyers in the West. For poor and isolated forest dwellers, such schemes can bring many benefits including transparent transactions, training, access to market information and a more stable income.

This paper draws on two case studies examining the impact of fair trade in forest products. The studies were funded by the UK Department for International Development's Forestry Research Programme and were carried out by researchers in the UK-based Natural Resources Institute.

The first case study focuses on Candela, a Peruvian non profit-making organisation that works with Brazil nut collectors and exports to Europe and North America. The second reviews the successes of Maquita Exportadora, which has exported cocoa from Ecuador since 1992 and works with small-scale cocoa farmers in the provinces of Esmeraldas and Manabí. Most fair trade schemes sell products under fair trade labels or brands. However, these two schemes mainly sell products on conventional markets but adhere to the principles of fair trade in the way in which they operate at a local level.

Policy findings

Some commodities are more suitable for fair trade than others

Candela's fair trade initiative is undermined by the fact that most Brazil nuts end up in nut mixes, which are not sold under a fair trade label or brand. By comparison, cocoa is a product for which there are no obvious substitutes. The conventional trading chain for cocoa therefore lends itself well to fair trade initiatives, which tend to prosper on the transparent link between the production of cocoa and the consumption of chocolate.

Fair trade can act as a launch pad into conventional markets

Fair trade helps establish equitable trading relations between producers, exporters and buyers but offers limited scope for long-term commercial growth. The cocoa exporter, Maquita Exportadora, has used the fair trade experience to gain access to conventional markets. Now, it exports less than 1% of its cocoa through fair trade channels, but continues to return benefits to small producers.

Scale economies and good business acumen are crucial to success

A large part of Maquitas' success has been due to its effective management and its ability to grow and exploit economies of scale. These attributes have enabled the organisation to gain credibility in the international cocoa market. Such development has been helped by limited donor support, which has allowed Maquita to invest in productive assets at crucial times in its development. Donor support can therefore be effective, providing it does not replace commercial lending.

Home-grown ethical trade initiatives can be as successful as international schemes

International ethical trade schemes often grab the headlines while the home-grown variety receive little attention. However, both Candela and Maquita Exportadora are essentially home-grown initiatives that have used international fair trade schemes to gain credibility and experience before moving on to conventional markets. The result has been an effective, locally adapted means of delivering benefits to people in need.

Impact assessment helps improve the social and environmental performance of fair trade schemes

By integrating impact assessment as a routine part of fair trade, lessons can be learned and acted upon sooner rather than later. Where impact assessment is neglected, certain social groups can be overlooked. In the Peruvian Brazil nut scheme, for example, impact assessment revealed that the shellers (mainly women) and porters of Brazil nuts did not receive any significant benefits from fair trade. Ecological monitoring and environmental assessment are important to local livelihoods as over-harvesting of resources may undermine the long-term sustainability of the trade.

Recommendations

- NGOs working on fair trade initiatives should encourage producer organisations and ethically oriented export companies to use fair trade as a stepping stone to conventional markets.
- NGOs and companies involved with fair trade should use impact assessment techniques to monitor the impact of ethical trade initiatives on participants and the local environment. They should also assess the impact on other social groups in the local area and identify any spread of good practice that may occur as a result of fair trade initiatives.
- NGOs involved with fair trade should be open-minded about different forms of responsible business. They should not promote easily classifiable approaches, such as fair trade labelling schemes, at the expense of locally developed solutions that can be more attuned to local needs.
- NGOs involved with fair trade initiatives should encourage producers to trade in commodities of sufficiently large volume to achieve economies of scale.
- NGOs involved with fair trade initiatives should provide training in effective and efficient business management.

This policy brief was summarised by Becky Hayward from research by Valerie Nelson and Chris Collinson at the Natural Resources and Ethical Trade Programme (NRET) of the Natural Resources Institute (NRI). Victor Agreda, Modesto Galvez, Marcelo Leon and Duncan Burnett carried out the fieldwork in collaboration with Valerie Nelson, Chris Collinson and Mick Blowfield as part of the project, "Ethical trade and forest-dependent people."

For more information contact: V. Nelson (NRET manager) on v.j.nelson@gre.ac.uk or J. Downard (NRET co-ordinator) j.m.downard@gre.ac.uk. Tel: +44-1634-880088. Web: www.nri.org/nret

This publication is an output from a research project funded by the United Kingdom Department for International Development (DFID) for the benefit of developing countries. The views expressed are not necessarily those of DFID. R7285 Forestry Research Programme.