

The Protection of Consumer's Rights: An analysis about Fairtrade

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Introduction

The phenomenon of globalisation has affected every economic sector, including the food market. Businesses today find themselves in a global market that is highly competitive and, consequently, characterised by a high degree of uncertainty. It is therefore necessary to adapt, seeking to increase their productivity while containing costs as much as possible. This trend has led to the increasing use of homogeneous production methods and consumption patterns, with the consequent loss of social and biological diversity.

On the one hand, some scholars have almost justified the loss of diversity by the resulting gain in efficiency. However, other scholars point out how this loss negatively affects long-term sustainability. Firstly, the use of pesticides, herbicides and insecticides is leading to increased efforts to control the negative side effects of homogeneous cultivation, and secondly, dependence on new production methods has led to the reorganisation of villages, regions and social structures and the consequent loss of valuable local knowledge and traditional methods. In addition, globalisation has increased land use and deforestation to make way for livestock farms with catastrophic consequences for the environment in the long term. Food is essential for human life and production must be geared towards sustainability. Finally, the spread of large multinationals (e.g. McDonalds, Burger King, KFC), thanks also to the franchising mechanism, has almost completely cut small producers out of the market and with them also the so-called "zero kilometre production" (multinationals often obtain their raw materials from different countries than those where they sell because the former are cheaper). From these obvious limitations of global markets, comes the need for a form of trade that guarantees a fair price for customers and producers and ensures the protection of the earth: "Fairtrade".

Fairtrade: a possible solution

Since food is essential for the human organism, it is not surprising that fairtrade has spread to many complex post-industrial societies. But what is fairtrade and how does it work? Fairtrade is a form of commerce that, by respecting a set of standards in the production and supply of a product, aims to offer a product that protects the land at a fair price. This alternative trading system aims to establish direct links between producers and consumers, bringing control to a food system that, due to globalisation, has become distant and anonymous. The production circuit is characterised by the so-called 'short chain': a production chain that aims to minimise the distance between producer and consumer. In traditional trade, in fact, the steps leading to the final consumer are multiple and contribute significantly to increasing the price of the final product. Fair Trade therefore tries to get the products through 3 or 4 steps: producer, importer, trader. The aim is to be able to offer a fair return to all, while maintaining a competitive final price. In order for this circuit to work well, both producers and importers need to respect a number of constraints.

For importers:

- Guaranteed minimum price for producers: if the price on the stock exchange goes up, the price of the products obviously adjusts, but if it goes down, the producers are guaranteed a "Threshold Price". In this way, producers do not suffer losses due to market fluctuations.
- Minimum quantities and long-term contracts: efforts are made to purchase quantities of raw materials that offer continuity over the years. The aim is to generate stability and sustainability of the business in the long term.
- Pre-financing: importers are responsible for advancing the costs of purchasing raw materials so that producers do not have to resort to illicit financing (usurers). Payment is then completed after delivery.

For producers:

- Prohibition of using child labour: In this regard, it is worth remembering that Fair Trade is committed not only to the protection of the land, but also to the protection of human rights.
- Use of renewable raw materials: the aim is to promote a circular economy that minimises the waste of resources and encourages the recycling of materials.
- Training expenses
- Cooperation between producers: this is an essential element for the functioning of the business. The benefits of sharing resources and expertise have a positive impact on advertising campaigns and the quality of the final products.
- Fair wages: Wages should refer to the laws of the place of production for those working as employees.

History of Fairtrade

Fair trade has its origins in the United States where Ten Thousand Villages, a non-profit organisation that markets handicrafts made by disadvantaged artisans, began buying embroidery from Puerto Rico in 1946 and SERRV¹ (Sales Exchange for Refugee Rehabilitation and Vocation) began trading with poor communities in the south in the late 1940s. The first formal 'Fair Trade' shop selling these and other items was opened in 1958 in the United States. In Europe, Fairtrade began to take off in the late 1950s thanks to Oxfam UK which began selling handicrafts made by Chinese refugees in England. In 1964 the first Fair Trade Organisation was founded and in 1967 the import organisation for Fairtrade products in the Netherlands: Fair Trade Original. During the 60s and 70s, NGOs (non-governmental organisations) and many small producers from developing countries (Africa, Asia, Latin America) began to realise the need for marketing organisations that offered support and advice to producers in need. This led to the emergence of new fair trade organisations with the aim of greater international equity. In 1968, developing countries turned to international politics to communicate the message 'trade not aid'. Traders from disadvantaged countries rejected simple economic aid, which could only be beneficial in the short term, but the establishment of fair trade relations with disadvantaged populations so that their products could also be competitive internationally. Since the mid-1970s, fair trade organisations have been meeting formally at conferences every two years. Hence, in 1987, the European Fair Trade Association (EFTA) was formed between the 11 most important fair trade organisations in Europe. Two years later the World Fair Trade Organisation (WFTO) is also established. These organisations have enabled the creation of a global network between fair trade organisations which has allowed the development of international co-operation and, above all, has enhanced the image of fairtrade in the world. Regional networks include Asia Fair Trade Forum (now WFTO ASIA), Fair Trade Co-operation in Africa (now WFTO Africa and Middle East), the Associazione Latino Americana de Comercio Justo (now WFTO Latin America) and IFAT Europe (now WFTO Europe). In the 1990s, Fair Trade began to spread rapidly with the endorsement of European ministers and thousands of cities began to apply for Fair Trade Status, committing to the fight against social exclusion and poverty. Fair Trade Status contributes to the status of a city and enhances its image in the public eye. The first World Fair Trade Day was celebrated on 4 May 2002 and has been repeated every second Saturday in May since then. In 2011, WFTO members formed a working group with the aim of revolutionising the Fair Trade system by creating a product label. In 2013 the new guarantee system (GS) was approved, which has 5 components: improved application procedure, self-assessment, peer visit, monitoring audit and Fair Trade Accountability Watch. The GS can be applied to any type of trading organisation and is used to certify that a company complies with Fairtrade standards. It is ultimately a guarantee to customers and buyers that the producer has met the standards imposed by the WFTO and the Fairtrade Code of Ethics. Fairtrade has been growing steadily in recent years thanks to all the improvements it has made: from €0.83 billion in turnover in 2004 to an impressive €9.8 billion in 2018.

¹ A non-profit trade organisation that initially focused on helping refugees in Europe recover economically from World War II. It then began importing products from developed countries with the aim of promoting economic and social development in less developed countries

Advantages of Fairtrade

In conclusion, we can say that Fair Trade brings several advantages:

For producers:

- Prices that aim to cover the average costs of sustainable production of their crop: a vital safety net when market prices fall.
- The Fairtrade premium: an extra sum of money paid on top of the selling price to generate new investment.
- Decent working conditions and prohibition of discrimination, forced labour and child labour
- Access to credit in advance before harvesting: it allows producers in disadvantaged conditions to be able to buy raw materials without getting into debt with high interest rates.
- It offers the possibility to look to the future with more confidence and to establish solid relationships with customers since the "Short Chain" allows customers to know where the product comes from and how it was made.

For consumers:

- A product with the FAIRTRADE label means that producers and companies have met the strict social, economic and environmental standards of fair trade. This ensures that the production is of high quality.
- Fairtrade products protect the land and help combat the ongoing climate crisis.
- Fairtrade gives consumers the opportunity to connect with the people who grow the products we like and need.

Ethical Objections to Fairtrade

Unfortunately, a number of problems with Fairtrade have emerged in recent years. The first is that only a small part of the extra money that consumers pay for Fairtrade reaches the exporter. This means that the so-called 'short chain' continues to have a multitude of middlemen who contribute to raising the price as in traditional markets. Furthermore, Fairtrade controls the price paid to exporters. It does not control what happens to the money, nor does it control how much reaches the farmer. There can be no evidence for the claim "Fairtrade guarantees a fair price for the producer". Moreover, 40% of the premium that goes to the Third World goes to trade and production, rather than to social projects or an extra price for the farmer. This means that the promotion of economic development in disadvantaged countries is still far from being achieved. At the end, 85% of the organisation's income comes from licensing the use of the Fairtrade label and the remaining 14% from donations and government grants. Of this income 70% is spent on promoting the brand while 30% appears not to go to third world countries but to the foundation's running costs. All of these elements contribute significantly to the mistrust of consumers in the fairtrade market and threaten the disappearance of an organisation that is essential to the food well-being of the population and to environmental sustainability.

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