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# Fair Trade: Shortcomings and contemporary challenges

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## Abstract

The aim of this paper is presenting the Fair Trade movement in pragmatic categories, disassembling the core components to discuss them more closely, and drawing an image of what Fair Trade really is. This article has also confronted over 60-year-old fundamentals of Fair Trade with modern global problems and new political doctrines, shedding the light onto future prospects of the movement. By collecting the data and analysing the mechanisms of the Fair Trade model, this paper has attempted to discuss the current shape and effects of Fair Trade, exposing the flaws and the assets of the organization to see if its role is significant in the world trade system. The conclusions are mainly negative — Fair Trade has a minimal share in global trade, presents discussable effects on economic well-being of people and outdated agricultural doctrine, putting in question its sustainability. Fair Trade has rarely been subject to analysis from this perspective, and it can prove to be a starting point for future research.

## 1. Introduction

Defining what the Fair Trade movement is does not create a challenge in current times, as one unified definition was formed back in 1999 by major Fair Trade organizations, and it reads as follows:

Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers — especially in the South. Fair Trade Organizations have a clear commitment to Fair Trade as the principal core of their mission. They, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade. (WFTO, 2021)

The basic concept of Fair Trade is to empower producers that are either left out of the global trading system or marginalized, by offering them special distribution channels and a price more adequate than the one offered on the free market, propelling them to the ultimate goal of getting out from poverty, stagnation and poor living standards. By definition, it should positively affect also the consumers and markets, sending out a message for a change in global trade rules, thus repairing the flaws of modern capitalism.

The research questions are: how does the movement work and distribute income? What are the costs of participating in Fair Trade? What is the market share of Fair Trade products? How do the foundations of Fair Trade hold up in light of contemporary global challenges?

## 2. Theoretical framework of the research

Since the unification of Fair Trade organizations from around the globe in 2002, many publications have discussed the Fair Trade phenomenon, evaluating its effects on consumer choices. Producers were also taken in consideration, but primarily only those associated with Fair Trade. Surprisingly, the main issue that most economists had in the past (Valiente-Riedl, 2016; Sidwell, 2008; Henderson, 2008) with Fair Trade has been the sole purpose and “morality” of intervening in basic functioning of markets, and not the real effects of the movement on associated and non-associated producers, irrespectively of being negative or positive. Sadly, for those researchers and observers, the livelihood and prosperity of people at the bottom of international supply chains are not so important when economic paradigms seem to be endangered and in question, focusing more on the debate as to whether fully introduced free trade would be more effective than the concept of Fair Trade. On the other hand, international decision makers endorse and incorporate the ideas of Fair Trade in their programs. The European Union (European Commission, 2009) actively supports and monitors Fair Trade, despite its long term protectionism policy in the trade of agricultural products (Granville and Dine, 2012). Promoting Fair Trade is directly referenced in the Lisbon Treaty (Martens and Orbie, 2018).

Fair Trade concentrates on the flaws of global economic system, especially the effectiveness of the free trade system. The main issue that Fair Trade currently highlights is the marginalization of small-scale farmers and producers in the world trade system, specifically their access to the global value chains, their capabilities to manage the terms of trade and abilities to gain market information. The organization addresses these topics in Fair Trade principles and realizes them in specific business mechanics, which will be discussed in the following paragraphs.

## 2.1. Aims and principles of Fair Trade

When analyzing the structure of Fair Trade, a simple division must be created to understand the roles of various entities; there are big umbrella organizations recognized by WFTO, operating on the global level. and producer organizations, which operate on regional level. The basic cells of Fair Trade are registered producer and worker cooperatives, which are members of the aforementioned producer organizations based in one country, which are then assigned to one of three continental networks: Fair Trade Africa, Network of Asia and Pacific Producers, and the last one for Latin America and the Caribbean, named *Coordinadora Latinoamericana y del Caribe de Pequeños Productores y Trabajadores de Comercio Justo* (FLO website). These three organizations are main shareholders of Fair Trade International (FLO), which main purpose is to control the licensing and labeling side of the movement. In 2018, there were 1,707 certified producer organizations in the structure of Fair Trade, consisting of almost 1.8 million farmers and workers (FLO, 2021d).

The aims of Fair Trade have evolved through the years of its existence by responding to criticism, new standards of international organizations and global moral principles. The current 10 basic principles of Fair Trade (WFTO, 2017), established in 2017, fall in line with the United Nation's Sustainable Development Goals.

— Creating Opportunities for Economically Disadvantaged Producers — supporting small scale agricultural producers and empowering them towards self-sufficiency and ownership.

— Transparency and Accountability — this point guarantees that the organization shares all viable information on every level and secures participants. It also reports to the public, partners and stakeholders.

— Fair Trading Practices — the organization does not maximize profit at the expense of small producers, but instead creates instruments for the trade environment which cares about their well-being and living standards. On the producer side, the organization guarantees the quality and quantity of the product, while on the buying side, it assures that the payment will be on time and in fair amount. The system also recognizes the disadvantages that Fair Trade suppliers and producers face in cash flow by establishing pre-payments, which are interest free, of at least 50% of contract value in case of handicraft, and 50% of contract value with reasonable interest rates (not higher than rates offered by third parties) in case of food produce. Fair Trade also secures producers and suppliers from experiencing financial losses when the buyers cancel orders. In this situation, buyers are obliged to pay compensation for the work already done by suppliers. The organization also provides help with securing intellectual property of producers (patents, traditional craft designs, trademarks, regional authenticity etc.) and works actively to avoid unfair competition between parties involved in regional Fair Trade organizations.

— Fair Payment — the core of Fair Trade movement is to provide producers with fair and equal payment for their work, suited for their local economic environment. This principle consists of three fundamentals.

a) Fair Prices — are “freely negotiated through dialogue between the buyer and the seller and is based on transparent price setting. It includes a fair wage and a fair profit. Fair prices represent an equitable share of the final price to each player in the supply chain.”

b) Fair Wages — are “an equitable, freely negotiated and mutually agreed wage, and presumes the payment at least a Local Living Wage.”

c) Local Living Wage — “is a remuneration received for a standard working week (no more than 48 hours) by a Worker in a particular place, sufficient to afford a decent standard living for the worker and her or his family. Elements of a decent standard of living include water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.”

— Ensuring no Child Labor and Forced Labor — this principle directly refers to the Sustainable Development Goals (SDG), point 8.7 (UN, 2021). Eradicating forced labor (including child labor), modern slavery and human trafficking. The organization assures us that every Fair Trade branded product was made and delivered without using child and slave labor.

— Commitment to Non-Discrimination, Gender Equity and Women’s Economic Empowerment and Freedom of Association — this principle concurs with the SDG’s fifth goal. The organization does not discriminate against anyone on any basis and actively promotes gender equality and the empowerment of women. WFTO also respects the basic solidarity right to form and join trade and working unions, and in regions where it is difficult, helps to enable those rights.

— Ensuring Good Working Conditions — this principle states the organization’s compliance with International Labor Organization standards.

— Providing Capacity Building — commitment to the mission of providing the producers and workers with the means to self-develop and expand the business, mainly by increasing skills, production capabilities and reaching new channels of sales and distribution, either Fair Trade or not.

— Promoting Fair Trade — raising awareness of the need for a global trade system that guarantees a greater justice. The organization also promotes a consumer-friendly approach, providing full information about the producer, product and its road to the store shelf.

— Respect for the Environment — Fair Trade products are created with the use of raw materials, from sustainable, mostly local sources. Renewable energy is used to reduce greenhouse gas emissions, and producers need to minimize the impact of their waste stream on local environment. Agricultural commodity production requires organic methods, and the use of pesticides is very limited.

The aforementioned principles create a basic guideline for all parties involved in the Fair Trade structure. More detailed are the compliance criteria, which con-

sist of points that must be achieved by members of the structure in specific deadlines (WFTO, 2020), but those are still open to interpretation and lack more universal indexes and indicators that would create a baseline for simple research, such as to what extent those basic principles are respected by the members of Fair Trade. Clearly, some of the instruments are provided only for associates and auditors in the Fair Trade Guarantee System. Anyone interested in the effectiveness of the Fair Trade movement needs to rely on WFTO and Fair Trade International reports, which lack many details, like changes in the average Fair Trade household income per region or value of sold Fair Trade products. Fair Trade International also publishes research about the effects of their projects in different parts of the world, but as the organization admits itself on website (FLOa, 2021), there are still large gaps when it comes to knowledge about some sectors of the operation. The alternative would be the results of field research by academics, but historically, not many of those were conducted. The latest and most extensive research made by the organization dates to 2021 and presents changes in household income of cocoa farmers in Côte d'Ivoire (FLO, 2021a), but similar research is not obtainable for all of the Fair Trade sectors.

## 2.2. Instruments of Fair Trade

The main and primary aim of Fair Trade is allowing producers to fetch a fair price for their produce on any market, whether local, regional or international. This goal is achieved by utilizing the concept of Fair Trade Premium and Fair Trade minimal price. The latter is set accordingly to the global market price of each category of product; if the global price is not sufficient to cover the costs of production and give producers a fair profit, then the minimal price comes into the play and sets the standard that Fair Trade associated buyers need to offer (Grącik-Zajączkowska, 2012). They can, of course, offer a higher price, if they so desire. The premium is a fixed amount added to the base price of the product, usually defined in additional cash for each pound or ton bought; in the case of some products, the premium is calculated as percentage of offered price. This mechanism ensures that producers sell their product with higher profit than the market average, even when the prices offered are higher than the Fair Trade minimal price (Dragusanu, Giovannucci and Nunn, 2014).

However, the additional profit in the form of a premium cannot be freely spent by the producers. It is accumulated by producer organizations, which must decide by democratic means how to invest those additional funds in accordance to Fair Trade principles and aims (Dragusanu, Giovannucci and Nunn, 2014). Typically, it should be used for endeavors like the construction of schools, local education, healthcare or buying new agricultural equipment (Grącik-Zajączkowska, 2012). The reason for this specific solution is simple: unified producers and workers can achieve more being unified than alone, and it allows also greater funds to be accumulated and spent on meaningful projects for the community in the specific region, not only on a single local farm.

This mechanism can only work if producer and trading organizations are certified by Fair Trade International and are recognized as full, active members (FLOCERT, 2021). To do that, they need to go through detailed application and certification process, which is handled by FLOCERT, a Fair Trade International subdivision dedicated entirely to maintenance of licensing (Dragusanu, Giovannucci and Nunn, 2014).

To apply, either the producer or trader organization needs to fill out the online form and send it to the regional bureau of FLOCERT. At this step, a provisional calculation is created to prepare the applicant for long-term costs. The application fee is fixed at the amount of 565 euro, but each year, FLOCERT charges the applicant with varying costs, depending on the number of certified products, scope of the production, members of the organization and hired labor (FLOCERT calculator, 2021). After positive feedback, FLOCERT charges the organization the certification and processing fee for the first year. The certification fee for the first year may vary from 1,545 euro to 2,940 euro, depending on the scale of business (based on FLOCERT example calculations — a small coffee producer organization based in Kenya, FLOCERT calculator, 2021). The processing fee depends on the size of organization, number of requested products to certify and other, unspecified variables. In sample calculations, considering a small scale organization, the estimated fee was 440 euro. After the first year, which ended with positive outcome audit, the rates become fixed (1,260 euro and 190 euro) and are charged annually. The certificate is issued initially for 9 months and will be automatically extended for the rest of three year cycle, if the organization complies with the most important standards. The license can be renewed for the next cycle, if the organization proves that its operation is compliant with Fair Trade guidelines and standards in the renewal audit (FLOCERT, 2021). It is necessary to note that each licensed product in the organization generates additional certification and processing fees; also, producers are not obliged to sell all their produce through the Fair Trade channels, in case they cannot find buyers in time, or just choose to also operate on other markets (Dragusanu, Giovannucci and Nunn, 2014). To summarize, the estimated certification costs for the full cycle will come up to the amount of 5,450 euro. The minimum salary in Kenya is 13,572 Kenyan Shillings (Trading Economics, 2021), which at the moment of writing this paper is worth around 105 euro (Central Bank of Kenya, 2021). This means that full certification cost equals around 52 monthly salaries of a minimal-wage worker, assuming that Kenyan agricultural workers even fall into that classification.

### 3. Research methodology

The overview of Fair Trade model was based on existing literature and research. Reports and documents provided by Fair Trade organizations were also used to analyse the scope of the movement and mechanisms behind it.

To estimate the importance of Fair Trade in the global trade system, statistical data was gathered from multiple sources (e.g. World Trade Organization, Food and Agriculture Organization, Fair Trade International) and then put together to see how much of the global market is accommodated by Fair Trade products.

Based on these steps, a discussion was formed, pointing out and discussing the weak and strong points of the whole movement, ending with conclusions and an outlook for future.

### 3.1. Share of Fair Trade products in global trade

According to the World Trade Organization, in 2019 the global value of merchandise export was 19.019 trillion dollars, and agricultural products value of agricultural merchandise was 1.783 trillion dollars. By dividing those numbers, it is clear that the export of agricultural products, which the Fair Trade movement mainly produces, was worth 10.67% of the whole global export. This can give context to what portion of global system Fair Trade is trying to accommodate. Unfortunately, FLO does not share anymore the value of sold Fair Trade products; instead, it provides the quantity. To show the share of Fair Trade products on the global market, the three best-selling products will be presented: coffee, bananas and cocoa. According to The Observatory of Economic Complexity (OEC, 2021), the share of coffee, bananas and cocoa in world trade was, in order: 0.17%, 0.079%, 0.053%,

In the analyzed year, 2019, the latest reported by FLO at this point, associated producers sold 824,404 tons of coffee (FLO, 2020). According to International Coffee Organization (ICO), the global amount of exported coffee was 7,676,940 tons (ICO, 2021). It means that 10.74% of exported coffee was of Fair Trade origin.

The newest data on banana export is for the year 2018, in which the global volume of export reached 19,205,800 tons (FAO, 2018). Fair Trade producers contributed 686,930 tons of certified bananas. This gives 0.036% of the share in this product's global trade (FLO, 2020).

4,105,656 tons of cocoa were exported in 2019 (FAOSTAT, 2021). Fair Trade producers contributed by 618,633 tons (FLO, 2020), which translates to 15.07% of this product's global trade.

**Table 1.** The share of Fair Trade products in global trade (2019)

Product	Volume of Fair Trade Export	Share in global agricultural trade of product
Coffee	824,404 tons	10.740%
Bananas	689,930 tons	0.036%
Cocoa	618,633 tons	15.070%

Source: Author's computation with data extracted from FLO (2020), WTO (2020), ICO (2021), FAOSTAT (2021).

The share of these three Fair Trade products in the global trade system is not impressive for many decades of the movement's activity, but it cannot be called completely marginal. Coffee is clearly the most important product for Fair Trade, as it has the biggest share in the global market. Cocoa also seems to be a strategic product, as it holds a large portion of the market, which is a very problematic one in context of environmental sustainability. Still, taking into consideration the scope and portfolio of Fair Trade products, in the global perspective, it creates a niche, a very distinct one, but still a niche. Perhaps the results would be better if producers could sell all their products through Fair Trade distribution channels, but that is unlikely due to the fact that this supply chain ends in developed countries and aims for a specific, more wealthy consumer (Arnould, Plastina and Ball, 2009). Also, share of Fair Trade products in global market would benefit from more diversified producer profiles. In the current Fair Trade model, producers are motivated to raise their effectiveness while maintaining the sustainability of production and a low environmental footprint. This situation traps them in a cycle. For example, cocoa producers usually end their work with raw cocoa at the point where it can be transported and processed further in a manufacturing plant (UNCTAD, 2016). Ending production at this point deprives producers of possible added value. It is possible for them to grow more substantial in the supply chain by processing cocoa into powder or extracting oil from it. This way, their portfolio of products extends and can contribute to increasing competitiveness on international markets.

The same concept applies to producers of coffee, sugar cane or cotton. Fair Trade should not only care about creating a better livelihood for people working in agriculture, but also helping them to advance, and possibly change their work, and by that affecting regional economies, and overall, global trade. In the current situation, possibly the most profit of the Fair Trade concept can be made by traders and manufacturers, as they get the product in its final form to the consumer, who finally willingly pays a higher price for a better product with better impact.

### 3.2. Fairness of trade

The most common talking point about Fair Trade is simply the idea of fairness in trade, as many question if it is necessary to create a handicap mechanism in an already established operation. The simplistic argument is always the same: a trade transaction comes to life only if it is appealing for both sides (Kurjanska and Risse, 2008). While it is true in a model better known in developed countries, where both sides are able (have means, resources and information) to find another partner for business, it does not translate well to the situation in less developed countries. A small scale producer of raw agricultural product is often very limited in the number of business partners and has no means to seek further. In those countries, it is a lot harder to gain capital for investments, access to information



is usually limited or poor quality and institutions do not assure security. This can easily be seized as an opportunity by buyers with access to bigger markets: they can offer a lower price, knowing that the producer will sell them their product anyway, as they have no choice. So, despite the free market logic behind the trade itself, it must be acknowledged that it does not work the intended way in every place on Earth.

A commonly-repeated argument against Fair Trade is price discrimination — again, a critique based on an ideal world of free market rules. The point is that the Fair Trade mechanism helps producers that struggle to sell their product and create a profit, and by that it is corrupting the market, as those entrepreneurs would go bankrupt in normal circumstances. This creates a situation of generating artificial supply surplus with low quality product, which then affects the prices on the market (Claar, 2011). That would be true in a case where Fair Trade producers would be obligated to sell all their produce with Fair Trade licensing and Fair Trade buyers would be entitled to offer contracts for all the stock of associated producer. But it does not work that way. Fair Trade supply chains only offer an additional way out, an access to new markets; they do not necessarily mean that they have a guarantee of selling at best price all of their products. Also, in situations where market price is better than the minimal Fair Trade price, the producers do not achieve better profits; the only additional amount paid is the Fair Trade premium, which cannot be freely spent.

### 3.3. The costs and profits of Fair Trade producers

A valid argument concerns the aforementioned licensing costs and overall adaptation costs. Environmental sustainability and organic agriculture requires many farmers to start the lengthy and costly process of adaptation. Those costs are calculated into the Fair Trade premium, but often it is not sufficient, and additional annual fees can cut those benefits even further (Wydick, 2014). The licensing process requires an overhaul, in accordance with the Fair Trade principles of Transparency and Accountability.

Many farmers and workers may be discouraged from joining the Fair Trade movement by the length and cost of licensing process. The most marginalized cooperatives, even in bigger groups, might have problems, or just not enough resources to get through the corporate machinations of FLO and FLOCERT. On the one hand, this situation prevents the devaluation of Fair Trade standards and lowers the risk of having too many organizations that will try to take advantage most of the mechanism and offer a product, that does not meet the basic requirements. On the other hand, it impedes the growth of the movement, by ironically excluding those most excluded. The only solution to this is to actively, without bureaucracy or added fees, help those most marginalized farmers first form into big, strong organizations.

The biggest problem yet with Fair Trade is its main aim: to fight poverty in farming communities across the world. The empirical evidence for this, on a more than singular case study scale, is practically non-existent. There are studies that show big disproportions in income growth: some people noted 200% increases, while some did not experience any major differences (Schmelzer, 2006). There are no clear answers if Fair Trade reduces poverty system wide and from what perspective. FLO reports offer almost no hints at effectiveness in this regard of the Fair Trade mechanism. The most wasted opportunity was the implementation of surveys in 2015, which were unfortunately not designed to gain and process answers about financial and wellbeing situation of associated members; instead, they provide feedback about the support from the organization. The only consistent data presented by FLO are Fair Trade Premium spending, which does not imply that the allocated money to each category provides an outcome of direct improvement. In 2019, 20% of premium accumulated by small-scale producer organizations was allocated to Human Resources and Administration, 20% to facilities and infrastructure, 18% to payment to members, 10% on agricultural tools and inputs, 6% to implementation of best practices, 3% on farmer business training, 2% to credit and finance services and 2% to training of organizational staff (FLO, 2021d). A year earlier, the data was very similar. It shows that most of the premium is not spent on community and livelihood projects but on daily business maintenance and the financial stability of the organization. A slightly different situation concerns the Workers Organization, as 26% of premium was allocated to education services, 20% to other services, 10% to financial and credit services, 9% investment in housing, 6% healthcare services, and 4% to payment for workers. Premium spending of Worker Organizations is more concentrated on delivering important services to workers and their families, but the amount of generated money is different: 1,478 small producer organizations generated 173.2 million euro in premium, as opposed to 29.3 million euro generated by 321 hired labor organizations. On average, a hired labor organization had 91,277 euro to spend and a small producer organization had 117,185 euro. It shows that the real needs of farmers and workers lie somewhere else, and perhaps the premium model needs to be revamped, so that it can truly respond to the demand and create a more effective, positive impact.

### 3.4. Sustainability of Fair Trade

The global climate crisis proves that the old model of food production and consumption is not possible to sustain in the long term. The soil degrades, more extreme weather destroys strategic crops, and progressing climate change will soon reduce the number of places where some Fair Trade products can be cultivated. For example, arabica coffee requires very specific conditions to be successfully grown, which are estimated to occur between 20° N and 25° S altitudes and ranging

between 700 and 2000 m.a.s.l (Chemura, Mudereri, Yalew and Gornoth, 2021). According to a report from 2021, the area suitable for arabica coffee is being reduced due to climate change, limiting the total yield and enhancing the conditions for pests and diseases. This means that the livelihood of 25 to 30 million coffee farmers around the world becomes endangered, counting in those associated in Fair Trade. In Ethiopia, farmers cultivating coffee branded as specialty are faced with challenges to maintaining the quality of their produce, which leads to losing markets and profits from offering a premium product. If those farmers switch to the cultivation of robusta coffee, which is far less demanding, they face increasingly aggressive competition from international agricultural giants. This puts a burden upon the future of Fair Trade, as 60% of coffee offered by the movement is organic (FLO, 2020) and often falls into the category of specialty coffee. This threat also applies to other products, like cocoa. Raw cocoa production, handled without any modern, ecological standards is very harmful to the environment, and further manufacturing of goods based on cocoa further impacts the environment (Konstantas, Jeswani, Stamford and Azapagic, 2018), but Fair Trade cocoa must be cultivated within organic and sustainable standards.

It must be stated that coffee is mostly imported to developed countries, the European Union being the biggest importer, and United States of America the second (ICO, 2021). The demand for this commodity appears in the richest countries, but rarely in the ones on the same level of those that produce it. This situation raises an important question: is it fair for Fair Trade to put its farmers in a fragile position where their livelihoods depend on delivering an agricultural product that is suited only for the wealthy global consumers, and almost useless for their domestic or regional markets? The Fair Trade model for products like cocoa or coffee only strengthens the dependency of those farmers on western manufacturers and consumers, as they demand a product that has proven to be more and more difficult to produce and deliver, due to the climate crisis. The minimal impact on the local markets is artificially substituted by the premium mechanism, and some social profits can be discovered, but the economic impact on the economies of producer countries still needs to be evaluated. The issue of climate change is tackled by Fair Trade by endorsing the organic cultivation of licensed products, which is supposed to reduce emissions and climate impact of the whole Fair Trade production, but it does not change the fact that the main target of those products are global markets, which further generate climate imprints that cannot be controlled by the organization.

Fair Trade states that it operates according to agroecology policy, which in many points is true, but also in few aspects contradicts it (FAO, 2019). Most importantly, the aim of agroecology is to guarantee the safety of farmers from international markets and entities, and bring them independency when it comes to what and when they need to produce, in consideration of environment and biological diversity (Van de Helde and Holemans, 2019). It also aims to focus more on domestic

markets and its needs. Fair Trade works only with a selected group of agricultural products, and usually requires the farmers to focus their work on one of the products to reach highest possible profits, thus reducing the biodiversity and freedom of operation. The price offered to producers is solely based on direct costs of production (including Fair Trade fees and obligations) and the global market situation, which, as mentioned before, imposes more strict ties with more wealthy countries.

## 4. Conclusions

After analyzing the aims and methods of implementing Fair Trade principles, it can be concluded that the adopted model operates on solid corporate-like foundations, offering more freedom and profits for farmers in the short term, but in the longer term, incorporating them deeper into the global system, making them more dependent on the situation on global market, with risk minimalization offered by the organization. Many aspects of the organization are not transparent to the public, particularly when it comes to the formal requirements of licensing and the quality assurance realized by the audits. The mechanism in the form of a premium should be the main factor of improving the livelihood of producers and workers, and an incentive to join the ranks of Fair Trade, but instead it looks like it mainly fills the gap of financial liquidity in the businesses.

Taking into consideration the discussed points, the Fair Trade operation model maintains the position of farmers in global value chains, offering them not an ability of substantial and sustainable growth, but a bypass to some of problems they struggle with, like access to markets, low profits from basic production, low competitiveness or poor working standards. By participating in Fair Trade, producers and workers are able to stabilize their terms of trade, as 72% of banana producers reported being able to negotiate terms of trade with buyers, the same being said about 53% of cocoa producers and 64% of coffee producers (FLO, 2021c), but it does not entice them to further strengthen their position in the global supply chain. Also, the costs of participation in Fair Trade, which mainly consist of the aforementioned licensing costs, might be burdensome for the smallest organizations, and might change in time, depending on the size and success of the business.

By looking into the data, two of the three most important Fair Trade products have a stable share in its own export category, but they are still not big enough to create a meaningful force in the global trade system. The share of the rest of the products in the respective categories is negligible, as in the case of sugar cane: 0.0003% of global sugar cane export (OECD, 2021; FLO, 2021d). In the global sense, the Fair Trade market is still a niche.

Fair Trade presents a conservative approach when it comes to climate crisis and its impact on agriculture across the globe. It maintains a low effective, based

on traditional methods, agricultural model based on a monoculture of products that prove more difficult with time to cultivate, due to global climate changes. Striving to increase organic production is not an sufficient answer in contemporary challenges, and does not make Fair Trade fully compatible with modern agricultural policies, like agroecology. The concepts and mechanisms created in the 20<sup>th</sup> century for Fair Trade, as humanitarian and honest as they might be, are outdated and obsolete in the face of rapid climate changes and all implications related to them. To serve the higher purpose (and most of its aims in full spectrum), Fair Trade would need to rearrange its operation model, mainly the Fair Trade Premium mechanism, the licensing process and the range of products. It also needs to focus more on diversifying production and impacting the local economies by not only increasing the quality of labor and social services, but also by stimulating the local trade market and more advanced manufacturing processes.

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