

## Organic agriculture and fair trade: principles, regulations and markets

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### I. ORGANIC AGRICULTURE

#### Definition

Organic agriculture emerged in the 1920s, boomed in the 1970s hand in hand with environmental activists and became a structured market in the 1990s.

**Organic farming is above all an agriculture that respects the environment, animals and humans.**

To define it in simple terms, organic farming:

- respects the soil and its natural cycles
- is done without using synthetic chemical products

Yet, modes of organic farming are diverse and production rules are often more elaborate.

#### The Principles

The International Federation of Organic Agricultural Movements (IFOAM) which acts as an umbrella organization for the majority of the world's organic farming movements has developed four principles on which all organic farming, regardless of its specificities, must be based:

- Health: Organic agriculture should sustain and enhance the health of soil, plant, animal, human and planet as one and indivisible.
- Ecology: Organic agriculture should be based on living ecological systems and cycles, work with them, emulate them and help sustain them.
- Fairness: Organic agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities.
- Principle of care: Organic agriculture should be managed in a precautionary and responsible manner to protect the health and well-being of current and future generations and the environment.

#### Interpretations and practices

The interpretation of these principles are varied, resulting in multiple specifications obliging governments to establish certain **standards (over 60 participating governments in the world)** aiming at:

- Creating **uniformity of practices** in a given zone (the European Union for example).
- Above all **protecting consumers** who do not know about and cannot analyse in detail the different specificities and standards of production. Consumers can

only rely on an official name or label as a guarantee that the product corresponds to their expectations.

In 1981, France defined its own terms for organic agriculture banning the use of synthetic chemical products. In 1991, the European Union adopted terms regulating organic production for all of the countries in the Union (EC 2092/91). This law has been amended and added to a number of times and is under review for application in 2009.

A distinction must be made between-

- **Regulations** mandatory for all wishing to use the Organic label in order to market their production.
- **“Regulatory” specifications** based on the general regulations but adapted to the specificity of the production.
- **Private specifications** either working as an addition to the regulations (Biodynamics for example) or in parallel with them (Nature et Progrès). The above-mentioned are non-certified and cannot use the “Organic” label.

### **Certification:**

Is the means of ensuring the client that the regulations and/or specificities of production have been respected in the stages of farming and processing. Certification is usually granted by a “third party”. This in an independent structure, accredited by the officials having established the regulations or by the author of the specifications.

This structure verifies, using the appropriate methods, that all the stages of farming/processing/distribution comply with the standards they were called upon to investigate.

### **In practice:**

In practice, the supplier must comply with the certification standards of the market exported to, sometimes involving a host of certification systems therefore raising costs.

### **Statistics**

The organic products market is characterised by three major observations:

- It is essentially concentrated in countries with strong buying power
- It represents merely 1% to 3% of the overall spending on food products (depending on the country)
- Over the past ten years, the organic market has grown by double-digit numbers in all of these countries (20-30% for the USA and the EU)

The major markets are the United States and the European Union with over 15 billion US dollars in sales each. Germany alone makes up for one-fourth of the European market (4 billion Euros in 2005)

### **Distribution**

The distribution of organic products has traditionally been developed within specialised networks (for example BIOCOOP in France or Reformhaus in Germany), often distributing health-food products as well.

Yet over the past few years, mainstream distributors have heavily invested in this sector in order to reap the benefits of its development. Conventional mass distributors are more or less involved in this market, depending on the country- 70-80% in the UK, Switzerland and Scandinavia, 65% in Belgium and Austria, 37% in France and only 25% in Germany where the specialised networks are well implanted.

Mass conventional distribution plays an important role in the development of the organic market for three reasons:

- It renders organic products available to a large number of consumers especially those who would not have sought to buy organic products via alternative channels.
- It has strong communication and advertising power
- It accelerates the diffusion of organic products with the rapidly developing store-brand organic labels as well as the growing availability of organic products in discount stores

The biggest selling organic products on the European market are milk products (1/3 of the organic market's total sales) and baby food (5% of baby food sold in Europe is organic). But the market is developing for all kinds of products, including non-food products (textiles and cosmetics).

## Consumption

What are the organic consumer's **motivations**? Historically, in the seventies and eighties, consumers bought organic products for "**life philosophy**" reasons.

The food crises of the nineties (dioxin in eggs and milk products, mad cow disease) unveiled major mismanagement in the agro-industry, raising consumer concern about what was in their plate. Many of them progressively turned to organic products with the intention of **preserving one's health**, which today is the number one reason why consumers buy organic.

Over the next few years, a new wave of consumers will be witnessed, having the **protection of the environment** as an additional motivation, which has become a major marketing pitch.

Today, price differences between organic and traditional products (20-40% difference on average) remain the ultimate factor slowing down the development of the organic market, even if foodstuff represents but 15-18% of a European household budget.

Organic products are purchased primarily by well-to-do, small and often older (in their 50s) households. A new tendency is making headway with younger parents who buy organic products for their children.

## II. FAIR TRADE

**The main strategic intent of Fair Trade is to favour social and economic development by readjusting commercial relationships, fostering economic and negotiation equity between trading partners.**

### Definition

Fair Trade is a trading, technical and social partnership based on dialogue, transparency and respect. It benefits struggling producers and workers as well as their families in developing countries. Fair Trade promotes equity in commercial relationships and adheres to the process of sustainable development.

### The Principles

Fair Trade is based on some fundamental principles, it:

- Upholds sustainable relationships fostering dynamic development
- Works with small or economically disadvantaged producers
- Guarantees a minimum buying price, meeting the basic needs of the workers and producers
- Is against slavery, forced labour, exploitation of children and favours productions which respect the environment
- Ensures transparent management and commercial relations

Fair Trade implies:

- That the fundamental principles have been respected
- A mission for progress (participatory organisation, respect, elimination of child labour, enhancing local potential...)

The world of Fair Trade is less organized than that of organic agriculture for one simple reason; as of today, a policy fixing the rules of the game has not been formally established.

A brief historical overview:

Beginning in the Netherlands in the 1960s, Fair Trade progressively spread across Europe. Here are some important dates-

- 1964: United Nations Conference on Trade and Development
- 1968: New conference in New Delhi
- 1970: 120 shops sell products from third world countries
- 1973: Fair Trade takes off with the sale of 'Indio' coffee supplied by cooperatives in Guatemala
- 1988: Accreditation of a "Fair Trade label" to the coffee signed Max Havelaar

## Fundamental currents of Fair Trade

- **Humanist/Religious:** post-war, influence of philosophical or religious thinking, promoting the respect of human dignity and economic justice. Implication of NGOs and churches, in particular the Protestant church in Northern European countries (Holland, Switzerland, England, Germany) and in the United States (Mennonites). Their mission is to help the poor and the marginalized. No militant activism.
- **Third-Worldists:** In the 1960s, ideological and political beliefs are at the root of movements denouncing unequal trade and exploitation of the working-class. A rise of NGOs, unions, political parties. Implication of left-wing political parties in Europe, toughly criticising the free market and free trading. The movement limited to militant activists.
- **Sustainable development:** emerged in the 1990s, an economic, social and environmental movement accepting globalisation but wishing to add a more harmonious note to development as well as insist on respecting the balance of social, economic and environmental factors. A more consensual movement, bringing together associations, businesses, national and international institutions as well as extending itself to the general population.

Each one of these currents inspired multiple and distinct approaches, carried out by different bodies, having their own specifications...such differences often create tensions.

## Principal Fair Trade Organisations

**IFAT:** The International Federation for Alternative Trade bring different actors to the same table

**FINE:** Grouping the FLO, IFAT, NEWS and EFTA acting to harmonise procedures and 'certify' cooperatives.

**FLO:** (Fair Trade Labelling Organisation): an international organisation, created in '97, coordinating certain initiatives/'fair trade' labels

**Three Associations:** (Transfair, Fairtrade, MH) under the FLO umbrella acting collectively. They are working on developing an international fair trade 'label'.

## The Main Actors

### -NGOs

NGOs have understood that Fair Trade answers to and often invests in the four major planetary issues:

- Protection and conservation of ecosystems
- Social justice
- Economic responsibility

➤ Wiping out poverty

NGOs are today very much a part of numerous Fair Trade programs.

**-Businesses**

Fair Trade is a commercial concept. It cannot function solely with NGOs, but hand in hand with businesses.

Today, new organisations working to establish sustainable economic development deal directly with responsible businesses in order to establish actions and relationships rooted in Fair Trade philosophy.

**-Associations having their own specifications, brand, or 'label'**

Until now, mainly associations have managed the accreditation of recognisable Free Trade brands, in the absence of national or international regulations. These associations establish their own standards and specifications, define the verification procedures, attribute a brand sometimes qualified as a 'label' for which they handle the communication.

The diversity and multiplicity of procedures necessitate governmental intervention, in order to ensure the consumer that the standards under the title 'Free Trade' are being met.

**Statistics**

There are but a few recent statistics on Fair Trade. According to the Fair Trade Report (1999) the volume of Fair Trade products imported represented 0.1% of European trade with the Third-World.

In 2002, according to the FLO, 60,000 tons of 'labelled' food products were commercialised, a 21% increase from the previous year. In France 2,240 tons were commercialised in 2002. Food products represent around 60% of Fair Trade's annual turnover.

**Europe is the number one destination for Fair Trade products.**

Of the 58,000 tons of Fair Trade food products exported around the world, 22,000 tons are shipped to Europe. Almost 80% of the Fair Trade coffee production is shipped there too.

**The best examples**

Leaders in Fair Trade consumption are:

The Swiss, where 47% of the bananas sold are from Fair Trade

The Dutch

The British, where the sale of Fair Trade coffee reached almost 50 million Pounds or 71.7 million Euros, in 2004

The Austrians where media coverage of organic Fair Trade coffee helped earn 70% of this market's sales.

## **A Booming Market**

Already in 2002, purchasing of 'labelled' products skyrocketed in certain countries like Switzerland, reaching 10.16€/inhabitant per year. In 2005, this sum climbed to 18€/inhabitant per year. France, considered a "poor example" purchasing a mere 1.20€/inhabitant per year, is slowly catching up in 2005. For example, consumption of the Max Havelaar brand coffee has almost doubled each year for the past five years, going from 495 tons in 2000 to 3860 tons in 2004.

As for organic products, the distribution of Free Trade products is no longer limited to alternative, organic networks (Oxfam, Artisans du Monde) but has integrated the mass marketing stream.

The Fair Trade/organic market is 'en vogue' and mass marketing is taking advantage of its fashionable status.

## **Conclusions**

The Organic and Fair Trade markets could offer the perfect means of integrating Moringa into developed countries' markets not having the same problems of malnutrition as in the ACP group of states (but perhaps suffering from other forms of malnutrition)

- The system of production of Moringa is in alignment with the standards of certification for these markets
- These markets know how to work with small-scale productions and small businesses
- The consumers of these markets are highly aware of the nutritional value of their food
- These markets are highly developed and are looking to diversify their range of products

There is nonetheless one hurdle to overcome: Moringa is still not authorised for sale on the European market.