Domestic Fair Trade – principles and business

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Putting social fairness at the heart of organic trade
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BioFach 2010

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Why presenting jointly? Some words about us.....

- Bio Suisse is the Swiss umbrella organisation for Organic Farming
  - 5,800 farms, 750 licensees (processors, traders)
  - since several years discussions concerning Domestic Fair Trade (= DFT)
  - currently establishment of a DFT scheme
- University of Hohenheim
  - Research activities in the field, discussions on the topic since several years
  - In 2009: cooperation with Bio Suisse
Outline

Domestic Fair Trade

- Background and current trends in respect to sustainability
- Sustainability & Organic Farming
- Concepts and understanding of fairness in the mid-European context
- Practical examples and initiatives in Central Europe
Background and current trends related to sustainability

„Beyond GDP“ - Measuring progress in a changing world

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

GDP and beyond
Measuring progress in a changing world

Source: EC 2009; http://www.beyond-gdp.eu/
Background and current trends related to sustainability

„Beyond GDP“ - Measuring progress in a changing world

- „GDP alone cannot reflect the economic performance of modern society“
- „GDP does not measure environmental sustainability or social inclusion and these limitations need to be taken into account when using it in policy analysis and debates“

Source: EC 2009; http://www.beyond-gdp.eu/
Background and current trends related to sustainability

Scarcity conditions:

- "Agricultural policy acts beyond practical reason because it seems to pay more attention to increasing efficiency than to improving ecological quality, even though the conditions of scarcity are exactly inverse"
- We would like to add: This estimation is also valid for the social dimension today!

Sustainability and Organic farming

- Early organic pioneers in search of sustainability, even if the concept was not established yet
- Original concept of Alternativer Landbau: a different and extended economic understanding based on the three pillars of sustainability:
  - Economic activity considering ecological aspects,
  - Foster local and regional business cycles and building small and peripheral economic structures
  - Fair and honest interaction

Source: based on Mayer 2008, in accordance to Lautermann 2005
Sustainability and Organic farming

- Sustainability is anchored implicitly in Organic Farming
  - Sustainability captured and implemented intuitively before the concept was established
  - Currently in OF: “All that glitters is not gold!”
- Explicit understanding of sustainability and reactivation of original values
  - Development of “Domestic Fair Trade” concepts in many European organic farmers associations
  - Certification of social aspects all along the food chain as next step
  - Inclusion into state regulation in future?
Multifunctionality of organic farming: From organic’s duality….

Dabbert et al. (2001); “dual role” concept of Organic farming

Production for the market / response to consumer demand

Production to provide public goods

Source: Own graph, based on Dabbert et al. 2001
….to a trinomial concept of OF

Michelsen et al. (2008);
Trinomial concept of Organic farming

Production for the market / response to consumer demand
Production to provide public goods
Production in accordance to values and principles of Organic Farming

Source: Own graph, based on Michelsen et al. 2008
Concepts and understanding of fairness in the mid-European context

What is fairness?

John Rawls: worst-off person in a society must always benefit from socio-economic inequalities (*difference principle*)

Jürgen Habermas: according to *discourse ethics* an ideal speech situation between stakeholders can lead to consensus-based fair rules
DFT examples from Europe
On which levels can DFT concepts be implemented?

Public law approaches
- e.g. Codex Alimentarius
- State regulations (e.g. EU organic regulation)

Private sector approaches
- Farmers Associations (e.g. Naturland)
- Certification bodies (e.g. IMO)
- Companies (e.g. conventional milk in Germany)

Source: Mayer 2008
Practical examples and initiatives in Central Europe

- Bio Suisse Domestic Fair Trade
- Upländer-Bauernmolkerei resp. Biofairverein
- Indicator list of Regionalwert AG
- BNN Kodex
The Bio Suisse Fairness-Strategy

DFT Panel

Round table discussions

Organic food chain

Producers

Processing

Retail

Consumers

Bio Suisse Code of Conduct

Standard

Source: Schumacher 2009

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Practical examples and initiatives in Central Europe

Erzeuger Fair Milch-Projekt (fair milk prices for producers)

- Project implementation in 2005
- Stakeholders
  - Upländer-Bauernmolkerei (dairy) and Max-Rubner-Institut
- Aims
  - Securing livelihoods of own dairy farmers
  - Transparent communication of performance of domestic producers
  - Price increase of 5 ct per liter of milk
  - Instrument: Label and communication campaign

Source: Mayer 2008
Practical examples and initiatives in Central Europe

Bestes Bio-Fair für Alle (since February 2008)

- **Background**
  - Growing interest in CSR
  - Inflationary use of the term „Fair“
- **Aims**
  - Credible communication of basic values of OF
- **Stakeholders**
  - Upländer-Bauernmolkerei, Kassler-Institut für ländliche Entwicklung (Kassel Institute of rural development), interested companies
- **Development of own DFT certification programme**

Source: Mayer 2008
Practical examples and initiatives in Central Europe

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Regionalwert AG

Double balancing: Annual evaluation of socio-ecological values of sustainability

- Employment structure;
- Wages;
- Employee turnover;
- Quality of workplace;
- Soil fertility (Agriculture);
- Ressource consumption;
- Biodiversity;

- Compliance with EU organic regulation;
- Distribution of added value;
- Creation of value within the region;
- (Social) commitment within the region;
- Dialogue in the value chain
Discussion & Outlook
The freerider problem: how to prevent „fairwashing“?

10 Liter Bioethanol 100%
(1 Kanister à 10 Liter) + 1 Ausgießer gratis!

Grundpreis: 1,80 EUR/Liter inkl. KOSTENLOSER Versand

BioFair Markenqualität

- 100% aus Roggen von deutschen Feldern
- Garantiert 100% Bio und 100% rein.
- sensorisch und chemisch geprüft
- rückstandsfrei und geruchsfreie Verbrennung mit gelber Flamme
- extra optimiert für Ethanol-Kamine

BioFair Ethanol verbrennt mit einer geruchsfreien und angenehm warmenden Flamme. Die regelmäßige sensorische und chemische Überprüfung unseres Bioethanols gewährleistet die gleich bleibende Spitzenqualität unseres Produktes.

Bei der Verbrennung wird BioFair Ethanol lediglich in Wasserdampf und Kohlendioxid umgesetzt. Das sind die Stoffe, die wir auch beim Atmen freisetzen. Diese Voraussetzungen für die Verwendung in Bioethanol-Kaminen!

Source: http://www.bioethanol-versand.de
Discussion & Outlook

- Domestic Fair Trade as alternative for organic farming economy and commerce
- “Back to the roots” and renaissance of the immanent values
- Possibility to separate from discount organic
- DFT could prove pioneering role of OF&F (with respect to a holistic approach of sustainability including social aspects)
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Thank you very much for your attention!
Background and current trends related to sustainability

Beyond GDP - Measuring progress in a changing world

Plan for 2010: Index for environmental damage
Aim: evaluate environmental protection measures related to
- Climate change and energy consumption,
- Nature and Biodiversity,
- Air pollution and health effects,
- Water consumption and pollution and
- Waste production and consumption of resources

Further social and ecological indicators will be considered for national accounting in the future

Source: EC 2009; http://www.beyond-gdp.eu/
Concepts and understanding of fairness in the mid-European context

- Concept of *homo oeconomicus* is increasingly challenged
- There is evidence of a sense of justice inherent to human beings
- Own behavior often depends on the behavior of others (reciprocity)
Practical examples and initiatives in Central Europe

Bestes Bio-Fair für Alle

- Instrument: Code of conduct with label
- CoC contains three criteria:
  - Fair trade relationships
  - Regional production
  - Social and environmental commitment
- Inspection and certification by accredited certification body

Source: Mayer 2008