



Overseas Development
Institute

Are ethical and fair
trade schemes
working for poor
producers, or do we
need a new 'Good for
Development' label?

20th January 2009

Ethical Schemes Reviewed

The labels and standards reviewed were:

- Fair Trade
- Rainforest Alliance
- Ethical Trading Initiative
- GlobalGAP
- Utz Certified / Utz Kapeh
- Marine Stewardship Council
- Forestry Stewardship Council



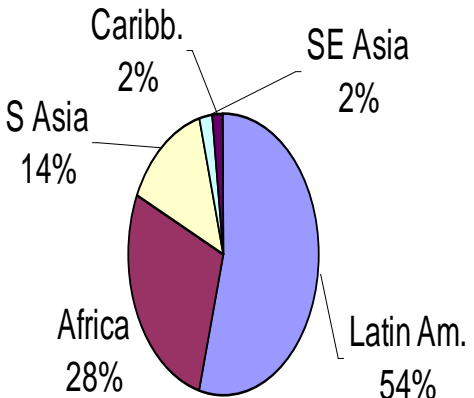

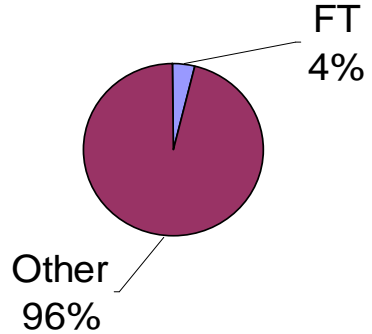
For each of the schemes we considered:

- Objective and focus
- Economic and social impacts, broken down into:
 - Scale of coverage
 - Potential impact on participating farmers
 - Compliance costs
 - Overall development impact

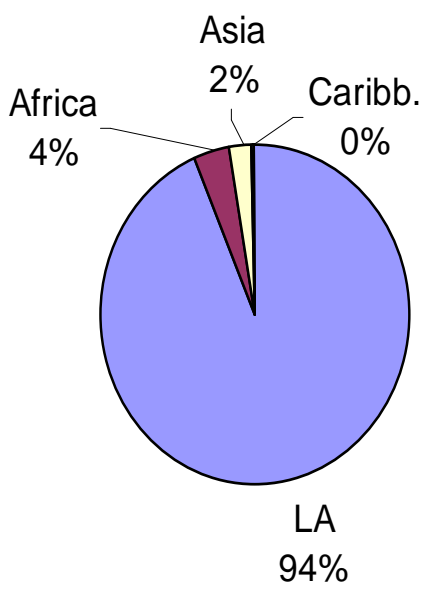



Key Findings

- Fair Trade only scheme with higher economic benefits for producers as main objective;
- Benefits for participating producers, sometimes including a price premium;
- But high compliance costs, often borne by the producers;
- This excludes many producers, and reduces scale of impact.

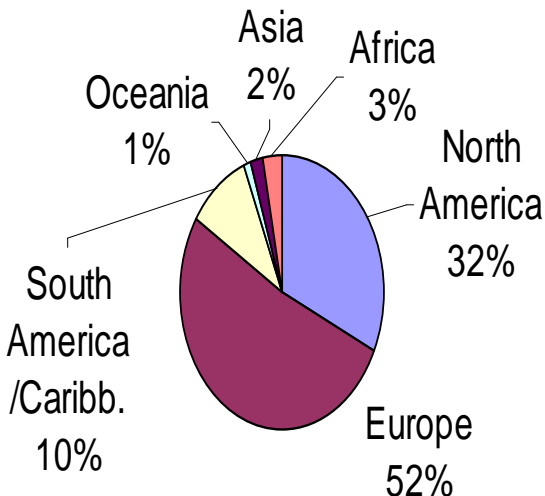



1. Fair Trade

Countries	Products	Coverage
		 <p>4% total UK imports analysed (volume) certified by Fair Trade. UK sales were equal to 0.4% total spending on F&B.</p> <p>20% Fair Trade certified produce purchased at the Fair Trade price.</p> <p>7 million farmers benefit (directly and indirectly).</p>
Cost of Compliance / Certification		
Producers		Buyers
\$		\$ \$ \$





2. Rainforest Alliance

Countries	Products	Coverage
 <p>Asia 2% Caribb. 0% Africa 4% LA 94%</p>		<p>US\$1.2billion worldwide sales of coffee, bananas and cocoa in 2007.</p> <p>1.3% worlds coffee certified.</p> <p>15% of global banana sales.</p>
Costs of Compliance / Certification		
Producers		Buyers
		

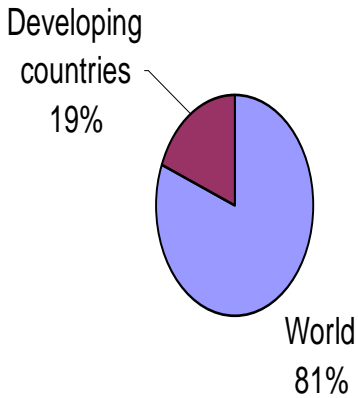



3. FSC

Countries	Products	Coverage
		<p>FSC-certified forests account for 7% of the worlds 'productive' forests.</p> <p>The value of FSC labelled sales is equal to US\$20billion.</p> <p>Tropical forests account for 56% of global forest cover but just 13% of FSC certified forest.</p>
Costs of Compliance / Certification		
Producers		Buyers
		


4. MSC

Countries	Products	Coverage
<p>Pie chart showing the distribution of certified products by country:</p> <ul style="list-style-type: none"> US: 26% UK: 23% Canada: 10% Other: 19% Norway: 6% Sweden: 6% Australia: 6% Mexico: 4% 	  <p>89% of certified products contain either Alaskan Salmon or NZ Hoki.</p>	<p>Estimates of the total global catch that is certified range from 3-7%.</p> <p>Developing countries account for less than 15% of certified fisheries though developing countries account for nearly ½ of global fish exports; low income countries account for 20%.</p>
Costs of Compliance/ Certification		
Producers		Buyers
		

5. Global Gap

Countries	Products	Coverage
<p>Most countries that export agricultural produce to European markets.</p> 		<p>Most agricultural exports to European markets (mostly supermarkets). Over 68,000 producers, 2254 in SSA, 1538 in South Africa.</p> <p>As a group, LDCs in SSA have seen their small share in fresh fruit and vegetables (FFV) trade shrink (UNCTAD 2008).</p>
Costs of Compliance/ Certification		
Producers		Buyers
		

6. Ethical Trade Initiative

Countries	Products	Coverage
All countries that supply UK buyers/retailers and who are members of the ETI.	<p>All products covered by ET members (Food, clothing etc.)</p> 	52 UK based companies. 20,000 suppliers. Estimated 157million workers worldwide.
Costs of Compliance / Membership		
Producers		Buyers
~ \$ / \$ \$		\$ / \$ \$

What could a 'Good For Development' label achieve?

- It could be graded (gold, silver, bronze) depending on pro-development contributions such as:
 - help in meeting other standards;
 - free technical assistance or training;
 - access to finance;
 - contributions to local infrastructure development;
 - investment in healthcare for workers;
 - best practice in supply chain management;
 - responsible resource management.
- Could help to incentivise improved development contributions by food retailers / manufacturers.

How does the GFD label compare?

Scheme	Required for UK market access	Labour standards	Environmental standards	Extra development contribution by retailers/importers	Compliance costs	Scope of coverage in developing countries
Fair Trade	x	✓	✓	✓	High	Low
Rainforest Alliance	x	✓	✓	x	High	Low
Marine Stewardship Council	x	x	✓	x	High	Low
Forestry Stewardship Council	x	x	✓	x	High	Low
GlobalGAP	✓	✓	✓	x	High	High
Ethical Trade Initiative	x	✓	x	x	Low	High
Proposed Good for Development Label	x	x	x	✓	Graded for importers, zero for producers	High

Issues for consideration

- Avoiding proliferation
- Scaling up existing schemes
- Other ways of communicating development impact i.e. league table
- Independent verification of business impact – could reduce proliferation and greenwash
- Next step: how to measure development impact