

UDC 330

DEVELOPMENT OF FAIR TRADE MARKET IN EUROPE

Vito Bobek, Vanessa Di Benedetto

***University of Applied Sciences FH Joanneum, Graz, Austria
Ringana GmbH, Hartberg, Austria***

Fair trade is an alternative approach to conventional trade and is based on a partnership between producers and consumers that seeks greater equity in international trade by offering better trading conditions to marginalized workers in the Global South. The objective of this paper is to analyse products, players and volume of developing fair trade in Europe.

Key words: *fair trade, products, Europe, fair trade players.*

РАЗВИТИЕ РЫНКА СПРАВЕДЛИВОЙ ТОРГОВЛИ В ЕВРОПЕ

Вито Бобек, Ванесса ДиБенедетто

***Университет прикладных наук FH Joanneum, Грац, Австрия
Ringana GmbH, Хартберг, Австрия***

Справедливая торговля является альтернативным подходом к обычной торговле и основана на партнерстве между производителями и потребителями, которое стремится к большей справедливости в международной торговле, предлагая лучшие торговые условия маргинализированным работникам на глобальном Юге. Целью данной работы является анализ продуктов, игроков и объемов развития справедливой торговли в Европе.

Ключевые слова: *справедливая торговля, продукты, Европа, игроки справедливой торговли.*

Economic globalization over the last three decades has allowed the availability of a great variety of products to the consumers everywhere in the world. At the same time, it raised also the societal concern about environmental and ethical issues related to the processes used to obtain the product. The confluence of the increased diversity of products available together with a more active concern of a group of consumers in relation to their own consumption, created the right environment for the development of certifications, as the instrument that informs about the provenances and processes of the products.

Theoretical background

Fair Trade is a labeling initiative aimed at improving the lives of the marginalized producers in developing countries by offering better trade conditions (Dragusanu, Giovannucci, & Nunn, 2014).

According to World Fair Trade Organization, WFTO (2014), the fair trade seeks greater equity in international trade and it contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers in the global South. Each employee in organisation is accountable for their areas of work in accordance with the definitions in employment agreements or the act on the classification of assignments and duties and in compliance with these rules (Horvat, Lipičnik, 2016, p. 31).

The traditional fair trade model is based on consumers in developed countries buying fair trade certified products from disadvantaged producers in the Global South. It provides producers with better terms of trade, by giving them the opportunity to improve their lives, and on the demand side, it also offers consumers a powerful way to reduce poverty through their everyday shopping (Dragusanu et al., 2014).

Organizations as the Fairtrade Labelling International Organization (FLO) and its associate, aim to provide an alternative business model, seeking to secure higher earnings for developing country producers that will allow them to cover production costs and to earn higher returns (FLO, 2012).

Fair trade may be viewed as a continuum of related non-governmental activities, which aim at promoting sustainable trade and ethical trade, but the modern concept of fair trade is actually a business system based on production methods and results and focused to ensure labour, environmental, and human rights standards within a corporation's supply chain (Dragusanu et al., 2014). They as socially responsible entities could have a higher reputation and loyalty among customers, higher attractiveness for investors, lower negative influence on the environment and are more sought among quality personnel (Horvat, 2015).

Fair Trade Products

At the beginning, the fair trade organizations focused on selling handicrafts through World Shops. In 1973, the first fair coffee was sold in supermarkets in the Netherlands, opening the way for many other products, as cocoa, sugar, tea and fruit juices within others and opening new market channels, such as local fairs, supermarkets and bio shops. Now fair coffee is a concept and in Europe more consumers drink it. The coffee alone represents about 30% of fair trade sales in developed economies (Raynolds et al., 2007)

Today, many ATOs still exclusively sell handicrafts because considered culturally and socially preferable than agricultural commodities, even if they are not economically advantageous, due to the fact that they are niche market products. The most popular fair trade products in terms of sales are coffee, tea, rice, bananas, fruit juices, cocoa, sugar, honey, wine, flowers, nuts and spices (Vihinen & Lee, 2004).

The range of products that today is commercialized in the fair trade market has increased during the years. In the table below (Table 1), the products commercialized up until today in the fair trade market are shown.

Table 1– Fairtrade certified products (FLOCERT, 2012)

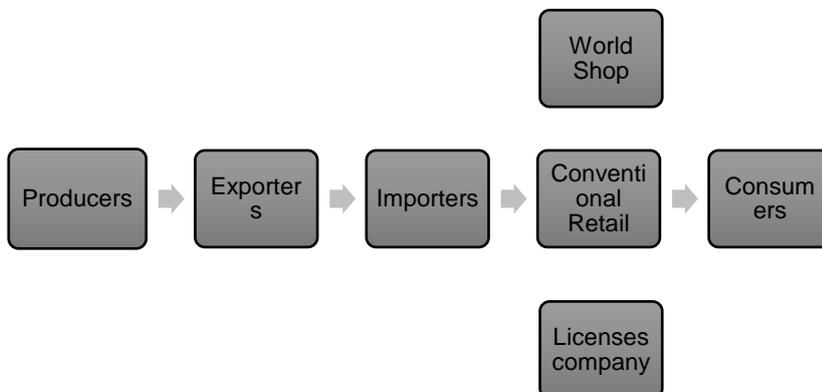
Product Category:	Product Type:
Dried Fruit	Apricot, Banana, Date, Mango, Pineapple, Raisin, Sultana, Tomato, Wild Apricot
Fresh Fruit	Apple, Avocado, Grapefruit, Lemon, Lime, Lychee, Mango, Melon, Orange, Papaya, Passion Fruit, Peach, Nectarine, Pear, Pineapple, Plum, Soft Citrus, Table Grapes, Wine, Banana
Fresh Vegetables	Green Beans, Green Pepper, New Potato, Peas, Red Yellow Pepper, Sweet Potatoes
Fruit Juice	Apple, Araza Pulp, Banana, Grapefruit, Guava Pulp, Lime, Lychee Pulp, Mandarin, Mango Pulp, Mangos for Pulp, Orange, Passion Fruit, Pineapple
Nuts and Oil Seeds	Almond, Amazonian Nut, Apricot Seeds, Brazil Nut, Cashew Nut, Macadamia Nut, Olive Oil, Olives, Peanut, natural white Sesame Seeds, Shea tree nuts, Shea Butter, Walnut, Coconut, Olives, Soya Bean

Among the products that are in the process of gaining the FLO certification are: musical instruments, toys, confection and gold.

Fair Trade Players

According to Schneider (2010) the main players of the fair trade movement can be categorized in seven main groups. Figure 2 aims to represent schematically how the main players are connected in the fair trade production and distribution chain.

Figure 2. Schematic representation of the fair trade players (Schneider, 2010, p. 25-47) (Own design)



The various fair trade organizations monitor the compliance with a set of predetermined criteria by farmers, intermediaries and distributors, in order to guarantee that the certified products meet the fair trade standards. For this reason, there is a need for the internal control system which comprises a system of procedures and methods with the objective to assure compliance with the principles of legality, transparency, efficiency, effectiveness and management economy (Horvat, 2007).

Producers

Producers are a fundamental part of the movement, and the reason why fair trade was created. They cultivate and/or manufacture their products. They must be organized in cooperatives or associations. Through certification, small producers have an alternative to reduce price volatility, increase the economic value of their products and increase their commercialization, developing business and environmental skills and becoming more independent (Schneider, 2010, p. 25).

Exporters

Exporters take care of the logistical and bureaucratic aspects of the export of the products. They should act only as service facilitators, not as conventional exporters who buy, resell and prioritize profits. Fair trade exporters are generally associated with the International Federation of Alternative Trade (IFAT), or international entities (Schneider, 2010, p. 26)

Importers

Importers can act as wholesalers, distributors, and/or represent the retailers themselves. They support producers in several ways. They not only provide financial support anticipating payments and financing production, but also contribute to the training in various functional areas of the organization, such as product development and quality control. They are also responsible for the awareness of consumers, because in the case of retail they are in direct contact with the final consumer (Schneider, 2010, p. 27).

World Shops

The world shops are specialized in fair trade products. Together with importers, they are responsible for sensitizing consumers to the fair trade reality, while being non-profit organizations. Most of these stores are found in Europe, USA, Australia and New Zealand. More than 4.000 stores around the world (Schneider, 2010, p. 28).

Conventional Retail

Conventional retailers are assuming an increasingly important role in the marketing of fair trade certified products. More than 120,000 supermarkets in the world are responsible for the growth of sales in recent years. It is important to notice that the power of the major networks does not cannibalize the share of small shops specializing in fair trade, but, on the contrary, increases the recognition of the seal, benefiting all (Schneider, 2010, p. 31).

Licensees

The companies that receive the license from the National Initiative to commercialize a fair trade product are called Licensees. These companies may sell exclusively fair trade products or can be traditional brands, which launch one or more products with the fair trade appeal. In order to receive the seal, they must meet all fair trade criteria, and pay an annual license fee for the use of the seal (Schneider, 2010, p. 32).

Consumers

Fair trade consumers are people with a consciousness more focused on the social issue. They are searching for products with greater aggregated social value, which reflect the principles they believe in. For this reason they are interested in knowing where products come from and how they are produced (Schneider, 2010, p. 80).

The growth of fair trade is correlated with the growth of consumer interest in "conscious consumption", where consumers opt for products they believe are less harmful to themselves and the environment (Schneider, 2010, p. 84).

National Initiatives

National and international entities have to control that all fair trade players meet the fair trade standards.

The Labeling Initiatives (LIs), also called National Initiatives, are organizations that take care of certification and promotion of fair trade in various countries (Schneider, 2010, p. 38).

LIs follow the initiative of the Max Havelaar, the first fair trade organization created in 1988 in the Netherlands. In 1997, the seventeen already existing LIs came together to create the Fairtrade Labelling Organizations International, FLO, the association that has the task of harmonizing the certification's criteria worldwide and monitoring the process of production and distribution of the fair trade certified products (Schneider, 2010, p. 38).

There are currently 19 LIs working in 24 countries in Europe, North America, Australia and Japan. The LIs are the link between the licensed companies and FLO. Their main task consists in supporting the certification of products and processes and monitoring the licensees in their country, by following the criteria used by FLO. They provide support and guidance for the marketing of licensees. Retailers are responsible

for actions of information and awareness to the final consumer (Schneider, 2010, p. 38).

There are also marketing organizations that promote fair trade in new markets, including Czech Republic and South Korea, but do not release the certification nor monitor the licensees (FLO, 2012).

Fair Trade in Europe

Since the first European World Shops conference took place in 1984, more than 3000 World shops have been opened all over Europe. The European World Shops Day was established by NEWS! in 1996 and taken up after by IFAT, which brought it to a worldwide level and celebrated the first World Fair Trade Day on May 4, 2002. During the years, the fair trade movement has spread widely, achieving political and mainstream business level. An important step in the history of the European movement was the establishment of the EFTA Advocacy and Campaigns office in Brussels, which focuses on influencing the policy-makers. Among many examples of achievements in the area of political lobbying there is the adoption of resolutions on Fair Trade by the European Parliament, in 1994 and 1998. Successful campaigns succeeded in raising awareness and build up a critical consumer voice (WFTO, n.d.).

The purchase of fair trade products has risen over the last few years, driving all the major manufacturers to embrace fair trade to some degree (FLO, 2015).

Research question and research

We set the following research question: *How the market of fair trade products in Europe is developed in terms of products, players and volume?*

To answer the research question, qualitative method will be used: analysis of documents.

The fair trade market has been growing at an average annual rate of more than 20% since 2004, having reached its apex precisely between 2004 and 2005, when there was a growth of 37% (FLO, 2015).

In 2008, the market maintained this average growth despite the onset of the global recession and sales increased constantly over the last years, reaching nowadays the estimated value of 5.2 billion Euros. The main market for fair trade certified products, according to FLO Annual Report 2014, is United Kingdom with a bit more than 2 billion euros, followed by Germany with 830 million euros. France and Switzerland gain the third place with 390 million euros of products sold each. In 2015, many mature fair trade markets experienced steady growth, while Swedish and German shoppers significantly increased their ethical purchases, pushing sales up by 37 and 27 percent respectively. In other new markets, such as Slovakia and Czech Republic, products have gained popularity too. In UK, in 2015, fair trade sales have been impacted negatively by intensified price competition and deflation in the mainstream grocery sector (FLO, 2015). In Table 2 we show the sale in 2015 of each country and the percentage of growth compared to the precedent year.

**Table 2 – Fairtrade sales in European countries. Elaborated by the author
According to the data from Fairtrade (2015)**

Country	Sales	Growth
Finland	€ 162.258.635,00	3%
Estonia	€ 2.221.404,00	26%
Latvia	€ 1.192.212,00	22%
Slovakia	€ 1.131.053,00	
Czech Republic	€ 7.400.000,00	15%
Austria	€ 149.000.000,00	15%
Sweden	€ 301.429.728,00	37%
Italy	€ 90.002.000,00	18%
Germany	€ 830.000.000,00	27%
Switzerland	€ 384.636.196,00	9%
Denmark	€ 91.419.268,00	13%
Norway	€ 68.312.802,00	7%
Luxemburg	€ 10.707.698,00	11%
Netherlands	€ 215.000.000,00	9%
Belgium	€ 105.000.000,00	11%
France	€ 390.391.290,00	10%
United Kingdom	€ 2.077.169.843,00	-4%
Ireland	€ 228.657.122,00	16%
Spain and Portugal	€ 25.431.441,00	7%

In 2014, volumes in retail sales of fair trade cotton and fair trade cocoa rose respectively by 28 and 24 percent. Sales of coffee and bananas, products with higher volumes traded, increased respectively by 12% and 18% (FLO, 2015).

The estimated volume of products sold in consumer countries is displayed in table 4 below, with updated data for 2015, according to an annual report published by Fairtrade International.

**Table 3 – Estimated volume of products sold in consumer countries in 2014,
according to FLO (2015)**

Growth	Product	Total	Unit
18%	Banana	439,474	Tons
24%	Cocoa beans	65,086	Tons
12%	Coffee (Green beans)	93,154	Tons
28%	Cotton (lint)	9,982	Tons
42%	Dried and processed fruits	2,053	Tons
8%	Flowers and plants	675,615	1,000 steams
- 13%	Fresh fruit	11,660	Tons
3%	Fruit Juices	43,883	1,000 liters

259%	Gold	27,181	Gramm
33%	Herbs, herbal teas & spices	2,384	Tons
38%	Honey	2,617	Tons
-9%	Rice	603	Tons
-8%	Quinoa	5,071	Tons
27%	Sport balls	138	1,000 items
1%	Sugar (cane sugar)	196,361	Tons
-2%	Tea	11,030	Tons
67%	Vegetables	1,178	Tons
6%	Wine	22,205	1,000 liters

Conclusion

The highest growth of sales of fair trade product was in Sweden, Germany and Estonia, the negative growth was in United Britain. In terms of products, the highest growth has reached gold, and immediately after it comes agricultural products dried and processed fruits and herbs, herbal teas & spices.

Literature and sources

1. Dragusanu, Giovannucci, & Nunn. (2014). The Economics of Fair Trade. *Journal of Economic Perspectives*, 28 (3): 217–236.
2. FLO. (2012). Bringing Fairtrade to Market. Retrieved from https://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2012-01_Fairtrade_to_Market-A4.pdf
3. FLO. (2015). Bringing Fairtrade to Market. Retrieved from https://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2012-01_Fairtrade_to_Market-A4.pdf
4. Horvat, T. (2007). Leader accountability for school financial management. In: M. Brejc, ed., *Professional challenges for school effectiveness and improvement in the era of accountability : proceedings of the 20th Annual World ICSEI Congress*. Ljubljana: National School for Leadership in Education; Koper: Faculty of Management, pp. 153-168.
5. Horvat, T. (2015). Corporate social responsibility depending on the size of business entity. In: D. GomezeljOmerzel, and S. Laporšek, ed., *Managing sustainable growth : proceedings of the joint international conference organised by University of Primorska, Faculty of Management, Slovenia, Eastern European Economics, USA, and Society for the Study of Emerging Markets, USA*. Koper: Faculty of Management, pp. 339-353.
6. Horvat, T. and Lipičnik, M. (2016). Internal audits of frauds in accounting statements of a construction company. *Strategic management*, 2(4), pp. 29-36.

7. Raynolds, L. T., Murray, D., & Wilkinson, J. (2007). Fair trade: the challenges of transforming globalization. Routledge.
8. Schneider, J. (2010a). Relatório da Pesquisa Mundial de Comércio Justo (Parte 1). Retrieved from http://www.abase.org.br/downloader.php?a=0486327001400869090.pdf&n=%5BPDF%5D_RELATÓRIO_PARTE_1
9. Schneider, J. (2010b). Relatório da Pesquisa Mundial de Comércio Justo (Parte 2). Retrieved from <http://base.socioeco.org/docs/nt0004733a.pdf>
10. Vihinen, L., & Lee, H.-J. (2004). Fair Trade and the Multilateral Trading System. OECD. Retrieved from <https://doi.org/10.1787/16812328>
11. World Fair Trade Organization (n.d.). History of Fair Trade. Retrieved from <http://wfto.com/about-us/history-wfto/history-fair-trade>