



# THE NOTES OF SUD

## Benefits of Fair Trade: a fairer share for farmers and more sustainable agricultural value chains

Within various agricultural value chains, economic inequality has been growing. Meanwhile, the negative effects of climate change are being felt more and more. The combination of these two phenomena is now preventing small-scale farmers and craftspeople all around the world from earning enough income to meet their families' vital needs. And that of course means they have even less income to invest in sustainable forms of agriculture, including farmer-based agroecology.<sup>1</sup>



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### 1 Agriculture: a strategic sector closely linked to climate-change issues

The agricultural sector is one of the top contributors to climate change. In its last report published in October 2018, the IPCC reaffirmed that 24% of greenhouse gas (GHG) emissions linked to human activity come from the

so-called AFOLU (Agriculture, Forestry and Other Land Use) sector. These emissions result from both agricultural production itself and the upstream and downstream production activities and services related to it (inputs, processing and marketing, land-use changes, soil degradation and deforestation). They generate three GHGs: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O)<sup>2</sup>. >>>

1. Coordination SUD, *The Notes of SUD No. 4*, "What Public Policies to Promote Adaptation of Family Farming to Climate Change", 2017.  
2. CCFD-Terre Solidaire, *Our Land is Worth More Than Carbon*, 2018.



## 2 Farmer-based agroecology suffers from economic inequality in value chains

In many value chains of agrifood for export, value capture by downstream operators hinders the agriculture and food sector's ability to contribute to climate-change adaptation and mitigation. Indeed, when small-scale farmers are poorly remunerated and have limited access to financing, they are not able to invest in resilient forms of production. And yet, family farms produce over 80% of the world's food in value terms.<sup>3</sup> In order to cope with epidemics and extreme weather events, and to mitigate their harmful economic impacts, small-scale producers sometimes turn to short-term strategies such as increased use of chemical inputs.<sup>4</sup> But when applied over the long term, such strategies lead not only to constant increases in production costs, but also to significant hidden economic, social, and environmental costs (soil and water pollution, deforestation, health issues arising from agricultural practices, etc.) that ultimately exacerbate the impacts of climate change on those farming communities.<sup>5</sup>

// The value created remains in the hands of several groups downstream and does not benefit producers. //

At the same time, agriculture is already heavily and increasingly impacted by climate change. Small-scale producers and rural communities throughout the world and especially in the South are suffering considerably from its disruptive effects: more frequent extreme climate events (droughts, floods, frost, hail, cyclones, etc.), loss of biodiversity, weakening of certain ecosystems, and water-related problems. The livelihoods of farming communities become endangered from both the direct effects (lower yields and poorer quality of harvests) and the indirect effects (more pest problems, drop in income, and food insecurity).

It's thus crucial for the agricultural sector to not only adapt to climate change but also help mitigate it, by reaching substantial reduction in the total gas emitted by the sector. In short, the sector must:

- **mitigate global climate change by reducing GHG emissions (CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O) stemming from our agriculture and food systems;** and
- **adapt to climate change,** by implementing more diversified and resilient agricultural production systems.

A holistic response is needed to resolve the many factors contributing to the unequal distribution of added value within value chains. Some of the more structural factors are shown below.

- International trade agreements have greatly encouraged the dismantling of price regulation methods. This has led to extremely volatile prices for agricultural raw materials and consequently to even more economic insecurity for small-scale producers. Meanwhile, climate events intensify that price volatility by reducing production volume and making speculation worse.

- Key links in the value chain (makers/brands and distributors) are controlled by several oligopolistic groups. This is a determining factor in the economic asymmetries found in various agricultural value chains, especially for export crops. Increased concentration in a few groups strengthens the power of the downstream links of value chains. It leads to limited market opportunities and reduced ability for producers to negotiate the terms of their sales to this handful of dominant players. Ultimately, it heightens the economic insecurity and vulnerability of those producers.

3. [www.fao.org/family-farming/background/en](http://www.fao.org/family-farming/background/en)

4. BASIC, *Coffee: Behind the Success Story*, 2018

5. *Ibid.*



- That concentration of power within certain links of the agricultural value chain also means that the value created remains in the hands of several groups downstream and does not benefit producers.

- Various bilateral trade agreements signed by the European Union and other bodies are liberalizing trade in many sectors, including agriculture. This trend is generating very worrying environmental impacts (e.g. massive deforestation linked to the import of soybeans). Furthermore, these agreements, combined with the EU's Common Agricultural Policy (CAP) as currently designed (with per-hectare aid that encourages the concentration of farms and agricultural practices that are highly polluting in GHGs) lead to productivity rates that differ enormously and put producers into competition with one another. This undermines local farmer-based agriculture and jeopardizes countries' food sovereignty and their capacity for sustainable economic development that respects international climate commitments.

Fair trade shows us that creating value chains that—for the producer—are profitable, stable, and based on collective organization makes it possible for those producers to meet the challenge of adapting their production methods to increasingly extreme and unpredictable climate conditions. At the same time, such value chains help them mitigate their climate footprint and ensure their livelihoods.

### 3 Fair trade speeds up the agroecological transition...

Fair trade was created to make up for the deficiencies of conventional value chains by readjusting the latter so that they benefit small-scale producers economically. By proposing a social contract between organized producers, economic operators, and consumers, fair trade offers better remuneration, provides for a transparent and sustainable trade partnership, and guarantees decent working conditions. By doing so, it helps remove the technical, social, economic, and commercial obstacles to the ecological and social transition.

In France, for example, a law passed in 2014 on the social and inclusive economy lays down the following requirements for fair trade, among others:

- A **guaranteed minimum price** that allows small-scale producers access to a fairer share within global value chains, thereby increasing their available resources and knowledge to adapt and develop more resilient forms of production;
- A development premium sometimes coupled with a bonus that encourages conversion to organic farming, thereby giving priority to environmentally friendly farming practices and promoting sound management of environmental resources;
- A multi-year business commitment between producers

and buyers that gives economic visibility back to producers;

- **Collective organization** of producers into cooperatives, thereby strengthening their bargaining power and empowering them individually and collectively to readjust power within supply chains. For example, fair-trade labels<sup>6</sup> and guarantee systems<sup>7</sup> provide for increasingly demanding environmental criteria in their specifications. These labels prohibit the use of GMOs and promote organic farming and the sustainable management of water and natural resources.

Industry figures for the French market published in 2018 by Commerce Équitable France<sup>8</sup> show that organic certification is enjoyed by 80% of fair-trade products from international value chains and 46% from national value chains (i.e. of French origin). These figures, which are growing each year, make fair trade a driver in the conversion to organic farming. They also help avoid emissions linked to the production of synthetic fertilizers, herbicides, and pesticides. >>>



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6. The international fair-trade labels: Fairtrade/Max Havelaar, WFTO, Bio Partner, SPP, Fair for Life.

7. [www.fairworldproject.org/wp-content/uploads/2019/12/international-Guide-to-Fair-Trade-Labels-2020-Edition.pdf](http://www.fairworldproject.org/wp-content/uploads/2019/12/international-Guide-to-Fair-Trade-Labels-2020-Edition.pdf)

8. [www.commerceequitable.org/le-commerce-equitable/quelques-chiffres](http://www.commerceequitable.org/le-commerce-equitable/quelques-chiffres)

## 4 ... and society's cultural transformation

Fair trade is not just a tool for ecological transition and more sustainable societies: awareness-raising and education about sustainable consumption are also among its basic principles. Fighting climate change also means that we must give citizens—and the various links in the value chain—the opportunity to understand its causes and

consequences, as well as solutions that can help reverse it.

The relevance and effectiveness of voluntary initiatives such as fair trade are evident, but these are not enough. They alone cannot cope with the challenges raised by climate change and by the surge in economic inequality. Public policies must help guide these changes to ensure that the practices of all economic operators contribute to better sharing of wealth, a prerequisite for the transition to farmer-based agroecology. ●

### RECOMMENDATIONS TO PUBLIC AUTHORITIES

▶ Enact legislation to put the duty of vigilance of private companies into general practice.

Introduce binding regulations, in Europe and internationally, to ensure that private operators develop fair and climate-resilient supply chains that guarantee a minimum living income for producers. Compliance with and enforcement of these measures should also be a condition for any financial support provided by public bodies (such as Agence Française de Développement / Proparco) to the private operators who are beneficiaries.

▶ Free-trade treaties should not take precedence over treaties that protect human rights, the environment, and the climate.

▶ Governments, in particular through their national development agencies, must support financial and technical support for farmers in the transition of their forms of production toward farmer-based agroecology.

▶ Public authorities at the national and European levels should introduce differentiated VAT

rates to encourage the transition of consumption and production patterns toward more sustainable ones.

▶ The national governments of the EU should exert their influence so that the CAP promotes farmer-based agroecology and does not destabilize farmers in the South. They should support payments for ecosystem services (PES).

▶ Public authorities at the national and European levels must support and promote farmer-based agroecology and agroforestry.



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ActionAid France – Peuples Solidaires, Action Contre la Faim, AgriSud, Agter, Artisans du Monde, AVSF, CARI, CCFD – Terre Solidaire, CFSI, Commerce Équitable France, Gret, Iram, ISF Agrista, MADERA, Max Havelaar, Oxfam France, Réseau foi et Justice Afrique Europe, Secours Catholique – Caritas France, SOL, Alternatives Agroécologiques et Solidaires, Terre et Humanisme, UNMFREO.

The C2A is in charge of the representation of Coordination SUD to institutions dealing with agriculture and food, such as the Interministerial Group on Food Security (GISA) and the Civil Society Mechanism (CSM) for the Committee on World Food Security (CFS).

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