



Co-operation, social responsibility and fair trade in Europe

Edited by Linda Shaw

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Acknowledgements

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Cover picture of cocoa producers co-operative holding the UK Co-operative Group Fair Trade Chocolate reprinted with the permission of the Co-operative Group.

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Co-operatives and Fair Trade: a marriage made in heaven?

I am delighted to introduce this important publication – reporting on the first in-depth research to explore the relationship between the co-operative movement and Fair Trade in Europe.

It provides comparative case studies of Italy, the United Kingdom, Sweden and Belgium as well as perspectives on other important markets.

Millions of co-operators and consumers care about global poverty. They know that they can make a difference by supporting change in the way everyday products are produced and sold.

The Co-operative movement (CM) is at least 200 years old. The Fair Trade movement (FTM) maybe twenty-five. Both have their origins in the same impulse – they are grounded in business and a commitment to social justice.

Fair Trade is a response to unfair trade. It is popular and has grown because it is a practical response. Like the pioneers of co-operation, the advocates of Fair Trade have concluded that other ways of achieving trade justice have been tried, and have still to deliver. Its message is that we can help to build a fairer trade system one step at a time, by changing the everyday products we buy.

Despite this very obvious convergence between the co-operative movement the Fair Trade movement, we have to admit that Fair Trade was created outside the mainstream retail CM in Europe and North America.

What the research has highlighted has been the importance of the contribution made by co-operative sector to growth of Fair Trade and in building sustainable Fair Trade markets. This has been very marked in the United Kingdom, Italy and Switzerland.

What is also remarkable is how frequently Fair Trade organisations themselves have adopted a co-operative legal form. They have been

naturally drawn to the flexible combination of social commitment and enterprise.

This opens up the possibility that in countries where consumer co-operatives have retreated from the retail industry, they may re-appear, as part of the fair trade sector.

Imitation is the sincerest form of flattery. The success of Fair Trade has caused mainstream retailers to launch Fair Trade products. Competing certification schemes are also appearing. The research also opens up the emerging debate about how to maintain Fair Trade's unique selling point – what marketing people call the USP.

The first suppliers of fair traded products were co-operatives. Now large commercial farms are receiving Fair Trade certification and their products are sold in huge supermarket chains.

For the co-operative movement, the USP, the “gold standard”, of Fair Trade is co-operative trading with co-operative. This particular debate is going to continue. Fair Trade provides the Co-operative Movement with one of the most obvious ways of fulfilling our joint commitment to successful business and social goals. We don't really have a choice – fair trade is how we should do **all** business

I commend this report to all co-operators and those interested in Fair Trade.

Iain Macdonald

Director-General

International Co-operative Alliance

Introduction: Co-operation and Fair Trade in Europe

This is the final report of a research project, Co-operation, Social Responsibility and Fair Trade, organised in 2005, and funded by the Employment, Social Affairs and Equal Opportunities DG (project number VS/2004/0501). The project brought together co-operatives and Fair Trade organisations in a number of member states. The intention was to map the intersecting trajectories of co-operatives and Fair Trade in the context of the promotion of Corporate Social Responsibility (CSR) within Europe.

A social movement perspective

Co-operatives are complex and difficult entities to fit into an exclusive category. While a co-operative is an enterprise, it also has a social purpose. When it combines with other co-operatives into a movement, it becomes part of civil society and in some cases, part of a social movement.

The growth of Fair Trade is widely acknowledged to be one of the most important CSR initiatives of recent years. It too involves individual enterprises with a social purpose, that have formed what is recognisably a 'movement' in many countries. Indeed, some have argued that co-operatives form part of the 'old social movements' and Fair Trade is a 'new social movement'. One of the purposes of the research project was to see how these new and old movements could work together.

Both the co-operative and Fair Trade movements have the potential to promote a more equitable and balanced economy and society not just within Europe but with their trading partners in the developing world. In looking to develop alternative and fairer trading patterns for the twenty first

century, it is clear that the values embedded in Fair Trade are shared with the much longer established co-operative movements of Europe.

The promotion of solidarity and support between co-operatives is a core value of the International Co-operative Alliance. Many producers of Fair Trade goods in developing countries are organised in co-operatives. The research sought to explore the nature of the relationship between both sectors and to investigate whether the fastest growth for Fair Trade has occurred when the two sectors have formed an effective social partnership. This was done by exploring the question: “What makes a successful partnership between a co-operative and a Fair Trade organisation?” in four countries.

Research aim

The aim of the research project was to map and explore the nature of the relationship between the two sectors in four European countries: Belgium, Italy, Sweden and the UK. The research was intended to promote a better understanding of the opportunities and obstacles to building effective partnerships between co-operatives and Fair Trade organisations in Europe.

Partners

The UK Co-operative College worked with four partners within Europe – the International Co-operative Alliance, which is the apex body for the co-operative sector, and with three research partners: HIVA, at University of Leuven in Belgium, the co-operative CTM Altro Mercato in Italy and the Swedish Co-operative Centre. Each research partner investigated the situation in their country and presented their findings in the form of a detailed case study. The findings were presented in a Round Table Meeting in Brussels in September 2005, attended by participants from a wide cross section of relevant co-operatives and Fair Trade organisations throughout Europe.

Selection of countries

The selection of countries and partners was partly determined by existing relationships, but also the desire to include a range of scenarios.

In the **United Kingdom**, there is both a strong co-operative retail consumer sector and a strong Fair Trade movement with considerable interaction between the two sectors.

In **Sweden**, there is both a strong co-operative retail consumer sector, and a strong Fair Trade movement, but there has been very little overlap.

In **Belgium**, there is no longer a significant co-operative retail consumer sector, but there is a strong Fair Trade movement with its own shops.

In **Italy**, there is both a strong co-operative retail consumer sector and a strong Fair Trade movement, although this is divided, with a complex set of relationships.

Research for the case studies was conducted by the following:

Belgium: Ignace Pollet and Patrick Develtere, HIVA, University of Leuven

Italy: Gaia Garanchini and Selima Negro, Cooperativa Chico Mendes, Consorzio CTM Altromercato

Sweden: Mikael Bjorner, The Swedish Co-operative Centre

United Kingdom: Elaine Jones, The Co-operative College, Manchester

The European context: co-operatives

The co-operative sector is vibrant in many parts of Europe, in sectors including retail, banking, insurance, farming, housing and various services. Co-operatives operate by an internationally agreed set of values and principles.

Historically, co-operatives were often linked to religious or political movements. In the United Kingdom, the co-operative movement has a long association with the Labour Party. A legally separate Co-operative Party has 30 members in Parliament, although in practice, they function as Labour MPs.

In Belgium, there were rival Catholic and Socialist co-operative movements. In Italy, co-operatives were often associated with the political left, and were amongst the first organisations to be attacked by the Mussolini regime.

Although some of these traditional co-operative movements have closed down as unviable (for example as in Belgium), there still exist in Europe around 300,000 co-operatives with 83.5 million members who provide employment for 4.8 million people. Influencing the daily lives of 140 million people.

Co-operatives make an important contribution to European economic life and industry. This has been recognised in the Communication from the

Commission to the Council and the European Parliament, the European Economic and Social Committee and the Committee of Regions, ***On the promotion of co-operative societies in Europe*** (Brussels, 23.2.2004 COM (2004) 18 final).

The International Co-operative Alliance (ICA) is the global apex body for the co-operative sector. ICA Europe is one of its four regions. Its current focus is on the development of a platform to build the co-operative presence and visibility in the European Union together with the Coordinating Committee of European Co-operative Associations (CCACE). The programme is called Co-operatives Europe. The ICA has agreed upon a set of values that give co-operatives their distinctive character:

1. Self-help: in co-operatives people help each other whilst helping themselves by working together for mutual benefit.
2. Self-responsibility: individuals within co-operatives act responsibly and play a full part in the organisation.
3. Democracy: a co-operative will be structured so that members have control over the organisation.
4. Equality: each member will have equal rights and benefits (according to their contribution).
5. Equity: members will be treated justly and fairly.
6. Solidarity: members will support each other and other co-operatives.

The European context: Fair Trade

Developed by the joint labelling organisations, Fair Trade is defined as:

“Fair Trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions for, and securing the rights of, marginalised producers and workers – especially in the South.”¹

Fair Trade offers producers:

- Continuity of orders beyond one ‘season’.
- A social premium to be spent as the producers themselves decide.

¹ The FINE group of organisations comprises: Fair Trade Labeling Organisations International, International Fair Trade Association, Network of European Worldshops and European Fair Trade Association

- Guaranteed prices, above the world market level.

Consumer concern about the social and environmental footprint of their shopping basket is an important driver for Fair Trade. The provision of trustworthy information is a key component for Fair Trade movements:

“Eighty two per cent of consumers prefer to purchase goods and services from companies that are socially and environmentally responsible, including 23 per cent who would choose to do so even if the ethical option is more expensive. However, the vast majority are unable to put that principle into practice due to a lack of clear and credible information about the ethical practices of companies. Only two per cent of shoppers say they mostly have enough information to judge the ethical position of companies whilst 73 per cent say they lack such information most of the time”¹

A growing market

The Fair Trade sector has grown rapidly, especially for primary commodities such as coffee, cocoa, tea and fresh fruit.² Europe is responsible for the lion's share of global Fair Trade sales, with the value of its market exceeding €660 million in 2004 for Fair Trade labelled products.³

The Fair Trade market has grown at 6.8 per cent per annum since 1998, while Fair Trade labelled sales grew by 42.3 per cent across Europe in 2002/03. Turnover of products not formally labelled as Fair Trade, such as handicrafts, is almost equivalent in value (€238 million in 2002) bringing the estimated total to €500 million (Young 2003).

There are several apex organisations for Fair Trade operating at the European level including:

- European Association of Fair Trade (EFTA), which is a network of eleven organisations in nine countries.
- Fair Trade Labelling Organisation (FLO), which is based in Bonn and is the global Fair Trade standard setting and labelling organisation.
- Network of European World Shops (NEWS) over 3000 World Shops selling Fair Trade products organised into a European network.

¹ Race to the Top: how government, business and consumers can drive CSR, Social Market Foundation, London, August 2003

² “Fair Trade Sales hit £100m a year”, The Guardian 28 February, 2004

³ Fair Trade in Europe 2005

The country case studies

A joint research framework was agreed by the partners. The following questions formed the basis of an interview schedule with key respondents in the co-operative and Fair Trade sectors:

- What are the advantages and disadvantages of closer collaboration?
- What types of greater co-operation favoured and why?
- Identify/explain the most important barriers to increased co-operation.
- Suggestions for dealing with overcoming most important barriers.
- What lessons have been learned from the approach taken so far?
- What changes to the approach will be necessary to increase Fair Trade sales over the next five years?
- Do you see this collaboration as important to the growth of Fair Trade? Of your business?

Each case study presents information on the level of consumer awareness and attitudes to Fair Trade in the country. They summarise the key Fair Trade organisations in each country, the types of businesses and products and the volume of Fair Trade labelled sales. They also explore the nature of the co-operative sector in each country, the ways in which they engage in the sales of Fair Trade products and with the broader sector. Each of the case studies is briefly summarised below.

In addition, the research team from Italy spent a small amount of time looking at the emerging situation in Portugal and Spain. There are strong links between CTM Italy and the founders of the first World Shop in Portugal. These countries did not form part of the main research project but some of the key findings are briefly listed.

The United Kingdom: a strong partnership

The UK currently provides the largest Fair Trade sales in Europe with a market valued at over £145 million of Fair Trade labelled products.

Findings from the research revealed a co-operative sector dominated by consumer co-operatives that had developed a relatively strong partnership with an autonomous and strong Fair Trade sector. Although a relatively small player in the competitive UK food retail market, retail co-operatives,

led by their largest member, the Co-operative Group, have played a significant role.

The co-operative movement has spearheaded the mainstreaming of Fair Trade products into the main supermarket sector and, via their membership involvement, have played an important role in helping raise general consumer awareness of Fair Trade. For UK consumer co-operatives, support for Fair Trade is viewed as a key way of putting co-operative values into business practice. The co-operative sector now has over 150 own brand Fair Trade products which has contributed to the development of over 1,500 Fair Trade products on sale in the UK.

The co-operative movement has converted a number of 'own brand' products (which carry its own label) into solely Fair Trade – in particular chocolate and instant coffee. The co-op stores have made Fair Trade a Unique Selling Point, a key marketing concept. It is felt that the co-operative stores cannot compete with other retailers on low price, so they must differentiate themselves on their ethical stance.

Crucially, many members are particularly supportive of Fair Trade and give up their time for Fair Trade promotional events. Other supermarket retailers have now increased their Fair Trade offer to consumers.

The UK Fair Trade sector continues to grow rapidly, with over 50 per cent of the population now aware of the Fair Trade label. Originally available primarily in World Shops, Fair Trade products have now been mainstreamed and can be found on the shelves of all major supermarkets. This has resulted in the development of a market-driven process to fulfil the big supermarkets' demand for more products, rather than the producer-led phenomenon of earlier days. The implications of this change have generated significant debate within the Fair Trade movement and amongst the producer organisations.

Sweden: limited engagement

Awareness of the Swedish Fair Trade mark *Rättvisemärkt* is 47 per cent, according to a survey carried out by the organisation itself. However, this awareness has not translated into substantial Fair Trade sales, which surprises many outsiders given the Swedish reputation for social concern.

Around 40 per cent of those aware of *Rättvisemärkt* have bought a Fair Trade product and the willingness to pay some more for a Fair Trade

product is increasing. Rättvisemärkt had a successful year in 2004. Fair trade sales increased by 40 per cent, (Bananas +47 per cent, coffee +28 per cent). It expects to increase sales of Rättvisemärkt/ Fair Trade products by 25 per cent annually, and increase the brand awareness from 39 per cent (2003) to 50 per cent by the end of 2005. They will also expand the product range with one or two new product groups per year.

The co-operative retail sector in Sweden is now part of Co-op Nordic, which is a combined entity covering Sweden, Norway and Denmark. It is suffering severe competition from a supermarket chain which has a large market share and an emphasis on low price.

The perception is that co-operative customers are price sensitive and will not pay the higher price for Fair Trade products in Sweden. Sales of Fair Trade products by Swedish consumer co-operatives remain relatively small with a great emphasis placed on the sales of environmentally sensitive and organic (bio) food products.

Ethical and social directions

The law in Sweden does provide that marketing about the social or ethical benefits of a product must be truthful. It may be possible that the social and ethical part of the business could be enhanced by increased co-operation between Co-op Nordic in Sweden and Rättvisemärkt. Currently stores do not use informational material made by the Rättvisemärkt association nor do they receive much information material from the head office of Co-op Nordic in Sweden.

The responsible manager of the store has autonomy and responsibility for deciding what to stock and what to promote. There **is** a willingness to sell Fair Trade products in Co-op Nordic, but the knowledge about Fair Trade among the employees, especially in the stores, is low and has to be improved.

The report suggests that the development of a wider education programme about social and ethical trade, possibly as part of an induction programme for new employees, would increase the sale of Fair Trade products and communicate the social responsibility of Co-op Nordic.

Italy: Fair Trade and commitment

A very different picture emerges from the Italian case study, with a deeper and more complex set of relationships between co-operative and Fair Trade

sectors. The Fair Trade market is worth about €60 million and levels of awareness are increasing rapidly. A survey made in 2003 found that 12 million Italians knew about Fair Trade, as compared with eight million in 2002 – an increase of more than 50 per cent in one year (from 23.3 per cent to 34.5 per cent of the entire population).

World Shops (staffed by 4,000 volunteers) are the main channel for Fair Trade sales with about 50 per cent of Fair Trade consumers doing their Fair Trade shopping in them. They have a turnover of €34 million. CTM Altro Mercato, the national consortium of World Shops, is itself a secondary co-operative involving over 118 member organisations of co-operatives and associations responsible for managing 230 World Shops. Founded in 1998, CTM was originally an importing co-operative. Ten years ago it transformed itself into a co-operative of World Shops in 1998. The Fair Trade products their members sell, however, their own brand rather than the pan-European Fair Trade mark.

A second route for the sales of Fair Trade products in Italy are the mainstream consumer co-operatives. Coop Italia, the largest Italian retail chain, is the national association of consumer co-operatives with 163 members. Currently, Coop sells 24 branded Fair Trade products with a turnover of €10 million out of a total turnover of products with the Fair Trade mark of €20 million.

Two distinct channels have developed for the sales of Fair Trade products in Italy, both of which incorporate a significant co-operative presence. Member co-operatives of CTM Altro Mercato, engage in the whole production and supply chain. They currently have the larger sales of Fair Trade products. These are not officially labelled and are sold in World Shops, selling only fairly traded products, with the brand of the importing organisation. Fair Trade consumers consider that this is sufficient as a guarantee.

Products from the main Italian labelling organisation TransFair are mostly distributed through sales channels in supermarkets, including Coop Italia stores, and other commercial outlets. Here Fair Trade products are sold alongside standard commercial brands.

Within the co-operative sector, therefore, two very different and parallel approaches to Fair Trade have developed. The report concludes by arguing that these internal differences are weakening the position of Fair Trade in relation to its commercial competitors. Ways of settling but not eradicating

these differences between the different co-operative and Fair Trade sectors need to be developed while strengthening dialogue and partnership between them.

Portugal: recent developments

Although Portugal was not among the project case studies, the Italian partner investigated the situation. Fair Trade was established in Portugal in 1999 with a World Shop. Since then, Portugal's important co-operative retail sector has embraced Fair Trade and food products are being sold widely. Portuguese Fair Trade organisations are themselves constituted as co-operatives, and are participating in the co-operative movement. Portugal has therefore shown signs of following the Swiss or UK model, though in a shorter period.

Belgium

Belgium is, in one respect, the exceptional case among these countries studied. The country was chosen because it provides an atypical example. The consumer co-operative movement ceased to exist on any scale in Belgium some years ago, as was also the case in the Netherlands. However, the rural co-operative banks have re-structured and are important players in the banking sector. These institutions contribute to Fair Trade in a significant way – through the critical pre-finance that is important for Fair Trade producers, particularly small co-operative producers who need to sustain members until harvest and subsequent sales.

There is one small group of co-operative stores, *Alvo*, some of whose 84 shops, do stock Fair Trade goods. However, the bulk of Fair Trade is sold through Belgium's considerable network of more than 300 World Shops, with nearly 10,000 volunteers and a turnover of more than €15 million. The economic activities (as distinct from the campaigning and advocacy work) of the shops and Fair Trade organisations are chiefly organised through co-operatives. This legal model has been used to ensure that control does not slip out of the hands of those committed to the social goals of Fair Trade.

The report argues that the withdrawal of co-operatives from the retail sector may be the single most important reason that the traditional Belgian co-operative sector has missed the chance to become the distribution vehicle for the Fair Trade market. A new opportunity in the future may

occur when the growth of Fair Trade agents may find the co-operative form quite attractive as a means to hold a solid grip on the Fair Trade business. However it is also vital that the co-operative movement reforms itself and develops with a central institute. This would provide more public visibility for the co-operative sector and enable it to act as a spokesperson with the Fair Trade sector.

The Netherlands

The Fair Trade market in the Netherlands is quite mature, with a dense network of World Shops. As in Belgium, the most significant contribution to Fair Trade from the co-operative sector is through banking. The Rabobank, in particular, specialises in supporting projects in developing countries including co-operatively organised Fair Trade suppliers.

Switzerland

Switzerland is not an EU member state and so was not included in the study. Nevertheless it is important to note that there is both a strong co-operative retail consumer sector, and a strong Fair Trade movement. There is an important relationship between the two sectors in which Switzerland is now the second largest Fair Trade market in Europe.

Observations and conclusions

No single model of engagement between co-operatives and Fair Trade has emerged from the research. Instead country variations reflect the very different histories of co-operatives, their legal frameworks and operational focus. However, it is clear that in each of the case studies, Fair Trade had its origins in World Shops, together with support from churches. However the subsequent growth and development of Fair Trade has been strongly influenced by the nature of its relationship to the co-operative sector at a country level. Consumer co-operatives have had a significant impact in Italy and the UK in helping to create and grow mainstream markets for Fair Trade.

Markets and consumers

The case studies mapped existing research undertaken on the nature and extent of consumer perceptions of Fair Trade, providing useful insights into country specific trends in the context of an overall rise in awareness of Fair

Trade, which is in turn also linked to consumer purchasing practices.

Embracing Fair Trade and co-operation

It is clear from the research that consumer co-operatives that embrace Fair Trade have been able to attract new customers, and to keep existing customers and convert them to spend a little more on Fair Trade. The co-operative sector perceived itself as having very similar values to those espoused in Fair Trade. The promotion of the co-operative model by Fair Trade organisations was less apparent, especially at the country or European level. This was despite the fact that most Fair Trade suppliers in the developing world, and particularly those producing key products such as coffee or chocolate – are organised in co-operatives. This emerged as a key issue to be addressed in the future with a clear need for more dialogue between apex co-operative and Fair Trade organisations.

But selling Fair Trade products has not been the only contribution that co-operatives make to Fair Trade. Lines of credit through pre-finance, have also been very important. It is interesting to note that UK retail co-operative stores support Fair Trade, but the UK Co-operative Bank provides no financial support like pre-finance. Rabobank in the Netherlands, where there are no consumer retail co-operatives, does.

The Fair Trade movement grew out of development non-government organisations (NGOs) and church groups. Importing and sales outlets were often run by volunteers. The Belgian example demonstrates how these have, over time, often adopted the co-operative form as most closely fitting in with their values. This shows both the flexibility of the form and how its values are widely accepted and shared.

There exists the possibility that these new Fair Trade co-operatives will themselves contribute to a renaissance of a co-operative retail movement, based on a range of ethically and fairly traded goods.

A convergence of trajectories

It was not the intention of this project to provide definite answers, but to ask questions. It appears that co-operatives cannot be dismissed as an “old social movement”, unable to adapt. Without co-operatives, Fair Trade would not have made such deep and fast penetration into many European markets.

Fair Trade and co-operation may through their collaboration in some cases, offer the possibility of a globally effective form of partnership for change and social justice. Co-operatives can bring institutional stability and the potential to act as a vehicle for mainstreaming Fair Trade products. Fair Trade can bring energy and a new generation of consumers to the co-operative sector. The project provided a first, and sadly still unique, opportunity for dialogue between the two movements. For the consumer co-operatives, the research also indicated the lack of an internal dialogue between consumer co-operatives in the different member states over their engagement with Fair Trade. For co-operatives, Fair Trade is clearly one of a number of broader CSR strategies being adopted including the development of environmentally sensitive products and labour based codes of conduct for their suppliers. The development of broader CSR strategies within the European co-operative sector is one that has yet to be researched.

At the same time, there is also a number of what could be described as alternative certification schemes. The outstanding example is the Rainforest Alliance's certification of bananas. The proliferation of Fair Trade, ethical and organic labels and claims leads to greater competitiveness in the market place and increasing confusion amongst consumers.

The future of Fair Trade

Within the Fair Trade sectors there are tensions and debates emerging concerning its future direction. This was evident in the Italian and the UK where Fair Trade has 'mainstreamed' out of World Shops into supermarkets, and the range of products has greatly expanded. There are profound philosophical and conceptual differences in the perception and meaning of Fair Trade. In Italy, Fair Trade has a strong social and political basis, whereas in UK, the apex body, the Fair Trade Foundation has avoided such a strong association.

It is now possible for large plantations or factories, owned by corporate entities to achieve Fair Trade certification. Some see this as dilution of the original conception. It is now possible to distinguish between 'high road' Fair Trade where the commodity is supplied by a co-operative, and sold via a committed chain of wholesalers and volunteers in World Shops and 'low road' Fair Trade, where large plantations supply commodities direct to large supermarket chains who sell Fair Trade products because they command a premium price and attract consumers that spend more money.

This has come to a head with the entry of new players such as Nestle in the UK through the launch of their own brand Fair Trade instant coffee. Many campaigning organisations that have targeted Nestle over their marketing of baby milk, find this unacceptable.

Existing partnerships between the co-operative sectors and Fair Trade movements in Europe have clearly proven to be mutually beneficial. There clearly remains a potential for future partnership but this needs to be underpinned by an ongoing dialogue. The Fair Trade movements of Europe now face a series of important decisions about their future direction. It is vital that the co-operative contribution to Fair Trade is recognised and that co-operative perspectives are added to the agenda for debate whether at a national or European level. The intersecting trajectories of co-operative and Fair Trade have now, it would seem, reached a point where dialogue and partnership needs to be more formally developed.

Recommendations

Create opportunities for more dialogue and debate between Fair Trade and co-operative sectors – especially at the apex and country level.

Research into the broader CSR agenda for co-operatives in Europe.

More research into ways the co-operative financial sector might assist in to co-op collaboration through, for example, pre-finance.

More directly comparable market research into consumer perceptions and behaviour over Fair Trade.

Further research and information exchange between European co-operatives

Country Case Study: United Kingdom

*By Elaine Jones
Co-operative College*

Introduction

The following report documents the relationship between the co-operative and Fair Trade sectors in the United Kingdom. The report is based on a review of secondary sources and key informant interviews.

The definition of Fair Trade as applied in this report is as follows:

Fair trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the south. Fair Trade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade. (FINE¹)

The relationship between the co-operative movement and Fair Trade in the UK is of particular interest given the fact that the UK is the biggest market for Fair Trade and that the consumer co-operatives have played a pivotal role in developing this market.

This view is also borne out by research carried out by Geoff Moore² et al:

“It is clear that the Co-operative leads the way in terms of their commitment to the concept of Fair Trade, their wide product range and their promotion of the concept through in-store displays and their web site disclosure”.

This report examines the Fair Trade market in the UK and the role that the consumer co-operatives have played in its development. It looks at the characteristics of the co-operative movement in the UK and the key drivers which have contributed to its involvement in the development of Fair Trade.

¹ The FINE group of organisations comprises: Fair Trade Labeling Organisations International, International Fair Trade Association, Network of European Worldshops and European Fair Trade Association

² “The Mainstreaming of Fair Trade: a macromarketing perspective” Geoff Moore, et al 2004

1. Country Information

1.1 Population

The population in the UK was estimated at 59.6m in the year 2003 with an average age of 38.4.³

1.2 UK Patterns Consumption of Fair trade products

Over 834 Fair Trade products are now available in the UK⁴ but the bulk of sales are made up of three key products: coffee, bananas and chocolate. The fastest growing area for Fair Trade is in the “out-of-home” sector where sales of hot beverages are increasing by over 70 per cent per annum.⁵

Coffee

Coffee is the biggest seller when it comes to UK Fair Trade sales with the estimated retail value growing from £13.7m in 1998 to £34.3m in 2003 and £49.3m in 2004.⁶ The conversion of vendors such as AMT Coffee to 100 per cent Fair Trade in its 46 coffee kiosks in the UK in November, 2004 and Marks and Spencer’s to 100 per cent Fair Trade coffee in its 196 in-store Café Revives in September 2004 has contributed to the growth.

The Co-operative Bank switched its vending machines to Fair Trade in 1997 while its sister organisation Co-operative Insurance Services, (CIS) switched in 2002. The two combined to form Co-operative Financial Services (CFS) and saw a 50per cent increase in hot beverage sales between 2001 and 2004.⁷

The following extract from The Fair Trade Foundation report on coffee “Spilling the Beans” summarises the UK market in coffee as at 2002.

Coffee break: the UK market⁸

31 billion cups of coffee are drunk in the UK every year.

In 2000 the UK imported 3.1 million bags of coffee worth US\$423.3m. Comparable figures for 1995 show the dramatic fall in coffee prices: 2.8 million bags were imported then worth \$671.9m (1 bag = 60kg).

³ Office of National Statistics

⁴ Fair Trade Foundation press release Feb 28 2005

⁵ ibid

⁶ Fair Trade Foundation press release 28 February 2005

⁷ ibid

⁸ Extract from ‘Spilling the Beans’ 2002, The Fair Trade Foundation

Between 1993 and 2000 the volume of the UK coffee market declined by 1.6 per cent while the value of retail sales leapt from £652m to £798m, an increase of 22 per cent.

In 2000 coffee surpassed tea, taking more than 51 per cent of the hot beverages market by value.

Instant coffee accounted for 76 per cent of market volume and 87 per cent of the market value, with roast and ground accounting for the remainder.

Among the manufacturers, Nestlé and Kraft Jacobs dominate the instant coffee market, taking 50 per cent and 21 per cent respectively; supermarkets' own label brands come a close third.

The UK coffee shop market grew by 55 per cent between 1997 and 2000 and (was) not expected to reach saturation until 2003.

Sales of Fair Trade roast and ground coffee grew by 27 per cent in 2001 with an estimated retail value of £10.5m, and accounting for 10.5 per cent of the total volume of the roast and ground market.

Fair Trade coffee took a 3 per cent share of the total coffee market in 2001 (soluble and ground coffee).

Twenty-five companies market Fair Trade coffee; it is available in most supermarkets as well as in Costa Coffee and Starbucks outlets

It is interesting to note that while the coffee market in the UK has shrunk by 2 per cent in six years⁹ there is significant growth in sales of Fair Trade coffee.

Bananas

Bananas are the single biggest selling consumer item in the UK and make up 1 per cent of all supermarket turnover. The total volume of banana sales in the UK is estimated at 650,000 boxes per week of which some 560,000 boxes are sold through supermarkets and 90,000 are sold through the wholesale market into independents.¹⁰ 140m bananas are eaten in the UK each week. Bananas are the highest value grocery item for supermarkets and make a significant contribution to their profits. This leads to fierce competition to offer the cheapest banana.¹¹

⁹ Moore, et al op cit

¹⁰ Duncan White, Agrofair UK

¹¹ The Fair Trade Foundation

Bananas are the second-biggest Fair Trade item with £30.6m sales in 2004.¹² The Fair Trade market share has grown to 4.4 per cent of total banana sales.

Bananas	Total Sales
Tesco	170,000
Sainsbury's	91,000
Asda	89,000
Safeway	62,000
Co-op	32,000
Somerfield	27,000
Morrisons	25,000
Marks & Spencer	17,000
Waitrose	17,000
Aldi	13,000
Lidl	7,000
Netto	4,000
Budgens	5,000
Iceland	2,000
Total	561,000

Chocolate

Supermarkets have become key players in the sale of chocolate confectionery with 43 per cent now being sold via multiples like the Co-operative Group, Tesco etc. Interestingly, the chocolate market is said to be in decline but is still valued at £3.56 billion.¹⁴ Chocolate is the third biggest selling Fair Trade product reaching £13.6m sales in 2004.¹⁵ Co-operatives have made a special contribution to the growth of Fair Trade chocolate sales through the conversion of all its own brand chocolate to Fair Trade in a partnership with the Day Chocolate Company.

¹² The Fair Trade Foundation press release Feb 28 2005

¹⁴ Mintel Chocolate report of 2003

¹⁵ The Fair Trade Foundation Press Release Feb 28, 2004

1.3 Consumer attitudes to Fair Trade and ethical trade

The UK also has rapidly growing levels of awareness of Fair Trade among the adult population.

A MORI poll conducted in May 2005 reported that one in two adults in the UK now recognise the Fair Trade Mark.

In May 2004, the Co-operative Group published a consumer survey "Shopping with Attitude" which showed that eight out of ten consumers were prepared to pay a little extra for their ethics and six in ten were prepared to boycott products that did not meet their ethical expectations.¹⁶ The fact that Fair Trade sales in the UK rose to £145m in 2004 can also be seen as indicative of consumer attitudes.

A poll commissioned by the Guardian newspaper and Toyota in January 2005 reported that two thirds of consumers claim to be green or ethical and that the 18-34 generation is more likely to spend money ethically. More than half of the sample of 1,001 people had bought a fairly traded product in the last month compared with 35 per cent of over 65s.¹⁷

2. Overview of Fair Trade in the UK

The following table summarises the top trading Fair Trade organisations in the UK.

Organisation	Type of Product	Sales	No of employees / volunteers	Outlets
Cafedirect ¹⁸	Hot beverages	£17.3m ¹⁹	24 employees	Multiples out of home
Traidcraft	Crafts, clothing, food and wine	£13.8m ²⁰	4,500 volunteers	Volunteers Mail order Internet

¹⁶ "Shopping with Attitude" Published by the Co-operative Group May 2004

¹⁷ The Guardian, February 28, 2004

¹⁸ Cafedirect became a public limited company in 2004 and now has 4,500 shareholders

¹⁹ Cafedirect plc Annual report and accounts 2003-04

²⁰ 2003/2004 www.traidcraft.com

Organisation	Type of Product	Sales	No of employees / volunteers	Outlets
Oxfam Trading	Second hand clothing and books, crafts, food	£66.2m ²¹	23,000 volunteers 1,300 staff of which 700 based in Oxford plus 1,500 locally recruited staff overseas for total Oxfam UK programmes	Oxfam shops (850)
Day Chocolate Company	Chocolate, drinking chocolate	£5.5m	11 full time staff 2 volunteers 45,000 "Dubble Agents" ²²	Multiples / Independent wholesalers
Twin Trading / Agrofair UK	Coffee, cocoa, nuts, fresh fruit	£5.7m ²³	27	All coffee and cocoa products marketed by Cafedirect, Multiples for fresh fruit
Equal ²⁴ Exchange		£1.4m	5	Co-op wholesalers / whole food shops
British Association of Fair Trade Shops (BAFTS)	Food, beverages, crafts, clothes,	£7m ²⁵	75 members with 85 shops	Shops

²¹ £57.0m of sales came from donated goods and £9.2m from purchased goods which is why Oxfam is ranked third in terms of sales

²² Dubble Agents are children of school age who have signed up as supporters and activists

²³ Year ending 31 March, 2005

²⁴ Equal Exchange can be classified as both a Fair Trade organisation and a Co-operative

²⁵ Jan Hetherington, BAFTS Membership Secretary

2.1 Fair Trade brands

Cafedirect has grown to be the UK's largest Fair Trade hot drinks company. Founded by the Fair Trade organisations Twin, Equal Exchange, Oxfam and Traidcraft, Cafedirect converted to a public company in 2004. Known as the Guardian Share Company, the founding members retain 40 per cent of the shares, while 5 per cent have been allocated to producer organisations and 55 per cent to new investors, (individuals, institutions and Cafedirect employees). Turnover increased by 27 per cent in 2004 to £17.3 million²⁶. Cafedirect is now the sixth most recognised coffee brand in the UK. Twin Trading purchases all Cafedirect's coffee and purchased 2,626 tonnes of coffee from 34 producer organisations in 11 countries.

The Day Chocolate Company

Established by Twin Trading in 1998 with Comic Relief, The Body Shop and Christian Aid, The Day Chocolate Company has 33 per cent ownership with the growers of Fair Trade cocoa in Ghana, Kuapa Kokoo. Kuapa Kokoo is a farmer owned business founded on co-operative values and principles with an estimated 45,000 farmers organised in 1,124 village-based societies. 2004 saw sales grow by 50 per cent pushing the company into profit for the first time. The Day Chocolate Company has plans to expand into the USA where the chocolate market is worth \$13 billion.²⁷

3. Volume of Fair Trade labelled trade and product type

The UK is the world's largest Fair Trade market topping £140m worth of sales in 2004 a 51 per cent rise since 2003.²⁸ The number of Fair Trade certified products rose from 150 in 2003 to 834 in February 2005. 146 different companies sold products carrying the Fair Trade mark in 2004. Fair Trade goods carrying the Fair Trade mark had an estimated retail value of £92m in 2003 up from £63m in the previous year.²⁹

Overview: Fair Trade growth in the UK market³⁰

²⁶ Cafedirect plc Annual Report and Accounts 2003-2004

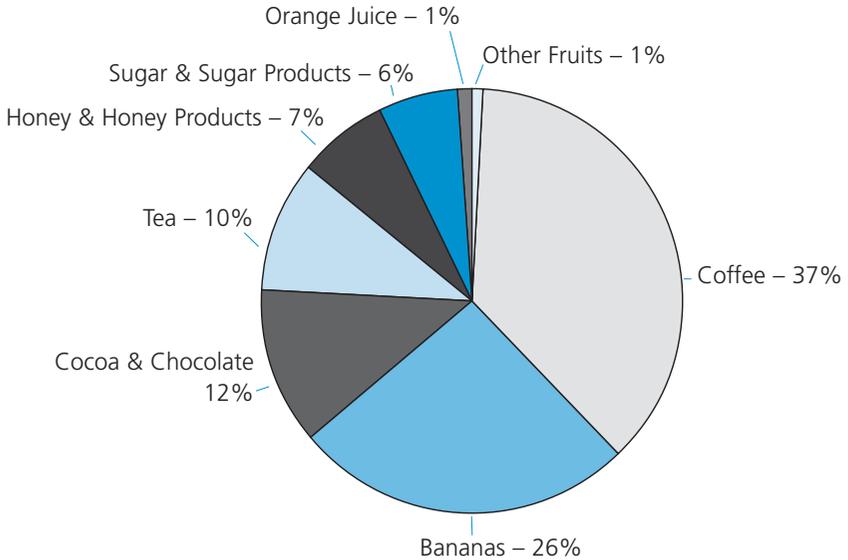
²⁷ The Day Chocolate Company Annual Report 2003-04

²⁸ Fair Trade Foundation Press Release February 28, 2005

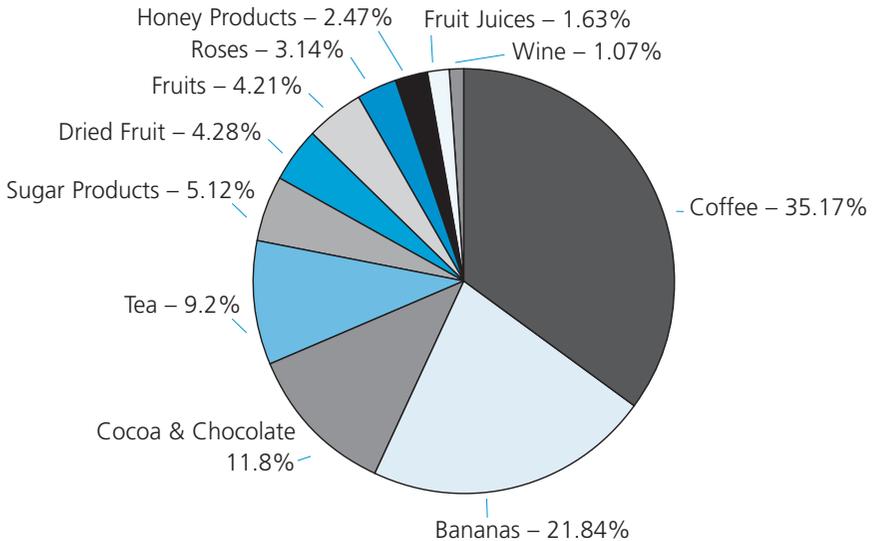
²⁹ Fair Trade Foundation

³⁰ Fair Trade Foundation

Fairtrade Sales by Value 2003

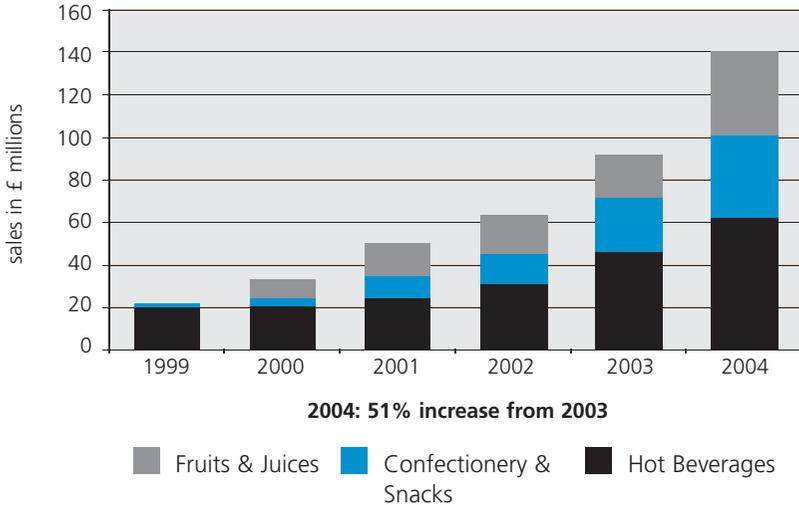


2004: Product Sales by % of value



Source: The Fair Trade Foundation

Current Status: Sales of Fairtrade Products



Source: The Fair Trade Foundation

The following table shows the evolution of Fair Trade sales by category year on year in terms of pounds sterling³¹

Estimated Retail Value in £sterling

Category	2004	2003	2002	2001	2000
Coffee	49,251,764	34,330,541	23,061,588	18,563,680	15,519,591
Tea	12,887,564	9,550,772	7,233,832	5,862,285	5,084,789
Bananas	30,583,293	24,346,100	17,327,044	14,586,190	7,949,922
Other fruits	5,890,530	1,050,013	83,553	0	0
Chocolate	13,631,221	9,171,870	6,218,402	5,413,895	3,214,586
Cocoa products	2,898,191	1,769,966	812,645	619,468	427,390
Sugar products	7,169,500	5,128,640	2,695,342	1,835,477	633,398
Honey products	3,455,823	6,082,259	4,981,755	3,204,189	862,892
Dried fruit products	5,989,632	0	0	0	0
Orange juice	2,277,723	1,054,645	769,945	365,720	0

³¹ The Fair Trade Foundation

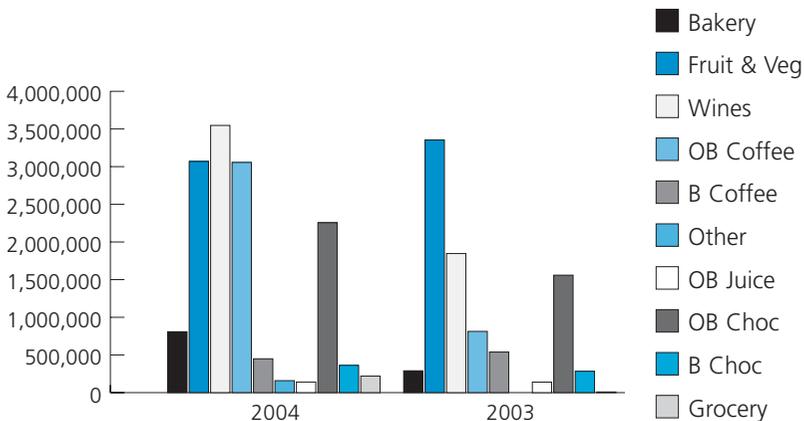
4. Overview of co-operative trade in the UK

4.1 Type of business and products

The Co-operative Group is the largest co-operative retail society in the UK. With 3,223 food retail stores, 29 department stores and 47,920 employees and a turnover of £8.5 billion.³² The retail stores are predominantly convenience “top up” stores. This is important when comparing co-operatives to other supermarkets in the UK as the shopping environment is very different to that of the other large multiples. The Co-operative Group reported a turnover of £806m for its food group at year end January 2005. The Co-operative Group claims to sell Fair Trade products in more stores than any other retailer. There are another 36 smaller retail societies with a combined turnover of approximately £5 billion. All of these societies sell Fair Trade products but not all give same level of priority to them. There is a centralised food buying team for all co-operatives which is managed in house by the Co-operative Group and the consumer co-operatives order their products from the centre depending on preference and sales.

4.2 Volume of Fair Trade labelled trade and product type

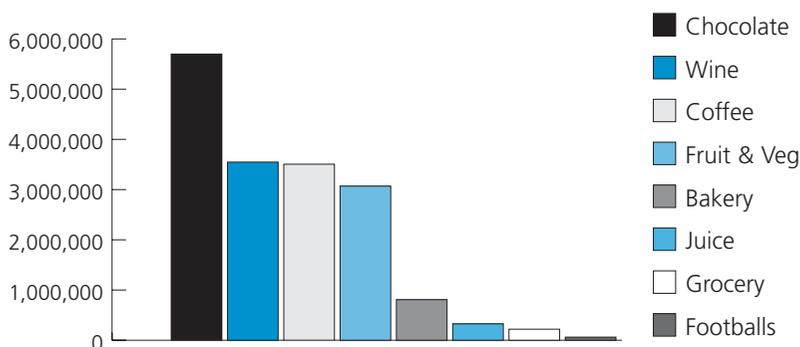
The Co-op sold a total of £14,833,888 Fair Trade marked products in 2004. Total Fair Trade sales showed a 42 per cent increase in 2004. The highest selling category of Fair Trade labelled products is chocolate which grew by 140 per cent in 2004, followed by wine, 107 per cent, and then co-operative own brand coffee which grew 276 per cent.



³² The Co-operative Group website: www.co-op.co.uk

When the Co-operative Group switched all its own brand chocolate to Fair Trade in 2002, it saw a 50 per cent lift in sales. By the end of 2004 this had increased by 36 per cent. Fair Trade dark chocolate now outsells the major brand of Bourneville by four to one. When the Co-operative Group switched its entire own brand coffee to Fair Trade it saw an increase of 20 per cent where equivalent branded sales were down by 14 per cent.³³

Fair Trade sales through UK Co-operative Retail by product category



4.3 Fair Trade in the Co-operative Sector

The Co-operative Group in the UK is the biggest player in the relationship between the co-operative and Fair Trade sectors in the UK. Opinion amongst Fair Traders and the Co-operative Group itself is that the co-operative movement in the UK has been a trail blazer in the promotion and success of Fair Trade in the UK. As cited by Moore³⁴

“we [the Co-op] have pioneered the development of Fair Trade in the supermarket sector ... [and] we have led the retail industry in promoting Fair Trade in stores through generic Fair Trade offers and in store displays”.

Moore carried out an empirical study involving interviews with and case study material from key Fair Trade organisations and six supermarkets, (the co-operatives, Sainsbury’s, Tesco, Asda, Safeway and Morrisons). Single stores belonging to each supermarket were visited twice each. Once in ‘Fair Trade Fortnight’ (1-14 March 2004) and follow up visits two months later.

³³ The Fairtrade Foundation

³⁴ Moore, et al op cit

He investigated the promotion and location of Fair Trade products, staff awareness of Fair Trade products and the categories and brands available. On all counts, the co-operatives came out as the leader.³⁵

The Co-op reached £24m in sales in 2004 compared with estimated growth of £21m. Although the Co-op owns just 5 per cent of total supermarket sales, it claims around 33 per cent of total Fair Trade own-brand supermarket sales.³⁶

There are a number of **key drivers** which can be seen to have contributed to the Co-op's high profile backing and, its highly successful relationship with Fair Trade. The following section will explore these drivers many of which, such as values and membership, are embedded in the unique nature of co-operatives and their values and principles

Values: in the UK there has been an emphasis in recent years on putting its co-operative values and principles into its business and operational practices. This has included developing a broadly based ethical sourcing policy. With regard to Fair Trade, there is perceived to be a natural alliance between the co-operative movement, with its 160 year heritage of values based principles, and the Fair Trade sector which was originally founded on principles of solidarity. The values based nature of the co-operative movement means that it makes a credible partner for the Fair Trade organisations it works with and for the consumers who shop there. This is a unique selling point for the co-operatives compared to other supermarket retailers. This credibility gives the co-operatives a strong moral high-ground and provides it with a "licence to operate" as a mouth piece for the Fair Trade messages it has prominently promoted in its marketing activities. "The Co-op has put its money where its mouth is."³⁷ What is particularly interesting in relation to co-operative values is that up until the re-branding of the movement from 1994 onwards, the co-operative identity was virtually buried to the common consumer. The adoption of its broader ethical strategy under its "Right to Know" policy and the development of a high profile commitment to Fair Trade, have contributed to efforts to re-establish its co-operative identity as a values-based organisation.

³⁵ Moore, et al op cit

³⁶ Brad Hill, Marketing Development Manager, the Co-operative Group

³⁷ Sophi Tranchell, Managing Director The Day Chocolate Company

“There is an appreciation by consumers that the Co-op is different. The Co-op is a co-operative movement and Fair Trade is a movement. We share many of the same values. The difference between The Co-op and other supermarkets selling Fair Trade is that we actively engage whereas others are just selling”

*Nicola Leech, Member Communications Manager,
Midcounties Co-operative Society*

Membership and consumer demand: Their co-operative values and membership base give co-operatives a unique position within the UK retail sector. Many members have been very supportive of the adoption of a pro Fair Trade stance by their co-operative. The Co-operative College, for example, together with the Co-operative Group has produced a very popular pack “Make Your Town a Fair Trade Town – a guide for co-operators” which encourages co-operative members to become involved in Fair Trade activity at a local level. A major focus of much of co-operative membership work has been in promoting Fair Trade and the ideas behind it in public meetings, campaigns, tastings and other related events involving local communities. In addition, consumer co-operatives often provide financial support for local Fair Trade campaigns.

Going beyond sales - the co-operative values

“We have seen an increase in membership due to our campaigning days on Fair Trade. We want to go one step further beyond sales because our survey of members has shown us that is what they want. We have set up a Fair Trade fund to campaign locally. We have been involved in every single Fair Trade towns campaign. We had a liveried 4x4 during ‘Fair Trade Fortnight’ which went to 12 stores. We have school children in the stores and banana growers from the Windward Islands in store and talking to customers and staff. During ‘Fair Trade Fortnight’ we have special promotions and sales double every year”

*Nicola Leech, Member Communications Manager,
Midcounties Co-operative Society*

In 1994 the Co-operative Group commissioned its biggest-ever survey of consumer attitudes to ethics in the food industry. Conducted by Gallup, 30,000 consumers and members and 1,000 general public were surveyed which led to the launch of a “Responsible Retailing Initiative”. In 2004, there was a second major study of consumer attitudes which showed an increase in consumer scepticism with eight in ten consumers saying that they did not trust the food they buy. Fair Trade is one area of a wider ethical strategy which has six key planks.³⁸ It is framed under the heading of Globalisation and Poverty Reduction:

- The whole truth: telling the truth on a product label, so consumers can make an informed decision about whether or not to buy it.
- Food integrity: providing products which are formulated, manufactured and marketed in a way that consumers can trust.
- Animal welfare and animal testing: improving standards of care for animals and banning animal testing.
- Globalisation and poverty reduction: ensuring a fair deal for growers in developing countries.
- Environment and sustainability: seeking new ways of minimising the impact of industry on the environment.
- Local communities: working to support and sustain local communities.

In terms of the question which could be seen as more directly related to Fair Trade: “Should retailers help growers in developing countries?” 80 per cent responded positively – a 45 per cent increase on the 1994 survey. According to David Croft, formerly of the Co-operative Group, this was the biggest shift in opinion in the years since 1994. Over four in ten consumers in the survey (43 per cent) voted this in their top three priorities while 13 per cent said this was their number one issue. Eight in ten said retailers should stock more products which help people in developing countries improve their standard of living, whilst ensuring reasonable conditions for those involved in making these products, wherever they may be.³⁹

³⁸ “Shopping with Attitude” the Co-operative Group, May 2004

³⁹ *ibid*

The Story of the Bumble Bee

Banana producers from Ghana meet co-operative store managers⁴⁰

An illustration of how store managers and members create demand for Fair Trade is in the case of bananas from Ghana via Agrofair UK. During 'Fair Trade Fortnight' in 2004, representatives from the banana growers in Ghana addressed an audience of 400-500 co-operative store managers. The producer told the story of the farmer who went out into the field and got stung by a large bumble bee and went to their mother for consolation. The bumble bee was the analogy for the multi-nationals and the mother was the co-operative managers. This caused an emotional response in the audience and motivated the managers to demand more Fair Trade bananas.

While it has not been possible within the scope of this research project to explore the correlation between active, campaigning co-operative members and Fair Trade sales, it is reasonable to suggest that there is likely to be a direct link.

Partnership approach: Interviews with UK Fair Trade organisations have revealed an awareness and appreciation of the difference in approach between consumer co-operatives and other supermarket retailers.

"The Co-op has developed meaningful relationships to develop supply chains ... It's extraordinary to be acknowledged on pack as an own brand supplier. The Co-op is completely different in this respect. They are interested in telling the (Fair Trade) story. Normally when you buy an own brand product you don't have a clue where it's coming from".
(Sophi Tranchell, Managing Director, Day Chocolate Company – supplier of co-operative own brand Fair Trade chocolate)

The co-operatives are acknowledged for their awareness raising activities over and above the selling and promoting of Fair Trade goods.

"The Co-op is not only selling and promoting Fair Trade products but is campaigning with other organisations. It produced the coffee and chocolate reports and has worked with its membership in outreach

⁴⁰ Duncan White, Agrofair UK/Twin Trading

activities to promote the creation of Fair Trade towns. This feeds into the membership which is key in maintaining both Fair Trade principles and co-operative values and principles"

(Jacqui MacDonald, Chair of Day Chocolate Company and member of Responsible Retailing Advisory Panel, the Co-operative Group)

The special relationship between the Day Chocolate Company and the Co-operative Group has been strengthened by the co-operative dimension of its relationship with Kuapa Kokoo in Ghana – a story that also captures the imagination of its consumers and members.

Demonstration/leverage effect: Key informants coincided in their view that consumer co-operatives have played an important trend setting role in bringing other key supermarket chains on board with the Fair Trade proposition.

"The fact that the Co-operative Group won major retail industry awards in 2001 and 2002⁴¹ got the attention of other retailers ... it proved that there was a market for Fair Trade."

(Jacqui MacDonald, Chair of Day Chocolate Company and member of Responsible Retailing Advisory Panel, the Co-operative Group)

The relationship between the Co-op and Divine Chocolate

"Backed by marketing and advertising on TV, the Co-op has changed whole categories to Fair Trade, eg coffee and chocolate ... The first 45g chocolate bar in the relationship with Divine was co-branded between the Co-op and Divine. It performed incredibly well and gave the Co-op the confidence to do it. The Co-op contribution was to make it affordable to their customers. While own brand chocolate sales are flat across the country, the Co-op had 45 per cent growth year on year in the first 12 months. They ended up turning over more volume than on (their previous) own brand, non-Fair Trade"

Sophi Tranchell, Managing Director, the Day Chocolate Company

⁴¹ The Co-operative Group's commitment to Fair Trade was recognised within the industry through receiving Multiple Retailer of the Year at the Retail Industry Awards in 2002 and the Retail Industry Award for Marketing Campaign of the year 2001 for their Fair Trade campaign

The combination of effective product development and high profile marketing have had the double impact of demonstrating that the Fair Trade proposition works from a product offer and commercial point of view while at the same time heightening consumer awareness of Fair Trade. This, in turn, has distinguished the Co-operative Group by placing it in a leadership position in the retail sector to the point where other major supermarkets like Tesco are also claiming to be “the leading supermarket in Fair Trade”, (which could well be realised based on sales by volume alone), while adding to the drive in consumer demand. However, the point of difference between the consumer co-operatives and the rest of the mainstream appears to remain distinct in the perception of the Fair Traders at least. Another type of consumer study would be required to test how the co-operatives compare to other retailers.

“The Co-op has invested in consumer support and education - a significant investment and we can only applaud that - no-one else has done that and created such a leverage effect”.

(Andy Good, managing director, Equal Exchange)

Commercial reality: While the Co-operative Group claims to have been driven by its ethical strategy in general to giving itself “a fresh impetus to take action on behalf of the consumer and ... undertake the most radical overhaul ever undertaken of the 4,500 products in the Co-op brand range ...”⁴², the commercial imperative has also been a key driver in the co-operative support for Fair Trade. The fact that co-operative Fair Trade sales have exceeded budget forecasts in 2004, with the highest own brand Fair Trade sales of coffee and chocolate in the UK market, is cited as evidence that they “seized the moment” in the burgeoning ethical and Fair Trade environment throughout the 1990s. Consumer co-operatives were the first to “main-stream” Fair Trade which is admired by many commentators as “sticking its neck out”. Up until the mid-1990s, there was much talk of the “5 per cent niche” referring to that segment of the population who were supposedly ethically-conscious enough to make a deliberate choice to buy a Fair Trade or ethically-sourced product. Co-operative strategy was to make the Fair Trade price as competitive as non-Fair Trade while at the same time coming up with a product offer which deliberately targeted the main stream consumer.⁴³

⁴² ibid

⁴³ David Croft, formerly of the Co-operative Group

Business Practices: This has emerged as a double-edged sword. On the one hand, the Co-operative Group has made exceptional steps to assist Fair Trade suppliers in difficult circumstances, eg when Day Chocolate Company experienced cash-flow problems, the Co-operative Group changed their credit terms to help them out. Also, when the co-branded Divine 45g chocolate bar was brought out, a price structure was agreed which allowed Day Chocolate to make a margin which would not normally have been possible on an own branded product.

A further example concerns Agrofair UK, a Fair Trade banana supplier to UK co-operatives. When a storm wiped out 80 per cent of the banana crop in Ghana, co-operative buyers stayed with them despite the interruption to supply. These are examples of how co-operatives make exceptions to normal commercial business practices as a demonstration of their commitment to their Fair Trade suppliers. On the other hand, co-operatives are commercial enterprises and have to make a profit. This has implications for business practices.

Political Context: The 1990s saw an increase in campaigning around ethical and Fair Trade issues in the UK which has also heightened consumer awareness and contributed to the growth of Fair Trade. Campaigns like the Oxfam-led “Make Trade Fair” campaign with celebrity endorsement from figures such as Chris Martin from the band Coldplay, appealed to young audiences while the inclusion of topics on Fair Trade in the national curriculum in schools has given Fair Trade an added legitimacy. The fact that the Day Chocolate Company has enlisted the support of 45,000 “Dubble Agents” who register their demands to “stock the choc” in those retailers that do not, has demonstrated a broad spectrum of popular support for Fair Trade. At the same time, the emergence of initiatives like the Ethical Trade Initiative, (ETI), which looks to ensure minimum labour standards in its corporate members’ supply chains as a result of consumer demand, has also contributed to a higher level of scrutiny of supply chains. The Co-operative Group is also widely acknowledged to have played a key role in the development and success of the ETI. Interestingly, co-operatives have also been educating their consumers and members on the difference between ethical and Fair Trade as there is confusion around the multiplicity of labels and messages.

Challenges and Barriers

This combination of drivers has been key in the development of the relationship between the co-operative movement and the Fair Trade

movement. The following section explores some of the potential barriers to this relationship:

Commercial environment: The UK retail sector is highly competitive with the price wars between the big supermarkets. Smaller retailers such as the consumer co-operatives inevitably struggle to compete with the large retail chains such as Wal-Mart and Tesco on price. While this does not appear to be a problem for co-operative own brand categories such as coffee and chocolate, other categories such as fresh fruit and bananas in particular are more complex. It appears that one of the key variables here is the degree to which Fair Trader organisations have control over their own supply chains. If the price of the raw materials such as bananas is adversely affected by factors such as processing or logistics, then the Fair Traders cannot supply products at a competitive price.

Tension between commercial practices and ethical and Fair Trade considerations is not, of course, unique to the co-operative sector and poses a challenge for other retailers who are also trying to implement ethical trade policies in their supply chains. However, consumer co-operatives have invested in a high profile ethical strategy of which commitment to Fair Trade plays a key role. To be consistent with this strategy and to remove potential barriers to further successful co-operation it would be advisable to examine internal business practices to ensure that these are in line with the desired course of action.

Co-operative shopping environment: The nature of the store format in the majority of stores is the local convenience or “top up” shop. Often small in size, the stores have limited shelf and storage space. This affects consumers’ perception of expectations and defines the consumer profile. Many commented that they see a disconnection between the typical consumer in the typical convenience store and the typical, ethically aware, Fair Trade consumer.

Responses to business performance: Closely related to the question of business practices within the competitive environment is the question of business performance. So long as the overall business performs well and Fair Trade within it, then there should be no reason for senior business managers and strategists within co-operatives to challenge the commitment to Fair Trade. Fair Trade has been incorporated as a key strand of the corporate strategy with buy-in at senior Board level. The Board of the UK Co-operative Group is elected from its membership which, in theory, would provide guardianship of the values. Examples from values led businesses

suggest that positive business performance is key to buying the space to enable innovation. The challenge is now to maintain commitment in the context of a highly competitive retail environment in the UK.

Limited supply of Fair Trade products: In order to grow the Fair Trade market, there is a need for quantity and quality of product lines but there is a limit to the number of single commodity items which can be converted to Fair Trade. The process of developing supply chains in new product areas, developing Fair Trade criteria which guarantee the integrity of the chain, ensuring the promise of a fair deal for producers and ensuring a quality product on the shelf is an arduous one. At the same time the Fair Trade criteria stipulate that composite products require a minimum of 25 per cent content of a certified Fair Trade product in order to qualify for the Fair Trade label. This poses its own set of challenges. As David Croft, formerly of the Co-operative Group commented:

"If you develop a strawberry jam where Fair Trade sugar is the main ingredient and you put the Fair Trade label on it, people are going to ask you 'But where did the strawberries come from?'"

Limited supply chain development capacity: A major question is who is going to invest in the development of new Fair Trade supply chains? There are a very limited number of organisations working with small producers to improve their capacity and develop the supply chains to the point where they are of sufficient strength and reliability to come on-stream as suppliers into the major supermarkets in general and the co-operatives in particular. Twin Trading and Traidcraft are the two most significant organisations within the Fair Traders who work specifically on supply chain development by way of producer support. Oxfam no longer engages in direct trading with small producers since it closed its Fair Trade programme in 2003. As more and more retailers become interested in selling Fair Trade goods, so the number of registered Fair Trade licensees grows. Some Fair Traders accuse the big supermarkets of "free riding", ie they pay a licence fee for the privilege of selling Fair Trade goods but do nothing to invest in Fair Trade or the development of the producers who supply the goods apart from paying their licence fee. The capacity issue resulted a bottle neck in registering new Fair Trade suppliers for a long time before FLO decided that it would be beneficial to the cause to bring plantations into the equation with a view to growing the market. The rapid growth of newly registered Fair Trade suppliers in South Africa is an example of where the process has been market-led. The draw-backs are examined in the next section.

The watering down of Fair Trade criteria: The expansion of Fair Trade registration into plantation production involving the use of hired labour, the broadening of Fair Trade into areas such as footballs and flowers, are seen by many to pose an inherent risk to the achievements of the Fair Trade success story. It can be argued that the registration of new Fair Trade suppliers has become more of a market driven process to fulfil the big supermarkets' demand for more products, rather than producer led as in the early days of Fair Trade. This has generated significant debate within the Fair Trade movement and amongst the producer organisations.

The 2004 FLO General Assembly provides an example of this when smaller producers demanded that FLO remember its *raison d'être* as being to support the small primary producer. At the same time, the departure into areas such as cut flowers, produced in large, foreign owned farms has attracted negative press and criticism from several NGOs.

Many view this expansion into new types of producers as threatening to change the nature of Fair Trade and as posing significant challenges to the maintenance of the Fair Trade standards. Many are concerned that the success of Fair Trade subjects it to increasing public scrutiny and make it more attractive to the multi national corporations seeking to associate themselves with Fair Trade. This is currently an emerging debate within the broader Fair Trade movement as to how to drive volume sales and products whilst maintaining standards.

Proliferation of marks: With the increase in marks and standards there is growing potential for consumers to become confused. There is a lack of understanding already regarding the difference between ethical and Fair Trade. The Co-operative Group has, for example, published a leaflet for distribution in store to address this issue but it remains a frequently asked question.

Other Players in the Co-operative Sector

While consumer co-operatives are by far the biggest players in the co-operative sector in relation to Fair Trade it is not the only one. Equal Exchange is a workers' co-operative supplying principally into wholesale distributors to independent wholefood stores. Equal Exchange buys its green coffee from other Fair Trade importers like Twin, Gepa, and El Puente and has it roasted in the UK. Coffee is Equal Exchange's biggest seller making up some 60 per cent of its £1.4m turnover. They have recently

begun importing Brazil nuts directly from Peru. Perhaps what is most interesting about Equal Exchange is that it is both a Fair Trader and a co-operative and that 62 per cent of its turnover comes from five distributors who are themselves workers' co-operatives. These are: Green City, Glasgow, Infinity Foods, Brighton, Suma Whole Foods, Essential Whole Foods and Highland Whole Foods. Equal Exchange was established in 1986 and was one of the pioneers of the Fair Trade movement in the UK. Co-founders of Cafedirect, Equal Exchange can be seen as a small organisation with a large presence. It is also interesting to note that the four largest distributors who are workers' co-operatives historically contributed to the growth of Fair Trade through their willingness to take a lower margin in the days when Fair Trade was more of a solidarity movement prior to the establishment of the Fair Trade mark. Some of these organisations are now launching "fairly traded" products such as aduki beans from Brazil which are not FLO registered. Equal Exchange has argued⁴⁴ that only "values based" organisations should have the licence to use the term "fairly traded" and that since the bulk of the products sourced by the distributors are sourced from the commodities markets then they are "robbing Peter to pay Paul". A barrier to greater collaboration between these co-operatives and Fair Trade was identified as the desire of the distributors to develop their own brand of Fair Trade which could contribute to further confusing consumers regarding what is Fair Trade, organic, ethically traded, etc. Contrary to the days when these worker co-operatives were seen to be investing in Fair Trade by taking lower margins, they are now demanding bigger discounts and paying higher dividends to their members. This could be seen by some external observers as a less positive example of collaboration between co-operatives and Fair Trade.

Prospects and Challenges

The close and mutually beneficial relationship between consumer co-operatives and the Fair Trade movement in the UK has played a key role in developing the largest markets for Fair Trade products in Europe. This has been based on a set of shared values and on shared commercial advantage. However it is also clear that this relationship will continue to change rapidly in response to a rapidly changing environment both in the UK and internationally.

⁴⁴ Andy Good, Equal Exchange

We have seen how the highly competitive retail sector in the UK results in price wars between retailers and a developing range of 'ethical' labels which tend to confuse the consumer. The dominance of convenience store within the consumer co-operative sector may limit capacity to continue to provide a widening range of products. Commercial pressures may also limit the capacity for co-operatives to develop more 100% Fair Trade own brand labels.

At the same time the limits of supply of Fair Trade goods restricts growth of the market and this is related to the limits of Fair Trade organisations to develop supply chains and producer capacity. Success has produced new challenges and potential contradictions as the growing demand for Fair Trade products is perceived to have led to a 'watering down' of Fair Trade Criteria on the one hand, and a 'broadening of the Fair Trade church on the other'. The development of a Fair Trade labelled product by Nestle illustrates this dilemma. Many welcome this move in widening the reach of Fair Trade and as an acknowledgement of its success. Others see it as an example of an opportunistic incursion in newly won territory which posed real threats to the retention of core values and core supporter constituencies. For the Fair Trade movement the key challenge remains how to achieve growth without compromising integrity and a value base.

This is a dilemma faced by the co-operative movement in the UK and internationally for more than 150 years. To sustain the successful collaboration between consumer co-operatives and the Fair Trade movement also remains a key challenge as the Fair Trade movement changes and develops. Shared values need to be underpinned by the development of new ways of exploring mutual commercial advantage and expanding markets for Fair Trade. There is potential to do this by co-operative supply for the development of more Fair Trade producer co-operatives to supply more products. The potential for more co-operative to co-operative engagement could also be developed at the European level. Prospects for future co-operative and Fair Trade collaboration remain strong but will need continuing commitments on from both movements.

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Country Case Study: Sweden

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1. Sweden: basic statistics

Population size, coffee, tea and banana consumption

The Swedish population is slightly more than 9 million. Sweden is a small country but with a relatively high consumption of coffee and tea. The **total** sale of conventional coffee in Sweden is about 80,000 tons a year. In 2004, the Swedish **retail market** for coffee was above €260 million which was a fall of 1.2% compared with the previous year. But the actual volume increased by 1.6% to 52.837 tons during 2004. "Out of home" consumption (cafés, coffee shops, companies and organisations) has increased most during recent years. About 375 tons of Fair Trade coffee is sold in Sweden every year. In Europe the sale is about 16,000 tons of Fair Trade coffee. Sweden is proportionally consuming less Fair Trade coffee than other FLO-member countries in Europe.

The Swedish retail market for tea in 2004 increased by 1.3% with a total of € 40.085 million. But the actual volume decreased by 0.7% to 1.862 tons. Banana consumption in Sweden is approximately 170,000 tons a year. The market share of Fair Trade bananas is about 1.8%.

Consumer awareness of Fair Trade

A survey carried out in February 2005, made by the ECI company for the Rättvisemärkt association in Sweden, about awareness of the Swedish Fair Trade mark Rättvisemärkt, shows that the awareness of Rättvisemärkt is 47%. This is a number which is surprisingly high but the survey questions were put in a leading way, containing an explanation of what Rättvisemärkt stands for. The survey does not show how many of those who have heard about Rättvisemärkt also know what it stands for. According to the survey the awareness is higher among women than men. There is also a higher awareness in the groups 16-35 and 56-75 years. The awareness of Fair Trade has increased during the last year due to more active and target oriented information about Fair Trade. The media coverage in Sweden totalled 480 press clippings during 2004.

Even if the awareness about Fair Trade has increased, the willingness to buy Fair Trade products is unchanged during the last year. Among those who have heard about Rättvisemärkt, 38% have bought any Fair Trade product, which is similar to the previous year. The survey shows that the

consumption of Fair Trade products has decreased a few percent since the year before in respect of two important groups, women and people between 56 and 75. In the age groups 16-35 and 36-55, a few more percent than the year before say that they have bought a Fair Trade product. Four in ten in the 36-55 age group bought a Fair Trade product during 2004.

The willingness to pay more for a Fair Trade product has increased by 4% to 68% since the previous year, and by 8% over two years. That number does not match the actual sale of Fair Trade products in Sweden considering what people actually do when purchasing.

The Swedish Fair Trade consumer is mainly composed of two kinds of groups. The first is 50 year old, well educated women with a relatively good income and a high awareness of social and ethical questions. The second is young people, especially students. They share the values and are willing to pay a higher price, but they do not have the ability to pay at the moment.

A summary of above says that the awareness of Fair Trade in Sweden is increasing due to more information and a stronger influence on public opinion by the association of Rättvisemärkt. Around 40% have bought a Fair Trade product and the willingness to pay more for a Fair Trade product is increasing.

Consumer attitudes to Fair Trade and ethical purchasing

A survey made by the Swedish National Board for Consumer Policies, 2001, shows that Nordic consumers are engaged in moral and ethical issues, even if this aspect does not have the highest priority in the purchase situation. Ethical consumption also has a tendency to be confusing, strenuous and troublesome.

A report about ethical marking of provisions that the Swedish National Board for Consumer Policies made in 2003, shows that the consumers have a stronger relation to the health of the animals, environmental protection and ecology, rather than to human rights and that they know how their purchasing decisions do have an effect on how provisions are produced. Several surveys show that there is a gap between consumers' attitudes and what they do. Consumer's actions are decided by price, availability and impact on health and also taste, all of which are more important motives than ethical considerations.

According to a survey made by the FörebildsFöretaget company, "The Model Company", in 2002, 53% of the Swedish population saw "conscious consumption" as a way to influence the development of the society. 87% think it is good that companies are engaged in projects of advantage to society. 57% think it is important to be more aware when choosing products and 34% are of the opinion that the best way to have influence is through a boycott. 76% think that companies should inform consumers about their ethical work and 69% think that it is good that companies play a more active role in society in their marketing.

The awareness that companies have to consider human rights and to protect the environment is spreading fast within Swedish industry. It is good business to do that, since Swedish people are very well informed and have a positive attitude towards ethical trade. 80% of the Swedish population thinks that it is good that the companies are engaged in ethical questions. The focus has moved from product marketing to marketing of the companies' social engagement. According to the Swedish company "FörebildsFöretaget" it is also a global trend that the consumers appreciate the general attitude of the companies to ethical trade more than their individual products. This means it is very important which ethical positions the companies have in different questions and what image they present in their marketing.

Today Swedish law requires more from companies that use environmental arguments in their marketing than those who conceal how their products have been produced. When companies try to act responsibly and use this in their marketing, their statements are examined more closely. The law does not allow misleading marketing. Many consumers want to weigh environmental and social considerations before they decide what to buy, but this information is not easy to get. Companies do not have any obligation to inform consumers about this. Therefore the Swedish Consumer Ministry thinks it is time to consider legislation to force companies to inform people about negative influences on the environment, inhuman working conditions etc.

2. Overview of Fair Trade in Sweden

Who are the Fair Trade organisations?

The association Rättvisemärkt

Rättvisemärkt was founded in 1996 and is the Swedish Fair Trade mark. Rättvisemärkt has five employees and consists of two different sections with

two different tasks. One part is the company which is responsible for product marks. They are managing the sales of Rättvisemärkt products in Sweden and are the owner of the brand Rättvisemärkt and are a member of FLO. The activity is financed by licence fees and support from the two owners, the Swedish church and LO (trade union movement). The other part is the association, which is working with information and influencing public opinion. The focus is on public relations and information campaigns. The association has 21 member organisations and 150 active volunteers. The activity is financed by the members and a government grant which will run until 2006. Rättvisemärkt had a successful year in 2004. Fair trade sales increased 40%, (Bananas +47%, coffee +28%). The awareness of Rättvisemärkt reached 47% in February 2005.

Rättvisemärkt has ambitious targets. They aim to increase sales of Rättvisemärkt / Fair Trade products by 25% per year, and increase the brand awareness from 39% (2003) to 50% by the end of 2005. They will also expand the product range with 1-2 new product groups per year.

The World Shops

The Swedish World Shops Association has 34 full members today – almost all the world shops in Sweden. Most of the work in the shops is done by an estimated 500 volunteers. There are only a few employees. Although there have been world shops in Sweden for over 30 years, they did not begin to meet together on a regular basis until 1997. Some shops have closed down in recent years, new shops have opened and some established shops have moved to better locations. Most world shops have increased their turnover.

Import organisations

Sackeus

Sweden has three major Fair Trade importing organisations, of which Sackeus is by far the largest. They offer the widest range of Fair Trade coffee and provisions. Sackeus started in 1976 and the owners are Bergman and Bergstrand Coffee, the Swedish church and the Mexican coffee-co-operative UCIRI. Today Sackeus has five employees and a turnover of approximately €1.1 million. The organisation deals mostly with the church coffee, Cafe Organico, which accounts for 80% of the turnover. It supplies the world shops, but its main customer base is a wide network of mostly church-related groups all over Sweden and Swedish retailers as Ica, Coop and Hemköp.

Fair Trade Import AB

Fair Trade Import is an initiative by the world shops of Sweden. To make it possible to improve the genuine network of shops, they have chosen to own an import organisation themselves. Therefore the customers are the Swedish world shops. They import and deal with handicrafts, musical instruments, toys, children-furniture, some clothes, baskets, ornaments, jewellery and tea. The enterprise has a turnover of approximately €320,000, started up as late as 2001 and has two employees.

North and South Fair Trade AB

North and South Fair Trade AB started its enterprise in 1989. The organisation employs 4 people and 10 volunteers, and has a turnover just above €213 million. They import and deal with food, wooden handicrafts and baskets, supplied to the world shops.

La Maison Afrique AB

La Maison Afrique AB is a member of IFAT and an accredited Fair Trade Organisation. The organisation which started up in 1995 has only one employee and the turnover is almost €27,000. They deal with the world shops and provide products like wooden and stone-products, handicrafts, paper, and baskets.

Wholesale dealers

There are also a few wholesale dealers who are selling Fair Trade products. For example, Kung Markatta, Dagsmeja and Guldrutan.

Networking organisations

Fair Trade Center

Fair Trade Center is an organisation with two employees and a board, who are working with information and influencing both public opinion and companies. Fair Trade Center wants to create debate and influence industry and trade to be more globally responsible for their own ecological and social effect on the environment and people. Fair Trade Center was the driving force in the formation of both the organisations *Clean Clothes* and *SwedWatch*. By the work with *Clean Clothes* and *SwedWatch*, Fair Trade Center has a close co-operation with for example the trade union, the industry union, the Red Cross, the Swedish church, the academy of ethics,

the Swedish Cooperative Center and the Swedish Nature Protection Organisation.

Clean Clothes

Clean Clothes is a network of organisations, not an organisation in itself. The Clean Clothes Campaign is an international network of solidarity, women, youth and union organisations. The network, with its head office in Amsterdam, includes 300 organisations all over the world. The Swedish part of the network is called Clean Clothes, and aims to improve the conditions of the people who are sewing our clothes and shoes. Clean Clothes are working to increase knowledge about how the textile industry works.

SwedWatch

The association SwedWatch was established 2003 and has four employees, but the organisation started 2002 as a network. The object of the association is to provide help to Swedish companies abroad, so that they take care of people and the environment in their enterprise in the developing countries. SwedWatch has five member organisations, the Swedish Nature Protection Organisation, Lutherhjälpen, UBV (Education for development activity), Fair Trade Center and the environmental union, Friends of the Earth.

How much trade is Fair Trade labelled, which products?

It is hard to find out figures and facts about this question because of the lack of follow-up systems in the retail chains in Sweden. Approximately 0.8% of the total sale on the Swedish market is Fair Trade labelled. The market share of Fair Trade coffee is 1-2%, tea 0.8% and bananas are about 1.8%.

Fair trade coffee, tea, cocoa, chocolate, hot chocolate, oranges and bananas can be bought in the retail chains: Vi, Hemköp, Ica, Netto and Co-op Nordic. Rice, honey, juice and footballs are easiest to find in the World Shops.

3. Overview of co-operative trade in Sweden

The key co-operative organisations, type of business and products. Size in trade and employees.

Unlike many other countries, there is no overall co-ordination of the co-operative movement in Sweden. Collaboration takes place at many levels, in promoting and developing the co-operative idea as well as in purely commercial relations between organisations.

The Swedish Co-operative Institute

The Swedish Co-operative Institute is an institute for influencing public opinion and public relations. The task is to defend, preserve, propagate and develop the co-operative sector. The owners are Folksam (insurance and finance), Fonus (funerals), HSB (housing), KF (the Swedish Co-operative Union and Wholesale Society), KFO (the Co-operative Employer's Association), OK (petroleum) and Riksbyggen (property). The owners are also the biggest and most important co-operative organisations in Sweden.

Consumer co-operatives	Producer co-operatives	Working co-operatives*
Insurances – Folksam	Farmers	Schools, Preschools
Funerals – Fonus	Dairy – Arla	Restaurants
Housings – HSB	Slaughterhouse – Scan	Handicraft
Gasoline – OK	Paper industry	

* Working co-operatives are companies which are owned by the collaborators and start to give the members work or to increase collaborators influence over the work. It is most common in schools and preschools.

FMCG-business – Co-op Nordic

Co-op Nordic aims to be a leading FMCG operator with a clearly defined co-operative identity. Co-op Nordic runs stores and hypermarkets in Denmark, Norway and Sweden. The market area has about 11 million customers and the number of members is 5.2 million. Co-op Nordic has approximately 1,080 outlets with about 27,000 employees. In 2004 the turnover was €9,169 million but the operating income before tax was €-23,880 thousands. Since 1 January 2002, the co-operative FMCG

business has been run by Co-op Nordic AB, which is owned by the Cooperative Alliance (KF), Sweden (42%), FDB, Denmark (38%) and Coop NKL, Norway (20%).

Co-op Nordic in Sweden

In Sweden Co-op Nordic comprises the retail concepts Co-op Extra, Co-op Forum and Co-op Konsum. Co-op Nordic in Sweden has about 9.5% of the total market. DDF (the retail driven associations which are buying from Co-op) has 9%. Co-op in Sweden with 2.9 million members, approximately 10,000 employees, 398 outlets and a turnover of €2,452 millions, had a poor year in 2004. Sales fell by 4 % and operating income decreased by €35.8 million, from €24 million to €-11.8 million. The poor results in the Swedish market can be explained by increasing competition from the cut price chains, the costs of closing unprofitable stores and the cost of reducing prices.

Insurance co-operative – Folksam

Folksam is a Swedish insurance company. Their products include personal insurance, savings and loans, house insurance, car insurance, cover for boats and pets as well as different types of group insurance for sport organisations, trade unions and other organisations. Folksam is also a mutual company meaning that its customers are also its owners. Folksam with about 3,700 employees in some 100 offices throughout Sweden had a premium income in 2004 of €2,473 millions.

Folksam contributes to long-term sustainable social development through research, information, debate and practical initiatives. It strives to help reduce accidents through a variety of preventive measures within areas such as health, environment and traffic. Its position as one of Sweden's biggest asset managers allows them to influence the companies they invest in. Folksam encourages them to take a greater responsibility for the environment, human rights not to invest in companies where any of the sales are generated from tobacco production or tobacco products.

Oil co-operative – OK

The OK Group, with a premium income in 2004 of €874 millions, is one of the largest motor fuel chains in Sweden. The business also includes a range of other products including of food, car tyres, laboratories, car washes and

car rental. OK is an economic association owned by approximately 1.3 million members. It strives to work in an environmentally friendly way. The OK economic association as well as the other OK-associations in Sweden, co-operates under the trademark OKQ8. OK economical association runs about 400 petrol stations.

Housing co-operative – HSB

HSB is the largest and the only housing co-operative in Sweden with about 540,000 members, 4,200 housing building society and over 35,000 representatives. A housing co-operative is a free-standing association of persons who voluntarily co-operate to look after their mutual social and cultural needs and interests as shareholders in the company. The employees in the head office of HSB drink Fair Trade coffee.

Riksbyggen

Riksbyggen can be described as a company owned by the building unions, local housing associations and by other national co-operative associations. The aim is to establish housing associations and contribute to the fulfilment of other aims related to housing and co-operation, as agreed by the owners. Riksbyggen has approximately 2,300 employees, 1,600 housing associations, 30 local associations – voluntary organisations, consisting of local union organisations and popular organisations.

Funeral co-operative – Fonus

Fonus is the largest funeral company in Sweden. It is a co-operative association with affiliates in Norway, Denmark and Finland. Fonus was created in 1970 to provide a better alternative to poor standards among existing funeral providers. The enterprise operates from 220 locations all over Sweden. Its members are associations who support Fonus' aims and activities. The owners are: LO, TCO (trade unions), HSB, Riksbyggen, retirement associations (PRO), consumer organisations, OK and Folksam. Of course the employees at Fonus drink Fair Trade coffee.

4. Current level of Fair Trade in the co-operative sector

The partners, type of products and level of sales. How much trade is Fair Trade labelled, which products?

Co-op Nordic in Sweden is the only co-operative organisation which sells Fair Trade products in Sweden. They co-operate with Rättvisemärkt and Sackeus. The products available in the Co-op Nordic assortment are coffee, tea, chocolate and drinking chocolate, which they sell under their own label, Änglamark.

Fair trade products in Co-op Nordic, 2004

Fair trade products	Consumer package	Sale, (€)
Sweden		
Hot chocolate, Änglamark	7,200	19,936
Bar of chocolate, Änglamark		47,974
Tea unpacked, Änglamark (Ceylon tea)	17,000	49,840
Teabags, Änglamark (Ceylon tea)	27,000	28,785
Coffee 0,5 kg, Änglamark (29,90 SEK)	73,000	225,693
Coffee, Löfbergs (29,90 SEK)	112,580	
Coffee, Cafe Organico (39.90 SEK)	85,288	
<i>(compared with normal coffee price 20,00-25,00 SEK)</i>		€ 570,096

Norway

Cafe Futuro	34,215	
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Denmark - Not possible to get any statistics of the Fair Trade sale, because there is no register of Fair Trade products.

* The figures above are given by Co-op Nordic.

How much is Fair Trade but not Fair Trade labelled, which products?

There are no unlabelled Fair Trade products in the Co-op range. The World shops in Sweden import unlabelled Fair Trade products.

Research Findings

5. Case history Co-op Nordic – Rättvisemärkt

Partnership – brief history

Co-op Nordic and the association Rättvisemärkt have been co-operating since 1996. A co-operation that according to both parties, has been working quite well over the years. But Co-op Nordic in Sweden has, during the last couple of years, been unsure about the future for Rättvisemärkt as an organisation. Since Co-op Nordic has been uncertain about the survival of Rättvisemärkt in the long term, they have not been willing to put money in the Fair Trade market to create a stronger co-operation with Rättvisemärkt. Nor did Co-op have full confidence in the old management in Rättvisemärkt until 2003. The current management, with both a new president and a new general secretary has strengthened confidence in Rättvisemärkt. Both Rättvisemärkt and Co-op Nordic want to see increasing co-operation in the future.

6. The partnership between the Fair Trade and co-operative sectors

The commercial partnership

Recent years have seen heavy price cutting in the Swedish market. This has a strong impact on Co-op Nordic in Sweden and its policy of selling Fair Trade products remain uncommitted. It says: "Co-op Nordic will sell Fair Trade products if the customer demands it." The problem is that the demand will continue to be weak while Co-op Nordic does not want to invest in the Fair Trade market. Because of the relatively high price level of Fair Trade products, they cannot afford to do any marketing of the products. On the other hand, the Fair Trade organisation, Rättvisemärkt, have neither the economic nor the structural possibilities to create an increasing demand on their own.

Christer Chressmann, manager of one of the largest and most successful co-operative superstores in Sweden, *Coop Extra* (in Huddinge, south of Stockholm), says that the work with Fair Trade products will come last on

the agenda. Then it is also important to know that Coop Extra in Huddinge is a very well-managed store. But, Christer and his employees have only limited knowledge about Fair Trade and the Fair Trade product range.

“There is weak demand for Fair Trade products. The price of the products is too high and we don’t market them at all. It is a bad combination”, says Christer Chressmann.

Christer refers to the market situation, with price wars, which makes it impossible to sell Fair Trade products. It is one of the main reasons to why this store and the whole of Co-op Nordic are not able to focus on Fair Trade products. “Coop is losing money. We can’t afford to marketing and sell Fair Trade products with such a low demand”, he says. Co-op Nordic in Sweden has their own label called Änglamark, which contains environmental friendly products. Co-op insists that the Fair Trade product also has to be environmentally friendly. Because of Co-op Nordics independence in the market, they do not market “external” labels or organisations like Rättvisemärkt. It means that a product which is only Fair Trade labelled, do not have a chance to get into the range.

“It doesn’t mean that we are against Fair Trade marking. We have a view which says that all production will be environmentally friendly, only then the product is fair”, says Åke Natt och Dag, Environment and Ethic Manager, Co-op Nordic.

To bring Fair Trade certified products into the range would be against the product profile which Co-op Nordic has built up over several years.

“It’s not difficult. Make demands of the fair certification, that the product shall be environmentally friendly. Then the product will be on our shelves”, says Åke Natt och Dag.

Exchanging experiences

To make Co-op Nordic and Rättvisemärkt come together, it is important to show under what circumstances both parties are willing to co-operate more closely.

Opinions and requirements: Co-op Nordic

1. Co-op Nordic has a policy for ethical trade but no strategy. It means that the owners require that Co-op Nordic shall work actively with Fair Trade products where and when the demand increases. This kind of policy sends indeterminate signals and makes the rest of the organisation unfocused when it comes to buying and selling Fair Trade products. Therefore no one, neither purchasers nor store managers, dares to go for Fair Trade products.

2. A Fair Trade product must defend its place in the product range. This is a rule which is very hard to realise in the short term. There are two ways to achieve this. The first is to reduce the prices of Fair Trade products in co-operation with Rättvisemärkt and the FLO-system. The other is to increase the range and marketing of Fair Trade products to generate increased sales volume. Currently, there is no preference either way with Co-op Nordic.

3. Co-op Nordic would take a more active part in product development. Co-op Nordic wants to take up the opportunity to work more closely with Rättvisemärkt and take an active part in product development.

4. Coop wants to buy where they find the best products at the best price and where they have the possibility of choosing Fair Trade products from a wider range. Coop pays fees to the international organisation, FLO. Therefore they want be able to buy Fair Trade products from separate FLO-suppliers in different countries (not necessarily through Rättvisemärkt in Sweden) to attain a wider Fair Trade range and better prices.

5. Product registers. Fair Trade products are not well served in the product registers at Co-op Nordic. It is difficult to get reliable sales information about Fair Trade products. If you do not know what products and what quantities you have, it is hard to sell them. Therefore it is necessary for Co-op Nordic to develop a strategy for selling Fair Trade products and, in line with this, create product codes and follow-up systems making it easy to work with Fair Trade products.

6. Better information. Co-op Nordic wants to get better information. With good information available well in advance they have a better opportunity to develop effective campaigns.

7. Board membership. Today the retail trade companies are not allowed to be members of the board of Rättvisemärkt. Coop wants to be a member to get opportunities to influence the range, prices and the methods of work.

8. Product lists. Co-op Nordic wants to have product lists of new Fair Trade products which are approved and ready to buy, and they want it in good time, making it possible to plan campaigns and product promotion activities.

9. Licence fees. The Fair Trade organisations must work to decrease the certification costs and the licence fees to get lower prices.

10. Less red tape. Coop wants to buy a certified product ready to sell. They do not want to handle the follow up involved in administration and licenses.

11. Simplicity. It must be easier to buy a Fair Trade product. Co-op Nordic does not want to do the following up work involved in, for example, presenting special lists to Rättvisemärkt of Fair Trade sales.

Summary. Co-op Nordic would like to increase Fair Trade sales, have a more active development of Fair Trade products, have simplicity in the routines and follow up systems, have a closer relationship and dialogue with Rättvisemärkt and, most of all, be on the board of Rättvisemärkt.

But: Coop is a company in a crisis. For the moment, they cannot afford to put Fair Trade products on the market. The retail market in Sweden is dominated by price wars.

Opinions and requirements: Rättvisemärkt

To create a bigger impact on the market the Fair Trade range has to expand to include more products. The initial costs for development of product standards are shared between the countries today, where several countries have governmental support for the development work. In the future it is necessary with governmental support to develop Rättvisemärkt as a label. There are already standards drawn up for additional product groups besides those already on the Swedish market today. But marketing new products brings additional costs.

1. Closer dialogue. The relationship and co-operation with Co-op Nordic is weak and can be improved. Rättvisemärkt wants a closer dialogue about Fair Trade.

2. Products. It would be good if the Fair Trade products in Co-op Nordic did not have to have the environment mark.

3. More information, education and knowledge. Rättvisemärkt, in co-operation with Co-op Nordic and other retail traders, has to increase knowledge of Fair Trade in Sweden, strengthening public awareness in the long term, as well as that of employees within Co-op Nordic in the short term. For example, there could be space for short Fair Trade messages in the weekly advertising schedules. It is not necessary to feature a Fair Trade product at a reduced price. It is good enough to have a message about Fair Trade. In house training in Co-op Nordic about Fair Trade and how to sell Fair Trade products is important to increase the knowledge about Fair Trade among staff and thereby sell more Fair Trade products.

4. Too expensive certification costs. The relatively high certification costs obstruct the development of Fair Trade in Sweden.

5. More members of Rättvisemärkt. The producers, import organisations, retail traders, non-profit associations, consumer organisations and consumers must be members of Rättvisemärkt. This would create a better dialogue and strengthen co-operation in the Fair Trade movement in Sweden.

6. Improve communication. This means trying to make more information campaigns working with the retail chains. In recent years, Rättvisemärkt has been better at planning campaigns and presenting plans at the right time. Co-op Nordic says that “good initiatives in due time are always welcome”. The information given to the public is good but in the short run there is more business value in marketing and it is important to increase sales to show the retail chains that it can be profitable to sell Fair Trade products.

Prospects and challenges

We have seen how Rättvisemarkt is only independent organisation which has a social label with a focus on human rights. Through its constituent bodies, Rättvisemarkt is deeply rooted in Swedish Society. However the label remains relatively weak and little known with few products compared to environmentally labelled products. As elsewhere, there is a range of other ‘ethical’ labels which can confuse consumers and it may be that the Swedish government brings out its own ‘ethical’ labelling scheme. There may also be moves towards the labelling of companies rather than products.

The limited number of Fair Trade products in Sweden still command premium prices and Rattveisen as an organisation needs to expand substantially as it only currently has five staff members. It may be that closer collaboration with the environmental organisation KRAV may offer some potential for the future. There is also a need for closer collaboration and dialogue with Coop Nordic - a prospect not without its challenges as outlined next.

Conclusions

7. What makes a successful partnership between a co-operative and a Fair Trade organisation?

If the different obstacles mentioned in the section "Most important barriers and suggestions for dealing with them" is to be solved, it will mean a better partnership between the association Rättvisemärkt and Co-op Nordic. The last part describes the fundamental reasons as to why co-operation is necessary and how, in some important aspects, it can be put into practice.

Today it is more important than ever that the companies are fair and act fairly. It will even be more important in the future when the young people of today become adults. How the products are produced and under what circumstances, will mean more than the price of the product in the long term. From that point of view it is important for companies and organisations to have a distinct and trusted profile. The consumer must be able to rely on the company. Very few persons know about the different marking systems or the environmental or social background, even if it has helped improve their purchasing decision. The choice of a product, Fair Trade or environmental friendly, is a kind of symbolic act where you choose a product to show the movement or development that you think is good. It is not the standards or the control systems which create the confidence in the product. It is more important who is selling the product rather than which standard is being applied. It means that it is more important to believe in Co-op than the individual product standards.

It is not all about offering good products at the right price even though this, of course, is important. It is as much about a distinct social and ethical position where it is important to make the consumer to feel confident in the

company and its products. It is all about trustworthiness and by the survival of the company in the long term. In this respect an ethical and social engagement means a direct commitment to the trademark. Therefore it is important that Co-op Nordic in Sweden, as a reliable consumer owned organisation, offers a wider range of Fair Trade products to show its responsibility in global development.

To succeed with the social and ethical part of the business, it is important to increase the co-operation between Co-op Nordic in Sweden and Rättvisemärkt. The knowledge and co-operation must go right through every level of the organisation to become an important part of the business. There is a lot of good information material made by the association Rättvisemärkt, which the stores do not use at all, or at least not in the right way. Many times they even do not order it for the store, or they actually do not know that it is possible to order information material about Fair Trade. There is some failure in communication between Rättvisemärkt, the head office of Co-op Nordic in Sweden and the stores. Here it is important to find a reliable method of working. The co-operative stores gets also very little Fair Trade information material from the head office of Co-op Nordic in Sweden, but the situation could be changed if the stores decided for themselves that Fair Trade is good for their image. How the supply, marketing and information about Fair Trade products in the stores, depends on the interest and engagement of the store manager. There is a willingness to sell Fair Trade products in Co-op Nordic, but the knowledge about Fair Trade among the employees, especially in the stores, is low and has to be improved. A wide education programme, for example, and a part about social and ethical trade in the induction programme for new employees, including Fair Trade, would increase the sale of Fair Trade products and communicate the social responsibility of the company.

Within Swedish retail business and especially within Co-op Nordic, there is an uncertainty about the Fair Trade label and its survival on the market in the long term. They really do not dare to believe wholeheartedly in the Fair Trade movement. No one wants to put money in the Fair Trade market unless the label is strong and will survive in the long term and unless the delivery system is able to deliver large quantities at a relatively good price.

The conclusion of this report is that the association Rättvisemärkt has to expand its range, reduce price levels, improve delivery systems and the administration of Fair Trade in Sweden and invite Co-op to the board of Rättvisemärkt. On the other hand Co-op Nordic must start to really believe

in Fair Trade and open up for a closer dialogue. The work with Fair Trade, what the mark stands for, its meaning and its value has to be better communicated in the Co-op organisation as well as in the whole Swedish retail market. The association Rättvisemärkt cannot manage the information and communication of Fair Trade all by themselves. The association of Rättvisemärkt, with “Fair Trade ambassadors” who visit stores organising events is good and a good way to increase knowledge about Fair Trade. But the time has now come for the Swedish retail chains with Co-op in the front, to see the added value in ethical marking and develop the Fair Trade range and the marketing of Fair Trade products.

To summarise, the most important thing is to create a better dialogue where both parties, Co-op Nordic and Rättvisemärkt come together to make a plan for successful co-operation in future. It's all about give and take. Together they will be strong. The Fair Trade movement in Sweden, which still is in its infancy, has the same long way to go as the environmental movement has had to travel over the past 20 years. The key for success is what it is all about: **co-operation**.

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Country Case Study: Italy

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Cooperativa Chico Mendes and Consorzio Ctm-altromercato*

Introduction

1. Short County Information

Population size, coffee, tea and banana consumption

Italian population is approximately 58 million people.

In 2002, the national market absorbed about 95,266 tons of coffee, which means more than 37 kilograms per family. In the same year, the global value of Italian coffee market showed a 3.5% average growth, reaching 712 million euros. 70% of this value is due to coffee consumption in restaurants, coffee shops and other public places, while only 30% is linked to domestic consumption.¹

In 2003, the national consumption of fresh fruit was about 2.5 million tons, which means a retail value of about 3.3 million euros. 9.8% of this consumption was accounted for by bananas.² 2% of Italian bananas' sales is Fair Trade.

Consumer awareness of Fair Trade

To understand consumer awareness of Fair Trade we will take a look to a survey made in 2003 by GPF Spa, part of the Division of Social & Market Research of Allaxia Spa. This survey was made through personal interviewing of a sample of 44 million people, representative of our national population between 15 and 74 years old.³

One of the most positive figures of this survey is that, in 2003, 12 million Italians knew about Fair Trade, while in 2002 they were just 8 million. This means an awareness increasing of more 50% in a year (from 23.3% to 34.5% of the entire population). Figures like these reflect the maturity of the Fair Trade market in Italy, even if more accurate research should clarify how many of those who know the label really know what it stands for.

¹ www.massmarket.it

² ISMEA - Frutta fresca: gli acquisti domestici nazionali. Un'analisi sulle principali tendenze in atto nel medio periodo (1999-2003) Quaderni di filiera no 13 (Aprile 2004).

³ "Il commercio equo-solidale: un'analisi del pubblico", GPF&A, 2003. (see Annex 1 for charts)

The reasons for this success may be identified not only in the quality and in the added values of the products themselves, but also in the intensive campaigning activity that has been made during 2003. An example may be the campaign against the Iraqi war and for peace, that brought the 62% of frequent Fair Trade buyers to put the Peace Flag on their balconies and had great visibility also in the media. In fact, while 10.3% of the entire Italian population went to a demonstration for peace in the twelve months before the interviews, nearly half of frequent Fair Trade buyers (40.7%) went. The political commitment of Italian Fair Trade and its buyers in Italy was exemplified by the presence of Giorgio Dal Fiume, then president of Ctm-altromercato, in Seattle in 1999⁴ and in general by the high level of participation in many of the small and big events of sensitising or education organised by Ctm itself or by the World Shops about all the problems related to social and economic injustice.

Young people play a significant role in the Fair Trade movement. We attribute this to a desire to be part of a broader movement which includes different organisations with diverse aims yet with the ability to campaign together.

Not only the knowledge of Fair Trade has grown but also sales. In fact while in 2002 Fair Trade consumers were 3.7 million people (8.5% of Italians), in 2003 they increased to 6.8 million people (15.6%). In 2004 growth has slowed down, due to general crisis in consumption.

Something may be said about retail channels of Fair Trade. If World Shops still remain the main Fair Trade retail channel (with about 50% of Fair Trade consumers doing their fair shopping there), mainstream sales outlets are clearly growing as a sales channel that reach a great number of people: 25.8% of people interviewed bought Fair Trade products in supermarkets, 9.8% in hypermarkets, and 22.8% in other places such as fairs and market stalls. Here the original commitment of locally based voluntary groups that enabled Italian Fair Trade to grow is still active. From the GPF research we can also try to sketch a portrait of the typical Fair Trade consumer: women are the 59%; 44% have an high school degree (and 25% a college degree);

⁴ Rudi Dalvai explains the idea of Fair Trade the underlie of its political commitment: "Fair Trade its much more than commercialization. There's all the activity of international cooperation, development, help, promotion not of our own activity but of the concept of Fair Trade. This is the real difference and it is a political difference and here lays the core of Fair Trade organizations", in "Cooperazione tra consumatori", Alberto Conci and Cristina Galassi, maggio 2005

45% are between 15 and 35 years old; 40% live in the North West of Italy; 38% have an average income and 17.3% are students, 15.6% are employees, 13.8% are housewives and 13.7% are workmen.

Another figure: if 39.2% of population did not read a book in the year before the research, the percentage falls off 13.4% speaking with Fair Trade buyers; on the contrary only 4.7% of population reads between eleven and twelve books in a year while 12% of Fair Trade buyers do. Moreover, 11.2% of frequent Fair Trade consumers in Italy does voluntary work on regular basis (while just 2.7% of Italian population do the same thing): we cannot forget that World Shops work thanks to 4,000 volunteers.

Consumer attitude to Fair Trade and ethical purchasing

The same survey gives us interesting information about consumers' attitudes to Fair Trade and ethical purchasing.

There are four main concerns of Italian people when it comes to corporate ethics: quality, transparency, workers rights and environmental care. But while general public opinion consider the two most important factors quality of products (36.80% of Italians) and transparency in marketing (36% of Italians), Fair Trade buyers are more sensitive about respect of workers rights (57% against 31.3% of Italians) and environmental care (46%, against 26.3% of Italians).

Another interesting issue to understand consumer's attitude is about product price: under what conditions are consumers ready to pay premium prices? This question aims to understand what is considered an added value. While for general public opinion the quality of the product is – with no doubt: 60.5% – the most important element of added value, only frequent Fair Trade buyers consider workers rights as such, and also consider almost equally important quality and environment protection. To understand consumer attitude to ethical purchasing we may consider a last question which concerns boycott: 68% of population did not have any reason for not buying a brand or a product in 2003. Of the missing 32% who did, the main reason was concern with workers rights (18.40% of Italians in general and a major 45.40% of those who know Fair Trade). Fair Trade proves to be a good alternative for consumers who care about the level of social responsibility of producers and retailers.

2. Overview of Fair Trade in Italy⁵

Who are the Fair Trade organisations?

Italian Fair Trade is structured on different levels. First of all, we find a great variety of locally based associations and co-operatives of different size that are the core of the Italian movement: they run World Shops, they bring forward lobbying and awareness raising campaigns to inform and educate consumers, sometimes they import directly handicrafts from small-scale producers.

On a second level, there are several importing organisations (Ctm-altromercato, Commercio Alternativo, Ravinala, Roba, Libero mondo, Equoland, Equomercato, RAM, Scambi sostenibili, Alta qualità). They import a wide range of food products and handicrafts, acting as wholesalers or retailers, (or sometimes as a combination of both). Besides, they assist their producer partners in many different ways, giving them advice on product development, helping with skill and management training or offering additional support in difficult economic and social situations.

Ctm-altromercato, the largest importing organisation, actually also works as a representative consortium and joins 130 members (associations and co-operatives) representing about 260 World Shops. As an importing organisation Ctm-altromercato is authorised by FLO. Besides, Ctm-altromercato and its members act as promoters of campaigns and information activities to educate consumers on the issues and opportunities linked with international trade, such as responsible consumption, solidarity finance and social responsibility.

Finally, we find two representative associations: **Agices**, established in 1999 as an assembly, is nowadays the General Association of Italian Fair Trade, with 100 members (including all Italian importing organisations). Its "Charter of Criteria" lists some shared rules that signatory members should respect and a General Register was then created to concretely apply these rules by evaluating and listing Italian organisations adhering to the criteria of the Charter.

Associazione delle botteghe del mondo is the World Shops association, working as a network of 121 co-operatives and associations managing over 300 point of sales. The Italian label organisation is **TransFair Italy**, a

⁵ See Annex 2 for charts.

consortium with 23 members, 40 licensed partners and six employees (four full-time and two part-time).

Size in trade, employees, volunteers and outlets

Italian Fair Trade has gone from strength to strength in recent years: in 2003 it sold products for about €60 million.⁶ In the same year, the number of employees of the two largest importing organisation rose up to 100, while the number of staff employed in the whole movement could be estimated at about 500. Fair trade products were sold in about 400 World Shops, where 4,000 volunteers worked together with paid staff.⁷

Besides, importing organisations sold food products through other retail channels, such as whole food shops, commercial stores, supermarkets (the latter having a role in the increasing sales of fresh fruits). In 2003 it was possible to find Fair Trade products in about a third of Italian commercial stores and supermarkets.

The largest Fair Trade importing organisation is Ctm-altromercato, which represents 70% of Italian Fair Trade in terms of products and services. The consortium works with 200 regularly employed men and women and an estimated 3,000 regular volunteers. In 2003/04 it imported handicraft and food products (finished goods as well as raw materials) from 150 partners, with a turnover of €34,240,000: 48% of this result is due to World Shops sales, while 43% is accounted for by other sales channels.

How much trade is Fair Trade labelled, and what products?

In 2003 TransFair Italy licensed partners sold labelled products (coffee, cocoa/chocolate, tea, fresh fruit, honey, juices, rice, sport balls) for a value of €20 million. In 2004, the turnover rose up to €26 million, with 75 items. TransFair Italy label concerns just food products, with the exception of sport balls and of a brand new offer of t-shirts: nonfood products are not labelled yet.

However, it is important to say that the main part of Italian Fair Trade is not TransFair labelled. In fact, many importing organisations have refused to put

⁶ "La crisi di crescita", p 60

⁷ "La crisi di crescita", p 64

TransFair Italy label on their products, although they respect all the conditions to be labelled. The reason for this choice has been to avoid consumer misunderstanding about the difference between Fair Trade organisations and for-profit sales channels willing to complete their sales offer with Fair Trade labelled products: the first engaging themselves in the whole productive and supply chain, and being strongly concerned in respecting Fair Trade criteria in all its steps; the second just selling Fair Trade products together with normal ones.

Since TransFair Italy was born to bring Fair Trade into mainstream retail channel and to label products of for-profit enterprises, the risk in putting TransFair label on Fair Trade organisation products is to prevent consumers from understanding the difference between these two models of Fair Trade. By refusing TransFair Italy label, the key import organisations and World Shops wanted thus to make clear the difference between Fair Trade and Ethical Trade.

Labelled Italian Fair Trade is therefore mostly passing through sales channels as supermarkets and commercial stores, while the main part of Fair Trade is not officially labelled and is sold in World Shops with the brand of the importing organisation, is considered by Fair Trade consumers enough of a guarantee. That is why the value of labelled Fair Trade products sold in 2003 amounts to €20 million, while the total value of Italian Fair Trade in the same year, including products sold in World Shops without TransFair label, reaches €60 million.

3. Overview of co-operative trade in Italy

We can date the beginning of Italian co-operative movement back to the second half of the nineteenth century. The variety of social and economic problems to solve (poverty, difficulty in getting credit, housing problems ...) determined then a great variety in co-operative typology.

Nowadays, this same variety marks the Italian movement, with different kinds of co-operatives recognised by the law (consumer, agricultural, financial, housing, transportation, social, editorial ...).

In June 2004 the Italian enterprise register counted 144,181 co-operatives, ie 2.4% of registered Italian enterprises. The great majority of Italian co-ops are part of two big associations: **Legacoop** and **Confcooperative**. In 2003 the two of them had a turnover of about €80,931 million; 670,000

employees and about nine million members.⁸ Moreover, last census (2001) showed that 786,092 people (which means 5% of Italian workers) were employed in a co-operative.

The consumer co-operatives: size in trade, employees and outlets.

Since the beginning, consumer co-operatives had the greatest social value and played a central role in the development of the movement.

In 2003 there were about 4,500,⁹ with a turnover of €17,000 million and 5,700,000 members. In 2001, their workers were 2.4% of all people employed in the trading sector.¹⁰

Depending on their size, the consumer co-operatives product offer is as complete as that of any normal retailer, and is mainly (but not only) formed by food products. In fact, differences in size and turnover within consumer co-operatives can be relevant: the movement includes small-size locally based co-operatives as well as some of the largest national mainstream outlets.

Actually, the largest national retail channel is Coop. It has 1,261 outlets, ranging from small-size shops to hypermarkets and commercial stores; 5 million members and more than 52,000 employees. In 2003 its total turnover showed an 11% increase, rising up to €11 billion. Its market share on groceries exceeds 17%.

Current level of Fair Trade in the co-operative sector: who are the partners, type of products, level of sales

The main and most significant example of a commercial partnership between Fair Trade and co-operatives is that between TransFair Italy and Coop. TransFair Italy works in partnership with other consumer co-operatives, but none of them has a comparable value in terms of sales and turnover. In fact, Coop accounts for about 45% of the overall TransFair labelled products turnover, selling 24 own-brand TransFair labelled finished good, marked as *Solidal Coop*.

⁸ www.legacoop.it; www.confcooperative.it

⁹ "Primo rapporto sulle imprese cooperative" by G Captano; C Martone; A Lambiasi: Istituto Tagliacarne.

¹⁰ "Primo rapporto sulla imprese cooperative"

As we saw, Coop is the largest Italian retail chain: 18.6% of its turnover is accounted for by its own-brand products, including *Solidal Coop's* ones. In 2003 the value of *Solidal Coop's* sales was about 10 million euros.

Research Findings – The partnership between Fair Trade and Co-operative sector

1. The co-operative choice

We must start this section by saying that since its beginning Italian Fair Trade has been very strongly related to the co-operative movement, this relationship reflecting intersecting trajectories.

It is important to say that we consider this to be a key characteristic of Italian Fair Trade, concerning not only the co-operative retail sector and its role in raising Fair Trade market, but the co-operative movement in its general core values and its organisational forms.

In other words, co-operatives have been for Italian Fair Trade a way to express its values above simply being commercial partners.

If we look at Italian Fair Trade organisations, we can see that about 50% of them are co-operatives; in fact all the importing organisations are co-operatives and Ctm-altromercato, the main one, is a consortium of members running World Shops: more than 60% of them are co-operatives.

Just considering these data, we can see to what extent co-operatives have been an important tool of Fair Trade development in Italy, and the legal form in which many of Italian Fair Trade organisations decided to operate.

This choice has different reasons:

- The **values of democracy, equality, equity and solidarity** on which co-operatives are based seems to be shared with Fair Trade itself; besides, it is considered important for a Fair Trade organisation to let its members (workers or volunteers as well as customers) actively participate in setting its policies and making decisions, in order to enhance their involvement with the Fair Trade movement and with the organisation.
- Since Fair Trade promoted itself as a new way of trading, it needed an organisational form able to manage commercial and economical activity.

The form of the association, chosen at the beginning by some organisations, did work with their cultural aspect, but it did not work at all in the face of increasing commercial demands: a **co-operative seemed then a better tool to deal with the economic and commercial aspects of Fair Trade.**

- Many of Italian Fair Trade organisations see Fair Trade as a part of a broader political concept and strive to integrate it into a broader vision of the whole not-for profit sector. Thanks to its values of honesty, solidarity, democracy and caring for others, the co-operative movement is considered a **concrete alternative to traditional trading companies**, and a way to give expression to a new concept of trade.
- As the co-operative movement before it, the Fair Trade movement developed in Italy on a local level, and through the action of locally based associations. Adopting the co-operatives previous model, a Fair Trade organisation is able to keep a **strong link with its local background**, (that is with its members and customers) while managing its international commercial and cultural activity. In such a way it can give a concrete form to one of Fair Trade's main ideals, that of a strong and direct relation between customers and producers.

The evidence of the co-operative choice has been openly confirmed and justified on several occasions. A representing organisation such as Agices openly states in its Charter of Criteria that Italian Fair Trade organisation are engaged in adopting organisational forms "democratic and transparent in every aspect of their activity, and able to grant to their members an active participation in making decisions". Besides, many of the Fair Traders interviewed for this report said that the co-operative form was a kind of natural choice for the Fair Trade movement.

Stefano Magnoni of Ctm-altromercato commented that:

"The core-values of the co-operative movement (worker's involvement, democracy, self consciousness ...) are the same that were aiming many of Italian FAIR TRADE founders ... then, under a certain point of view, the co-operative choice was a kind of natural one. [...] Besides, to create a Fair Trade organisation meant to manage both a cultural and a commercial activity: the best way to do it while maintaining these values of justice, equity, solidarity, was to create a co-operative".

The co-operative movement seems to appreciate this choice too. Orazio Micalizzi of CGM:

“In my opinion, the fact that a Fair Trade organisation is also a co-op has the greatest importance: it means leaving behind voluntary working and getting into an enterprise reality. [...] That’s sure: co-operatives are the best tool for Fair Trade, because they are able to put together its two core-ideas: that of not being merely a commercial organisation, of not just selling objects, but of creating new international relationships through its products; and that of having a strong link with its local background”.

Concerning the co-operative choice, there’s one more aspect to consider. According to Italian law, the only organisational forms allowed to social enterprises is the co-operative one; still, none of the eight types of co-operatives recognised by law matches with the non conventional aims and purposes of a Fair Trade organisation (joining commercial activity with educational action and development co-operation). Italian Fair Trade organisations willing to become co-operatives are therefore adopting the status of social, consumer or work co-operative, but they denounce the absence of a legal form able to give full expression to the nature of a Fair Trade co-operative. With the support of Agices, they are lobbying to modify the national law on co-operation.

As Maurizio Ricci of Agices and other people interviewed explained, there is no doubt about the fact that the new organisational form should be that of a co-operative: nobody seems willing to renounce to the values of democracy and autonomy.

The goal would then be the creation of a new kind of co-operative, offering Fair Trade organisations all the juridical tools to:

- Manage both cultural and commercial activities.
- Keep linked to the local background and in the same time working with commercial partners at an international level.

Case History: Ctm-altromercato, the World Shops’ importing organisation

To give a concrete example of the “co-operative choice” we will now examine the case of Ctm-altromercato. We chose this one not only because

it is the main national Fair Trade organisation and the second world-wide, but also considering the extent to which it applied and promoted the co-operative tool in Italian Fair Trade.

Ctm-altromercato was originally an **importing co-operative**, founded in 1988 by a group of people and associations actively involved in international solidarity and development co-operation. The choice of being a co-operative had a clear reason: its founders wanted to create a new model of importing organisation, to be much more involved with World Shops than any other; they wanted it reflect the values of World Shops, and to be more than a mere wholesaler. The solution was to create a co-operative and propose to Fair Trade organisations running World Shops that they become its members: they would be not just clients of the importing co-operative, but its members and its local presence. In such a way, normal conflicts between wholesalers and retailers would be, if not avoided, at least reduced and democratically settled, and the two of them would work together to enhance and develop the Italian Fair Trade movement. Since then, Ctm's challenge is that of maintaining the difficult equilibrium between its wholesaler and its retailer aim, always being open to find new ways to manage and adapt to its members' needs, an organisational form that we consider to be unique in the Fair Trade European movement.

In 1998, this main idea had a new development: Ctm-altromercato was transformed to a **consortium of World Shops**. This meant that World Shops organisations became the real and only members and owners of the importing organisation.

The aim of this choice was to give full expression to Ctm-altromercato core-value, the central role of World Shops activity and their importance as local representatives of the consortium, and was openly stated in Ctm-altromercato statute:

“The World Shops play an extremely important role within the Consortium, as they represent Fair Trade on local level and promote its development. They represent a privileged Fair Trade products-distribution channel, and are crucial for the promotion of Ethic Finance.”

Besides, choosing this organisational form, Ctm-altromercato could achieve financial autonomy, its members democratically controlling and equitably contributing to the capital. Finally, the consortium organisational form enhanced the possibility of networking and coordinating efforts in order to

present Ctm-altromercato as a strong and united reality, while maintaining the local character of each member.

Ctm-altromercato currently includes more than 118 organisations (associations and co-operative societies) which are responsible for the management of 230 World Shops throughout Italy, having an important role in the marketing and distribution of products coming from Fair Trade, as well as in the implementation of information and public awareness campaigns on Fair Trade and on North-South relations.

2. The commercial partnership

As we said, the main example of a commercial partnership between Fair Trade and consumer co-operative is that built up between TransFair Italy, the national labelling organisation, and Coop, the largest national retail co-operative.

Coop (ANCC-COOP) is actually the national association of consumer co-operatives, established in 1957. It is a consortium formed by 163 consumer co-operatives, representing more than 5 million members.

Its partnership with TransFair started in 1995, in an experimental way: just one item (TransFair labelled coffee from Nicaragua) sold in some of the retail outlets owned by Coop. Gradually, the collaboration increased: the progressive involvement of Coop in Fair Trade, led in 2003 to the creation of an own-brand offer of products labelled by TransFair: *Solidal Coop*. Nowadays, Coop sells about 24 different own-brand Fair Trade products through the whole range of its sales channel, from the largest commercial stores to the smallest size shops, with a turnover of €10 million, accounting for an estimated 45% of TransFair labelled products total turnover.

The collaboration with co-operatives is seen as very positive from the TransFair point of view. In the words of Adriano Poletti, the president of the labelling organisation, the value of this partnership can be appreciated on two different levels:

- That of the commercial partnership: even if TransFair is open to a wide range of different commercial partners, looking for them not only in the co-operative movement, there is no doubt about the fact that the partnership with a consumer co-operative (not only with Coop, but also with other smallest consumer co-operatives) brings the added value of a

common set of concerns and of shared ideas. This makes possible to work together in a better way, and to develop common strategies, sharing the goal of an increasing Fair Trade business.

- That of a deeper involvement in co-operative movement: many of TransFair Italy members are co-operatives (such as Coop itself) and recently TransFair Italy became member of Legacoop. TransFair Italy believes in the importance of a strongest presence of Fair Trade within the co-operative movement and in that of the collaboration with the co-operative network in order to enhance Fair Trade visibility on a national level.

This partnership is extremely relevant also from Coop's point of view: not only in terms of its commercial value (which still represent a tiny, if increasing, fraction of its overall turnover), but also considered as a high expression of Coop's mission, that we can sum up as the engagement in promoting all co-operative core ideals and of its social base values. Coop chose TransFair as a partner to label its products, in order to get an external and independent guarantee for the Fair Trade offer it was willing to develop. In fact, Coop was the first retail chain to sell Fair Trade products, and it has always been strongly involved in campaigns on responsible consumption and consumer's awareness, for example the one concerning sport balls.

It is a fact that the only relevant commercial collaboration between Fair Trade and co-operatives is the one we just spoke about, and that there is not any comparable partnership between any other Italian Fair Trade organisations (importers as well as retailers) and co-operatives. Considering that importing organisations sales make up 60% of total Fair Trade turnover selling their product mainly through World Shops, we can imagine the extent to which a closer collaboration between Fair Trade importers and consumers co-operative would contribute to an extremely relevant increasing of Fair Trade sales, and we can wonder why this partnership is still to develop.

The reason for this lack of a closer collaboration between some Fair Trade organisations and consumer co-operatives we can attribute to the intense debate about Fair Trade's aims and development tools that, as we said in the introduction to this report, characterises Italian Fair Trade movement.

In fact, one of the main concerns of some Fair Trade organisations has been that of drawing a clear distinction between Ethical Trade and Fair Trade, ie between a Fair Trade product and a Fair Trade organisation. Under their point of view, a consumer co-operative or any other mainstream retail

channel selling Fair Trade products is without any doubt increasing Fair Trade market, and thus helping small producers in the South, but it is not a Fair Trade organisation as World Shops or the main part of Italian Fair Trade importers want to be. In their vision, a Fair Trade organisation should not be concerned just with selling the greatest quantity of Fair Trade products, but also with changing the way these products are sold and consumed. In other words, it should play a more ambitious role in changing the rules of international trade, working not only with and for the producers (who remains always its main concern) but also with and for the consumers, to change their perception and enhance their awareness. That is why the engagement in cultural and political activities is considered one of the main characteristic of a Fair Trade organisation.

Moreover, as Agices Charter of Criteria states, a Fair Trade organisation has to be a not-for profit one.

On the other side of the debate we find TransFair Italy's point of view. The labelling organisation – born to promote Fair Trade into mainstream sales channels and to deal with for profit organisation willing to sell Fair Trade products – does not share Fair Trade organisation's position. In its opinion, Fair Trade is Fair Trade, and it is possible to do it in different way and with different tools. Therefore, within TransFair Italy labelled partners there are many producers and retail chains that other Fair Trade organisation would define as doing Ethical, and not Fair Trade.

Now, the firm purpose of many Fair Trade organisations has been to make the difference between Ethical and Fair Trade as clear as possible and to communicate to their consumers their involvement in being a Fair Trade organisation in the widest sense of this word.

In fact, this purpose has been the reason for some precise communication choices:

- World Shops have been considered the main Fair Trade commercial and communication channel, thanks to their wide local diffusion and their engagement not just in selling Fair Trade products, but also in promoting Fair Trade organisations widest idea of Fair Trade. As we saw, the Ctm-altromercato statute openly confirms this fact, and Agices Charter of Criteria too says that, in spite of the possibility of selling Fair Trade products through other channels, World Shops have priority over other distribution channels.

- As we saw, from the TransFair point of view it is possible to concede its label both to Fair Trade organisations and to normal retail channels or producers. So, many importing organisations preferred not to put TransFair label on their products, in order to avoid consumer confusion, as Stefano Magnoni of Ctm-altromercato explained:

“I speak for Ctm-altromercato, but I think I can speak also for other Fair Trade organisations: we are trying to say that Fair Trade is a partnership between not-for profit organisations, while TransFair label just means that we are talking about a fair product, having some fair characteristics. In my opinion, there’s a difference between the two things, and I want to make this difference clear. [...] One thing is to have different labels or brands, as representative of different realities: Co-op label standing for a big retail chain, Ctmaltromercato label, standing for a Fair Trade organisation ... and so on. Another different thing is just to put TransFair label, as the only one representative of Fair Trade. In fact, different labels represent different ways of doing Fair Trade: I won’t say better or worse ways, I’ll just say different ways. [...] We believe that our engagement in Fair Trade is different, that it extends beyond the commercialisation of a Fair Trade product. Then, if [by putting TransFair label on our products] we let the consumer think that to buy in a World Shop is the same thing that to buy products from any other retail channel or producer ... we are just denying the whole idea of Fair Trade we build up as a network of World Shops.”

It is important to make clear that this does not mean that Ctm is not interested in selling its products outside World Shops in mainstream retail chains, actually it does so in the supermarket chain Esselunga. On the contrary the “mark issue” becomes vital exactly when products imported by a Fair trade organisation stay on supermarkets shelves near to other products that may be “traditional” or with just some ethical characteristics. Besides it may be considered risky to let traditional economic actors, even if TransFair licencees, manage the entrance of Fair Trade products into the mainstream market in which consumers need transparent information about aims and methods of Fair Trade.

This position caused some problems in the partnership between importing organisations and retail co-operatives. Fair trade importers willing to widen the Fair Trade market selling their products through mainstream retail channels (co-operatives or not) found out that many of them (for example Coop) preferred to develop an own-brand product offer and to have

TransFair guarantee than to sell Fair Trade importers marked products, and thus generally established a partnership with TransFair, getting a label for their private-brand Fair Trade product.

That is what happened between Coop and Ctm-altromercato, as Stefano Magnoni told us. In spite of a general agreement about their core-values and of some experimental contacts, a deeper commercial partnership is still not possible: Coop prefers to communicate with its customers using its own brand and TransFair label; while Ctm-altromercato wants to keep its own brand, for the reasons we just explained.

In spite of this situation, Fair Trade organisations do not preclude the possibility of selling their products through consumer co-operatives, when they find partners willing to share their concept of Fair Trade.

We will make the example of the partnership between Mandacarù – a Fair Trade co-operative member of Ctm-altromercato, based in Trento and running 12 World Shops throughout its region – and SAIT or Consorzio delle Famiglie Cooperative Trentine: a consumer and retailer co-operative consortium formed by 103 members, and running 362 small supermarkets with a turnover of approximately €256.5 million, 40,000 members and 1,000 employees.

Coop Mandacarù is selling Fair Trade products in Famiglie Cooperative Trentine's Shops: this partnership has certainly an important commercial and economical value, but is relevant also as a possibility for Mandacarù of strengthening the relationship with its local and cultural background, SAIT being strongly linked with its territory.

Mauro Dallapè from the Federazione Trentina delle Cooperative, a representative organisation of which SAIT is member, told us the reason for this partnership:

“A consumer co-op's aim can't just be that of selling products: its history, its identity are characterised by its social aim, an hundred years ago as well as today. That's why Fair Trade has found an ideal ground to develop in Trentino: thanks to the deep sense of cooperation aiming this region. [...] We believe that it is important to sell products coming from the South, as well as products coming from social co-ops. It is not just to complete the offer in products of our supermarkets, but it is to bring the image of trading that is not just concerned with the interest of its own members but also with higher ideals and values.”

3. Networking

It is a fact that commercial partnership with the major retailer co-operatives is nowadays unlikely for the majority of Fair Trade organisations. But, as we have seen previously, the co-operative choice of many of them put part of the Fair Trade movement *inside* the co-operative movement, opening thus many routes for collaboration with co-operatives, not only with consumer co-operatives but with financial, work, social co-operatives and their representative organisations. Of course to build a better relationship more Fair Trade organisations should follow the example of those who chose to become co-operatives. Agices itself supports its members that decide to make this step, as Maurizio Ricci told us. And Ctm-altromercato do the same towards its members.

Let us see how Fair Trade co-operatives may find being in the co-operative network useful.

Exchanging experiences

First of all, Fair Trade co-operatives may find it helpful to share their particular experience with traditional co-operatives of all types. Orazio Micalizzi told us about the social co-operative “Enghera” of Catania that helps disadvantaged people employed in three World Shops in Sicily. This co-operative is not only a member of Ctm-altromercato but also of CGM (Consorzio Gino Mattarella), which is a national consortium of social co-operatives, born in 1987 to coordinate and enhance social co-operation in Italy. It works as a network of 78 regional consortia, representing about 1,350 social co-operatives locally based throughout Italy. CGM’s main aim is to support the networking action of these regional consortia, formed by small and medium-size social co-operatives working in the fields of education and health, as well as giving employment to people with disabilities or chronic illnesses. CGM also offers to its members such services as counselling, legal assistance and new tools to develop their local action.

Orazio Micalizzi shared with us his view on the collaboration between Enghera and CGM:

“In my opinion the collaboration may focus on supporting each other, that is strengthening each other’s weak sides. Fair Trade could be a model for CGM in being very present in the countryside and, on a broader political level, in being involved in the movement

against globalisation, while CGM could offer to Fair trade the know-how for being a social enterprise.”

Political support

Stefano Magnoni (Ctm-altromercato) reminded us of another great opportunity in collaborating with social co-operatives network: Fair trade co-operatives need to be helped by the whole social co-operative movement if they want to obtain a legal recognition of their peculiar aims and values:

“The co-op representative organisations could play an important role identifying Fair Trade co-ops as a part of the co-op movement and then working to enhance their involvement. [...] There are housing co-ops, consumer co-ops etcetera, but today there isn’t a Fair Trade co-ops sector and it would be interesting to have political support to reach a legal recognition for Fair Trade co-ops.”

Orazio Micalizzi:

“There could be a more specific legislation on Fair Trade organisations, and maybe, sitting at the round table between social co-ops and the government, it would be possible to find more practical forms for developing Fair Trade.”

Exchanging services

Micalizzi suggested also that if CGM decides to include Fair Trade co-operatives in its social co-operatives network, it would be much more easy and profitable for the two to exchange services. This would be true not only for Fair Trade co-operatives, which would be able to get the services they need at special conditions and from ethical partners, but also for social co-operatives, that would have granted a wide range of new partners. Besides, this collaboration would add ulterior value to Fair Trade’s social engagement:

“In my opinion, it is important that Fair Trade movement concerns with using raw materials, packaging, transport and everything else that may be provided by social co-ops. To be successful in putting together this two elements could also mean to communicate that Fair Trade doesn’t care just about South countries but also about its own local background.”

Stefano Magnoni seems to agree:

“I see the collaboration with social co-ops as very important from a cultural point of view, because it shows that it is possible to do justice in the North as well as in the South of the world and this is very important.”

On the subject of services that social co-operatives may offer to Fair Trade co-operatives, Ctmaltromercato has an experience of partnership with CGM, in particular with CMG Finance. This sector of the consortium has been created to help CGM's members to expand their activity, investing their money, also in order to be able to finance specific development projects. For example: some Fair Trade co-operatives members of Ctm deposit part of their money in CGM Finance, and the consortium financed the expansion of Fair Trade, namely the opening of new World Shops, such as that run in Torino by co-operative Mondonuovo.

Commercial Partnership

Finally, commercial partnership is also possible, of course radically different from that existent between TransFair and Coop.

First of all, World Shops may become a sale channel for products of social co-operatives, and some of them actually are. But the partnerships now existent are isolated and generally locally based experiences. A more structured relationship may be built, even if advantages for both realities still have to be explored.

Co-op Chico Mendes of Milano, another member of the consortium Ctm-altromercato, sells social co-operatives products as sauces, marmalades, dry beans, dry lentils and others in all its ten World Shops. Stefano Magnoni told us:

“Many times we talked about the opportunity of selling the products of the social co-ops of CGM in our World Shops, but mainly for logistic problems until now we didn't succeed in creating a structured relationship; in some cases co-ops members of Ctm have excellent local links but we could work to build a more structured collaboration.”

Besides, Fair Trade may increase its market by offering to social co-operatives such services as that of vending machines and institutional

presents. For this to happen representative organisations should share Fair Trade values and aims, and strengthen their commitment in passing them to their members.

These last two points clearly show that adopting such an approach does not mean to give up to the economical advantages the collaboration between Fair Trade and co-operatives can offer. On the contrary, as we saw, it can offer many alternative ways of economical and commercial partnership, and much ground for Fair Trade sales to grow in the next years.

The real difference between the two models is that this latter idea of partnership with the co-operative movement considers co-operatives not as a mere sales channel but also as a tool to develop an alternative economic model. This implies a conception of Fair Trade as strongly linked with political and social commitment in its local background (which means in the North as well as in the South).

Conclusions – What makes a successful partnership between a co-operative and a Fair Trade organisation?

As we saw, the collaboration between Fair Trade and co-operatives in Italy can be analysed from two different point of view: that of a commercial partnership and that of a widest network collaboration.

We thought it was better to make it clear this difference also in this final section, by giving two different sets of answers to the set of questions which was proposed.

1. The commercial partnership

Types of co-operation favoured:

- Commercial partnership, to increase Fair Trade sales and thus improve small producer's way of living.
- Communication and marketing projects, to enhance and improve Fair Trade visibility face to both responsible and "not-responsible" consumers.

Advantages:

- The growth of Fair Trade sales.
- It enhances the general Fair Trade visibility and makes it easier for consumers to find and buy Fair Trade products.
- It is easier and more relevant when established between Fair Trade and a consumer co-operatives, since it can be based on a common set of values.

Disadvantages:

- Problems in obtaining an adequate visibility within the normal offer of products and face to competitors and in setting adequate communication policies. The whole success of a Fair Trade products marketing strategy may often depend on the outlets director more than on an organic and shared communication project.
- It is difficult to manage this partnership without losing many of the values of Italian Fair Trade movement and without confusing consumers about the difference between ethical trade and Fair Trade. Besides, many World Shops organisations see this kind of collaboration as a menace to their role, and do not agree with Fair Trade's involvement in such a commercial partnership.

Most important barriers and suggestions for dealing with them:

- The national debate about Fair Trade is weakening the movement face to commercial partners; consumers; institutions.

The Fair Trade movement should settle its internal arguments. This does not mean to deny its different identities, but just to find a common position in presenting itself to commercial partners, consumers and institutions. This would help to develop new commercial partnerships; to increase consumer awareness about Fair Trade; to have a better and clear visibility face to institutions, in order to obtain a specific legislation about Fair Trade.

Besides, the establishment of Agices Fair Trade organisation register could help different Fair Trade organisation to clarify their position face

to Fair Trade movement's internal debate; would introduce a greater transparency face to consumers and institutions; would make the coexistence of Fair Trade and Ethical trade easier.

- The relationship between TransFair and Coop has developed as very strong and exclusive one, leading Coop to be accountable for a 45% of TransFair labelled products turnover.

As a consequence, Trans Fair label lost part of its own visibility: researches show how just 5% of the Italian population knows TransFair label, while 34% knows Coop's own brand Fair Trade products.

Trans Fair should promote in a stronger way its own label, in order to gain a stronger autonomy and a wider visibility as a Fair Trade organisation.

What changes to this approach will be necessary to increase Fair Trade sales over the next five years?

- To establish more commercial partnerships is generally considered a good way to increase Fair Trade sales.
- The offer of TransFair labelled food products is complete, while there is still some work to do with non-food products: this will be an important tool to increase Fair Trade turnover.
- Retail co-operatives seem sometimes not to be willing to give an adequate expression to Italian Fair Trade internal debate. They should maybe let it coexist on their shelves both TransFair labelled and Fair Trade organisations marked products, and let the consumers choose which kind of Fair Trade they do prefer.

2. Networking

Types of greater collaboration favoured

A network kind of collaboration, meaning a deeper engagement in the national co-operative movement, and the establishment of new contacts with various kind of co-operatives: financial, housing, work, social co-operative and their representative associations.

Advantages

This kind of collaboration seems to have a greatest alignment with the Fair Trade movement's ideals; besides, it is practicable not just for the largest Fair Trade organisations, but also for small and medium size ones: this means that it can be established on a local level and with a greater involvement of co-operative members and Fair Trade consumers in each other's movement.

Most important barriers and suggestions for dealing with them

- Fair Trade organisations are sometimes still too linked to their voluntary basis, and lack of tools that could enable them to deal with enterprises such as co-operatives: that is true with particular evidence in Fair Trade's smallest-size and local expressions. This makes it more difficult for co-operatives to collaborate with Fair Trade.
- A possible solution could be the establishment of a new legal status for Fair Trade movement, allowing Fair Trade organisations to operate in the market and with other enterprises while maintaining their core ideals.
- Fair Trade organisations are not enough concerned with some co-operative core values, ie the social engagement on a local level.

What changes to this approach will be necessary to increase Fair Trade sales over the next five years?

- The co-operative movement is still not involved enough in Fair Trade. There is still a lot of work to do, in order to establish new partnerships and give to Fair Trade a better political visibility and increasing contacts with local institutions.
- Fair Trade movement should try to get more involved with co-operatives' representative organisations, to present itself as an important member of the co-operative movement and to benefit from the co-operative network.

Annex 1

Charts from “Il commercio equo-solidale: un’analisi del pubblico”, GPF&A, 2003

1. Fair Trade typical buyers

Sex

Women	59%
Men	41%

School degree

First grade	10%
Secondary school	21%
High school	44%
College	25%

Age

15-24	22%
25-34	23%
35-44	19%
45-54	19%
55-64	13%
65-74	4%

Place

North west	40%
North east	26%
Centre	18%
South/Islands	16%

Income

High	8%
Medium high	25%
Medium	38%
Medium low	20%
Low	9%

Job

Students	17.3%
Employees	15.6%
Housewives	13.8%
Workmen	13.7%
Retired	10.5%
Shopkeepers, dealers, craftsmen	7.1%
Unemployed people	6.6%
Entrepreneurs, professional, managers	5.7%
Self-employed	4.7%
Teachers, intellectuals	4.2%
Farmers	0.7%

2. Ethics for a company means ...

Ethics for a company means ...	Population	Frequent Fair Trade buyers	Occasional Fair Trade buyers
To grant the quality of its products	36.80%	23.70%	37.60%
To be completely transparent towards its costumers	36.00%	36.90%	41.30%
To work in full respect of workers rights	31.30%	57.00%	49.50%
To act for environment protection	26.30%	46.00%	39.70%
To sell its products at a fair price	25.00%	16.70%	25.10%
To act with respect towards law	20.30%	21.10%	23.60%
To be committed in the defence of weak social categories	14.60%	28.60%	23.00%
To care about well-being of its community	11.20%	14.30%	15.80%
To act with respect towards competitors	9.90%	10.30%	10.00%
To defend the rights of all its shareholders	3.10%	8.70%	4.30%

3. You would be willing to pay more a product if ...

You would be willing to pay more for a product if ...	Population	Fair Trade buyers	Frequent Fair Trade buyers	Shopping centre buyers	“World Shops” buyers
Its quality is clearly superior	60.50%	51.40%	32.70%	51.70%	50.60%
Workers rights are respected	17.00%	21.10%	34.50%	20.70%	23.80%
Its production and use are respectful towards environment	21.70%	26.40%	32.80%	26.70%	24.50%

4. Reasons for boycott ...

Reasons for not buying a branded product (a logo) in the last 6 months:	Population (2003)	Population (2002)	People knowing Fair Trade	People uncertain about knowing Fair Trade	People not knowing Fair Trade
Company that does not respect human rights	18.40%	16.60%	45.40%	9.10%	45.50%
Animal testing of products	15.10%	14.30%			
Maschilist ads	12.60%	9.90%			
Company that does not act with respect towards environment	15.40%	13.00%	39.40%	7.00%	53.60%
Multi-national corporation	15.80%	12.30%	44.80%	8.70%	46.60%

Annex 2

Figures and charts:

Ctm altromercato

Members of the consortium

Co-operatives	73
Associations	58

World shops	260
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Turnover in 000 euros	34,240
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Type of products

Food products	73% of the overall turnover
Handicrafts	15% of the overall turnover
Other	2% of the overall turnover

Private brand products

Food products	2,500
Handicraft	200
Others	300
Total	3,000

Sales channels

World shops	48% of the overall turnover
Supermarkets	43% of the overall turnover
Other	9% of the overall turnover

Employees	85
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Volunteers	3,000
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Partners	150 producers in Africa, South America, Asia
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Expenditure on education in 000 euros	600
----------------------------------------------	-----

Data from the bilancio annuale, 30/06/04

Coop Italia

Turnover , in 000 euros	11,335
Members	5,995
Co-operative societies	163
Employees	55,700
Outlets	1,290
Market share on groceries	17%
Transfair labelled own brand products <i>(Solidalcoop)</i>	24
Turnover accounted for by Solidalcoop products , in 000 euros	10

Data from bilancio sociale 2004

Fair trade in Italy

Importing organisations	10
Sales outlets	
World shops	447
Supermarkets	4,000
Others	?
Total	at least 4,447
Paid staff	
Importing organisations	160 (esteemed)
Agices	1 part-time
Assobotteghe	2 part-time
World shops	400 (esteemed)
TransFair	5 full-time equivalent
Total	600
Volunteers	4,000

Label	TransFair Italy
Turnover , in 000 euros	
Importing organisations	45,000
TransFair Italia	20,000
Total	65,000
Public awareness of Fair Trade	36%
People interested in buying Fair Trade products	5% (2004)
Market shares in % Fair trade bananas	1%

Data 2004

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Country Case Study: Belgium

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Introduction

This is one of four country reports and in this group of four countries, Belgium is the 'odd one out' as the co-operative movement lacks a significant presence in the retail sector. For this reason, the structure and contents of this report will be a bit different. After the country information, we will deal with the Fair Trade and co-operative sectors respectively. The last chapter will summarise the strengths and weaknesses of both sectors in view of potential synergy. In the annex, we briefly introduce the Fair Trade and co-operative sectors in the Netherlands.

Country Information

Belgium: economically and politically

In 2004 Belgium had 10.3 million inhabitants with a population density of 335 inhabitants per square kilometre. The density and the urbanisation have now led to a situation where less than 4% of the population lives in areas that could be characterised as rural. Belgium has a relatively old population, with about 35% over 50 years old and just 30% under 25.

With a per capita income of US\$ 25,500 or €22,000, it is tenth in the ranking of world richest countries. The Gross Domestic Product stands at €267 billion while imports and exports are both about €150 billion. The main trade partners are Germany, France and the Netherlands. Belgium historically was one of the first countries to industrialise. Today, 72% of its economy is services, 26% is still manufacturing and just under 1.5% is agriculture. The highly skilled population and the geographic situation are seen as the main trump cards. Its capital, Brussels, hosts the headquarters of the European Union.

For anyone dealing with Belgium, it is important to realise the country is largely constituted by two language communities: the Flemish (making up 60% of all inhabitants) and the French-speaking (40%). Brussels, although officially a bilingual territory, is mostly French speaking. The language issue has been important in politics but also in the civil society landscape. Most social and political movements belong to either one or other of the two

language communities or at least have two sections if they have a single origin. The cultural divide is such that most NGOs including Fair Trade organisations have chosen to be Flemish (ie Dutch speaking) or French speaking (eg the old Oxfam World Shops did at one stage split up into the Oxfam Wereldwinkels and the Oxfam Magasins du Monde).

Coffee drinkers

Belgium also takes tenth place in world coffee consumption, with 76,200 tons of imported coffee¹ (USA ranks first with 1.1 million tons; Netherlands and the U.K. are joint seventh with 141,000 tons).² Measured 'per capita', Belgium is eighth with 7.3 kilos per person per year. (Finland with 11.8 kilos heads this list on which Scandinavian countries feature prominently as does the Netherlands, fourth with 10.4 kilos). This translates into 2.8 cups a day or 135 litres per year. Compare this to the yearly tea consumption of just 11 litres per person per year; you can say Belgians prefer coffee to tea. Coffee is consumed by three quarters of the adult Belgian population.

There are a score of companies specialising in the import and/or roasting of coffee. By far the largest operates under the name Douwe Egberts (affiliated to Sara Lee), holding 47% of the consumer market. In general, two thirds of imported and processed coffee reaches the consumer through retail, while a third goes to restaurants, pubs, hotels, companies, public administration and caterers of all kinds.

The Belgian tea market totals 1,422 tons annually while the net total import of bananas is 75,000 tons.

Belgians and Fair Trade

What follows is an overview of consumer awareness and consumer attitudes to Fair Trade. A more detailed introduction to the Fair Trade sector comes in the next chapter of this study.

¹ Max Havelaar gives the figure of 51000 tons in 2004, which relates to the consumed (and therefore roasted) coffee. It is not clear whether the mentioned figure of 76,200 tons includes the fraction of the import that is exported again (after stocking or processing).

² Source: www.koffiebureaucafe.be This is the site of the Belgian federation of coffee roasters. Their seat is at Roodebeeklaan 30, 1030 Brussels Tel; +32.2.7438730. The site tells the peculiar story of a certain Emile Laurent, a Belgian nineteenth century colonist who was the first to discover the robusta coffee variation in the Congo basin. He brought it to Brussels for experimental greenhouse growing. From there, the plant was taken to Dutch East India (Java) where it soon was grown on a massive scale.

The study group IDEA-consult made an extensive survey (with 1005 Belgian consumers) about knowledge and attitude of Fair Trade in 2001.

Summarising the main results:

- 15% of respondents showed an active knowledge of Fair Trade as a *concept* (able to give a correct definition), 33% had a passive knowledge (recognising it when the interviewer suggested possible answers) while 52% did not know the concept.
- Best known as *organisations* were the World Shops (active and passive knowledge combined: 78%) and Max Havelaar (active and passive: 42%).
- 35% had an active knowledge of Fair Trade products with coffee as the most named product.
- To recognise an organisation did not seem to imply that one can relate products to this organisation (the only exception to this was Max Havelaar, mostly associated with labelled coffee).
- In respect of retailers, 32% actively named World Shops; only 11% actively named ordinary supermarkets (but another 28% know passively that supermarkets also sell Fair Trade products).
- People with more knowledge of Fair Trade were significantly more often found among higher educated groups and Dutch speakers (rather than French speakers); they also showed a stronger interest in third world issues and a stronger quality and ethics awareness in their buying behaviour (including biological products) and – compared to other groups – they were less oriented towards low prices and discounts.

The same survey also looked at the buying behaviour of the respondents. 32% of the sample bought Fair Trade products at least once during the previous year. This group includes 12% who are very occasional buyers (buying only once) and 20% who are more frequent buyers. These groups of 'buyers' show the same characteristics as the groups with active knowledge: more highly educated, interested in the third world and with a generally higher quality and ethics awareness in their buying behaviour.

Within the group of 'buyers', 90% bought food products and just 16% bought artisan craft products. Also, 60% bought in World Shops and 31% in supermarkets. Buyers claim the gain for people in the South is their main motivation for buying Fair Trade. Non-buyers admit their non-buying is either due to lack of information or out of sheer laziness.

As for the image of Fair Trade, 9 out of 10 respondents think Fair Trade is a good means of supporting developing countries. Trust in Fair Trade products and product satisfaction is equally high. The attitude toward the Fair Trade organisations is more or less neutral (whether they are politically biased or professionally sound: most respondents neither agree nor disagree). The same neutral attitude prevails on whether the price difference really reaches the producers in the South.

A more recent survey (2004) done by the TNS-Dimarso poll bureau (and quoted in www.maxhavelaar.com) claims that 58% of Belgians (and 72% of Flemish) have a good knowledge (whether active or passive) of Fair Trade. Max Havelaar is now recognised by 48% of Belgians (and 65% of Flemish).

Yet another survey was carried out in 2003 on behalf of the University of Liège among 'ordinary' Belgian consumers and Oxfam World Shop consumers (615 and 243 respondents respectively, Poncelet, 2005). The purpose was again to measure knowledge, attitudes and behaviour (and the relation between those three aspects) with respect to Fair Trade issues, products and marketing practices. Remarkably, despite their good knowledge and positive attitude towards Fair Trade, most consumers thought the overall attraction of Fair Trade products is limited, prices are too high and distribution is very poor. Respondents strongly favour of putting Fair Trade products on the same shelves as other products of the same category. The specialty shops (mostly World Shops) are perceived to be too sober and not customer friendly enough. This view of distribution constraints may to some extent explain why good knowledge and positive attitudes are not automatically reflected in buying behaviour.

Finally, we want to mention a survey we carried out ourselves (in the Flemish region, both in 2003 and 2004, each time 1,000 respondents) on social support for development co-operation (Pollet & Develtere, 2003, 2004). One question was about the frequency of buying Fair Trade products in supermarkets; another question was about buying goods in World Shops. The results were as follows:

Table 1 Fair Trade buying behaviour

(in %)	Survey in 2003	Survey in 2004
<i>Buys Fair Trade products in supermarket</i>		
at least once a week	3.2	5.1
at least once a month	19.3	11.9
at least once a year	18.1	24.8
never or don't know	59.4	58.1
Total	100.0	100.0
<i>Buys goods in World Shops</i>		
at least once a week	3.5	1.4
at least once a month	20.5	14.1
at least once a year	33.2	39.3
never or don't know	42.8	45.2
Total	100.0	100.0

Source: Pollet I & Develtere P

Strangely, the World Shops seem to have more *occasional* buyers than the Fair Trade shelves in the supermarket. Meanwhile, the figures may indicate a positive tendency for Fair Trade products in supermarkets in general. As could be expected, Fair Trade buying behaviour is significantly higher for younger and better educated groups.

The studies mentioned above all reflect the same finding: that increased knowledge and good buying intentions do not translate into better buying behaviour and market shares. The poor visibility of the products and problems with the distribution channels may be the reason for this. Also, in winning those more 'enlightened consumers', Fair Trade has to compete with biological products and ethical trade (as marketed by large companies).

Fair Trade in Belgium: The Organisations and the Market

The structure of Fair Trade

In Belgium, five organisations make Fair Trade their business: Oxfam Wereldwinkels (the Flemish section of the World Shops), Magasins du Monde Oxfam (the French-speaking section of the World Shops), Fair Trade Organisation, Maya Fair Trade and Max Havelaar Belgium.

The World Shops

Oxfam Wereldwinkels and *Magasins du Monde* are the two largest importing organisations. They are retailers as well as importers.

Back in 1971, the first Belgian World Shops were created from a double perspective:

- The NGO-world (and their radical left-wing segment in particular) thought the time had come to put the phrase 'trade not aid' into practice.
- People involved with 'new social movements' (feminists, green activists etc) aimed for a kind of non-capitalist consumerism, with a participative, democratic undercurrent in deciding which products for what prices etc.

The World Shops became a popular and familiar sight in Belgian cities and villages. Right from the start the Belgian World Shops came under the 'umbrella' of the NGO Oxfam³ who gathered the World Shops into a genuine movement.

The idea was to realise a triple objective:

- A centralised system for the import and stocking of the goods and commodities. All shops are supposed to supply themselves through this.
- The shops should be exclusively responsible for the distribution.
- The shops should act as a vehicle and a reference centre for the Third World movement (in the sense that important information and documentation could reach the population through the World Shops).

³ In fact, Oxfam Belgium has split up into two separate NGOs, one 'Oxfam Solidarity' runs programmes in the South, while 'Oxfam World Shops' concentrates on distribution and educative activities in Belgium.

That said, the bottom-up character of this movement was very much respected. Each World Shop was free to join the Oxfam project. Once part of the Oxfam club, shops still have autonomy with regard to style, products and internal organisation. This autonomy is also reflected in the fact that two 'chains' emerged from this, the Dutch-speaking Oxfam-Wereldwinkels and the French-speaking Magasins du Monde. The Wereldwinkels primarily lay the accent on selling dry food, while the Magasins du Monde prefers to sell artisan goods and craftwork.

Recently, the apex structure⁴ of the *Flemish Wereldwinkels* has further split into two societies: (1) an 'ordinary' non-profit association to take up the administration of the shops and the movement work (campaigning and mobilisation) and (2) a co-operative structure for the economic activities (import and stocks). The former has kept the name *Oxfam Wereldwinkels* vzw. The latter has been named '*Oxfam Fairtrade*'.

The idea was threefold:

- To express a long term commitment towards the producers in the South.
- To place orders over a year in advance.
- To provide support to the local producers in the form of training, investment and credit.

Both societies would start working in a relative independent way in order to find their own dynamics. This would soon pay off. The World Shops would also start selling goods other than Fair Trade, such as:

- Solidarity products (eg candles for Amnesty International).
- Cultural products (world music CDs).
- Sustainable products (eg unbleached coffee filters etc).

At the same time the co-operative Oxfam Fairtrade looked for more effective ways to market Fair Trade products. In 2002 it decided to use all retail channels which were ready to sell Fair Trade products under Fair Trade conditions. At present, the largest Belgian supermarkets (Delhaize Lion's, Carrefour-GB and Colruyt) are retailing a significant range of products provided by Oxfam Fairtrade (with coffee and tea the most prominent). Another innovation has been to approach some large companies or administrations directly in order to provide Fair Trade coffee or other

⁴ ie the structure serving the separate shops.

products for their personnel (Belgian Television Broadcasting Company, Holiday Inn, Belgacom Telephone Company, European Parliament, Belgian Senate etc).

In 2004 Oxfam Fairtrade realised a turnover of €15.5 million which breaks down into 59% through the combined Wereldwinkels and Magasins du Monde, 17% through other European Fair Traders and 24% through the regular retail circuit (ie the supermarkets). Oxfam Fairtrade buys its products from 94 producer co-operatives or associations in the South (65 in Latin America, 14 in Africa and another 14 in Asia).

At present there are 205 world shops in the Flemish region and about 100 in the French-speaking region. Oxfam World Shops also embody one of Belgium's permanent *volunteer movements*, with 6,800 volunteers in the Flemish region and 3,000 in the French speaking region. Employment figures are 30 full time equivalents (70 people) in the Flemish part and 50 full time equivalent (60 people) in the French-speaking part. Oxfam Wereldwinkels does not only carry out trading activities. They are also heavily involved in awareness raising and lobbying activities (including Clean Clothes Campaign, Fair Play – Fair Pay, 'I am sold' etc).

The trend is clearly upwards. In 1998 the turnover was €6.7 million, so it has more than doubled in 7 years. The growth is now fastest in the regular retailing segment (supermarkets), although all segments are on the rise. The number of shops and volunteers is expanding rapidly as well. One cause for concern is the decreasing number of young volunteers.

Oxfam World Shops has institutional links with a score of organisations, that is: all the main Fair Trade actors, the large retailers, the NGO movement, educational platforms, policy makers at national, regional and local level, the international structures IFAT, EFTA and NEWS, not to mention their many partners in the South, co-operatives and others.

Magasins du Monde has chosen to work separately from Oxfam Wereldwinkels, albeit in close collaboration. Both organisations are autonomous in their policy with regard to shops and volunteers. On top of that, it was agreed that Wereldwinkels would take charge of the wholesaling of the range of food products while Magasins du Monde would take charge of the wholesaling of non-food products. Magasins du Monde also runs a special type of shop involving young people. There are 60 such 'Jeunes Magasins du Monde', small sales outlets based in schools and run by groups of young secondary school students, each group supported by two teachers.

Other importers

Smaller importers in Belgium are Fair Trade Organisatie in Leuven (a subsidiary of the Dutch Fair Trade Organisatie) and Maya Fair Trading.

The Flemish branch of *Fair Trade Organisatie* (FTO) has chosen not to compete with Oxfam World Shops but to specialise in wholesaling gift articles (artisan work etc). FTO supplies 40% to the World Shops, 60% to businesses (private companies, automated shops etc) as well as to private consumers (through their sole outlet near Leuven). Their 2004 turnover breaks down as follows:

- coffee (business-to-business): €476,000
- other food products: €124,000
- presents and artisan articles: €942,000
- other: €52,000

This totals €1,594,000 which is an increase of 13% compared to 2003. FTO managed a remarkable success in early 2004 by converting the whole Flemish administration (12,000 public servants) to drink Fair Trade coffee. FTO struggles with the confusion caused by its name which is a 'brand' as well as a generic type of trading.

Maya gathers both the NGO Miel Maya Honing (which is subsidised for educational activities and partner support in the South) and the non-profit organisation *Maya Fair Trading*. *Maya Fair Trading* imports and wholesales honey and honey products from producers in the South (Mexico and Guatemala). *Maya FT* supplies the World Shops in all of Belgium, some chains of supermarkets and quite a few Fair Trade retailers in other European countries (Germany, Netherlands, France, eg *Solidarmonde*). *Maya* has chosen not to become a part of the Oxfam World Shops group in order to preserve its specific know-how and its ties to the producers.

All in all, the Belgian importer and wholesaler scene is quite transparent, with neither a complete monopoly nor an all-out competition situation. The four organisations have all consolidated their position, work in agreement with each other and do not confine their operations to Belgian territory alone.

Max Havelaar

Max Havelaar Belgium is the national Fair Trade label organisation, backed by a coalition of 28 member organisations. *Max Havelaar* started with

labelling coffee and bananas. At present, the consumer finds a range of 38 brands (and 179 products) for all of which the Max Havelaar logo guarantees a fair price for producers in the South. Together with the Oxfam group, Max Havelaar may be called the stronghold of the Fair Trade movement in Belgium. Just like Oxfam, Max Havelaar has a double structure. The NGO carries out three main tasks: (1) keeping in contact with the producers in the South, (2) controlling the use of the label in Belgium and (3) campaigning about Fair Trade. The NGO has a membership structure in which development NGOs as well as consumer organisations are members. They get subsidies from the government. The *Co-operative Society* does the marketing and the sale of the label. The income from this is used for promotion and developing new activities.

The Max Havelaar label does not just mean a better price for the individual producer. In Bwamanda (Democratic Republic of Congo), Fair Trade helped a region twice the size of Belgium to survive. CDI Bwamanda (Centre Development Integral) produces robusta coffee for quite a few years already. In 2003, the recognition by the Max Havelaar label led to a sales increase of 25%. During the war years CDI kept 5 hospitals and 80 medical centres running through the income from Fair Trade – in some cases they were able to relaunch the facilities after violent looting by irregular troops. With the income provided by Fair Trade coffee (and the pre-financing that comes with it), the agricultural products of the farmers could be bought, despite of the fact they could not (due to the war) be shipped and sold. Fair Trade prevented a standstill of activities and a walk-out by the farmers. In Through this, six to eight hundred thousand people could maintain an access (whether directly or indirectly) to the most elementary services which otherwise may have been non-existent in the region.

Campaigners and new challenges

In the last decade a plethora of campaigns about Fair Trade has been organised.

The last one (still going on) is called 'Ik ben verkocht' (I am sold), run by Oxfam, Max Havelaar and the NGO Vredeseilanden (who also works with coffee co-operatives in the South). The campaign aims for target groups

(schools, pubs, companies) to present themselves as being 'sold' to the Fair Trade cause.

The Belgian Technical Co-operation (the government's official development agent) has created a Fair Trade Centre, which is responsible for organising Fair Trade Week once a year (usually in October). During that week, Fair Trade is brought explicitly to the attention of the public through television spots, presentations at fairs and trade shows and a prominent presence in supermarkets. Apart of that the Centre is meant to act as a Fair Trade observatory (still to be implemented) and to pre-finance and support Fair Trading partners in the South.

The decentralised structure of Oxfam World Shops makes for many local campaigns at the initiative of local groups of volunteers. Often they are joined by other local NGOs and city councils. In 2002 for instance, Oxfam World Shops had contacts with about 300 schools (either invited them or were invited) and another 300 contacts with all sorts of civil society groupings (trade union, youth movements, activists, socio-cultural groups etc).

Sociologically, Fair Trade activities have thus far largely been dominated by the NGO-world. The products' distribution typically is realised either through the importers own network (Oxfam Wereldwinkels, Magasins du Monde, Maya, FTO) or through the classic distribution network which buys exclusively from those four.

Recently, a new market segment has emerged: private companies selling products through their own networks. They are self-announced Fair Trade organisations such as Andines in France and Citizen Dream in Belgium who work like private commercial companies, keeping in mind the whole structure of costs related to commercial activities and thus, fixing with producers the real price that really covers all the production costs and leaves room for investment. Technically speaking, they fall under the banner of 'ethical trade' but they certainly provide a challenge to the 'classical' Fair Trade actors. Additionally, some supermarkets (such as Colruyt) prefer to work directly in the South, ie supporting development projects rather than sell Fair Trade products. This means that the challenge for Fair Trade is not only to conquer the consumers market but also to compete with related concepts such as 'ethical trading' and 'sustainable enterprise'.

Some figures: market shares and people involved

By and large, one could say that about 160 to 170 people are employed directly in the Fair Trade sector. The number of volunteers will be about 10,000, the lion's share of them working for the World Shops (mostly in one of the nearly 300 outlets).

The turnover for 2004 at wholesale level was €18 million (ie €15.5 million to the account of Oxfam, roughly €1.5 million for FTO and another €1million for Maya). At retail level the turnover would evidently be higher (no figures available).

Comparing the market shares per product for 2001 and 2004 (source: Max Havelaar):

Table 2 Market share of some Fair Trade products

Product	Market share in 2001	Market share in 2004
Coffee	1.1%	1.7%
Bananas	1.3%	4.0%
Fruit juice	0.0% (2002)	0.9%
Tea	0.0% (2002)	0.3%
Sugar	1.5% (2002)	3.9%
Chocolate	0.0% (2002)	0.5%
Honey	1.3%	1.6%

It could be added that prior to 2002, only Fair Trade coffee, honey and bananas were labelled as such. To market chocolate in Belgium looks like being in for a hard time, as Belgian chocolate manufacturers have a strong grip on the market.

Co-operatives in Belgium and their relation to Fair Trade

Co-operatives in Belgium today

The co-operative form of enterprise was introduced in Belgian law as early as 1873. However, legislators neglected to define the distinct nature of co-operative enterprise. As a result, the co-operative enterprise is not much

more than a very flexible form of company with variable capital, flexible membership rules and limited or joint liabilities. Many enterprises have therefore assumed this legal form even though they have little in common with co-operative values and principles. It was the establishment of the NRC (National Co-operative Council) in 1955 that contributed to the identity of 'real' co-operative enterprises. By the end of 2001, the national register of the Ministry of the Interior counted 28,933 co-operative enterprises, of which only 572 were accredited by the NRC (600 at present).

Of these 59 were consumer co-operatives, 337 agricultural co-operatives, 32 production and retail co-operatives and 144 service co-operatives (among which a number of large financial groups). The two thirds of these accredited co-operatives are situated in the French-speaking region of Belgium.

Another division is between the 'traditional' co-operatives and the 'new' co-operatives. The latter are to be found in the social and solidarity based economy projects, many of them in the French-speaking community (where unemployment figures are quite high by European standards). Among the former are the most prominent: the large financial co-operatives (linked to social movements), retail groups (notably in the pharmacies sector) and agricultural co-operatives.

The largest *financial co-operatives* are: Arco Group, Cera Holding, P&V Group and Landbouwkrediet.

Arco Group is firmly embedded in the Christian workers movement whose members constitute the shareholders (totalling 900,000 people and a number of affiliated institutes and associations). They provide discounts for shareholders at a number of movement-related services (legal assistance, tourism, banking, insurances, building etc). Equity capital is €1.1 billion (by mid 2004). They support social economy projects, sustainable development, solidarity with social movements in the South etc.

Cera Holding is a co-operative group with a significant interest in the successors to the Raiffeisen banks (notably the KBC bank, one of the top four Belgian banks). Cera Holding counts about 450,000 associate shareholders (private families). Equity capital was €3.4 billion in 2002. The participation though is indirect through advisory committees. Social commitment goes through projects selected by these committees.

Prévoyance & Voorzorg Group is a co-operative (mutual) insurance company, operating with and within the institutions of the Socialist workers

movement. They control a number of bank and insurance companies and the Multipharma group. Their equity capital is €182 million (2002). Participation is by and through institutional clients (public service administrations, trade unions, health insurance companies and various associations). *Landbouwkrediet* is a rural co-operative bank, with financial and other services catering basically for farmers, horticulturists and rural industries. By mid 2003, equity capital was €331 million (with nearly half of it 'co-operative capital').

Co-operatives play a major role in the *agricultural* sector by providing a circuit for jointly supplying raw materials and fertilizers as well for commercialising agricultural products. In dairy products, co-operatives (with Milcobel as the largest) have about 50% of the market. The VBT co-operative has a market share of 80% in the sector covering fruit and vegetable auctions. On the supply side, the Aveve shops (offering animal feed) are owned by a co-operative group controlled by the farmers' movement. Within the farmers' movement, a Co-operative Concertation Platform has been created to support the local farmers' circles (who provide mutual support in stock breeding, machine sharing, joint labour contracts etc). The Platform's long term objectives are to enhance farmers' involvement with co-operatives and to combat the concentration of food distribution into the hands of a few large retailers.

The third sector where co-operative have a presence is the distribution of pharmaceuticals, where they have a market share of 22%. Here co-operatives play a major role in keeping the prices down, giving low income groups access to medicines.

The 'new' co-operatives are often gathered in structures providing financial and organisational assistance. Febecoop (Federation of Belgian Co-operatives) is affiliated with the Socialist workers movement and has a score of members among co-operatives in sectors like recycling, biological agriculture, housing and real estate, cultural centres, social economy, employment initiatives for socially excluded etc. The already mentioned P&V and Multipharma group are members as well. There are quite a few other co-operative structures like this (Vosec, Hefboom, Credal etc to name a few).

The economic significance of the whole of the co-operative sector (ie all companies with this legal form) is not known. If however we limit ourselves to the co-operatives accredited by the NRC (in other words, only the

co-operatives who have underwritten the co-operative values and principles), we come to a combined equity capital of €8.3 billion with 2.2 million shareholders, 6,200 jobs (and indirectly another 50,000 to 100,000 jobs).

So, although Belgium certainly is not a typical 'country of co-operatives', the co-operative sector does have an impact on some sectors of Belgian society. The efforts to revitalise the sector by the NRC and both the farmer and the labour movements and the challenge by the many grass-root social economy initiatives are encouraging signs for the future.

Co-operatives and Fair Trade in Belgium

The Belgian co-operative movement failed to make their stake in the wave of new super- and hypermarkets which would begin to dominate the retail sector from the 1970s onwards. In the period before this, consumer co-operatives were firmly embedded in the workers movements. They had a chain of outlets all over the country (type of mini-markets) which were known to sell cheap products compared to regular shops and outlets. The supermarkets (Delhaize, Colruyt, GB, Match, Champion, Aldi, etc) took over that role and the co-operatives simply disappeared from the retail trade, with just one exception: Alvo. Alvo is a co-operative group of 84 small supermarkets, spread over the Flemish region, Brussels and Luxemburg. Their origin goes back to World War II, when a number of grocery shops combined their efforts for supplying and stocking. They became a co-operative society in 1952. Today, their equity capital is €72000 Euro and their gross sales total €82 million. Since 2003, they have an agreement with the Colruyt group to have the supply of the Alvo stores organised by Colruyt. As for Fair Trade products, Alvo is supplied directly by Oxfam Fairtrade. It is left to each of the 84 Alvo shops whether or not they offer Fair Trade products to their clients. About a third of the shops do. The Alvo policy is to evaluate the offering of Fair Trade products solely in terms of profitability. So far, the evaluation has been positive, even when Fair Trade constitutes less than 1% of total sales.

There are a few other examples of co-operative retailing offering Fair Trade products (such as Districo-shops in Wallonia) but here we talking about very small businesses.

Another involvement of co-operatives in Fair Trade has already been mentioned: the *Fair Trade agents* themselves. Oxfam World Shops and Max

Havelaar have adopted the co-operative legal form for their strictly economic activities. The main reason was to separate the economic activities from the (governmentally subsidised) social and campaigning activities.⁵

Oxfam Fairtrade is largely controlled by Oxfam World Shops (with 72% of the shares) while local affiliated world shops, private persons and friendly institutions take on the remainder. The choice for a co-operative form (rather than a limited liability company) had to do with the co-operative values and principles, as well with the certainty that this new structure would not slip out of the control of the Fair Trade movement. Moreover, the transparency of the shareholder club (all known by name) and the fact that shares would keep their nominal value indefinitely (and profits would be re-invested) served as an extra argument in favour of making it a co-operative society.

Max Havelaar was also created as a co-operative society, specifically for the commercial development (marketing and sales) of its label. The capital comes from a group of large shareholders in the financial and co-operative world (Dexia, Fortis, Hefboom, Triodos Fund, Credal, etc). The income is provided by the rights of the Max Havelaar licenses. The co-operative structure was chosen to guarantee the control by the members (all of them 'friendly institutions').

A third line of co-operative involvement is to support the Fair Trade *producers* in the South directly. Here one thinks of the Belgian Raiffeisen Foundation, the international division of the Cera Foundation. The Raiffeisen Foundation however is specialised in co-operative banking, saving and loans groups and micro-insurance, rather than Fair Trade as such. The farmers' movement (Boerenbond) has its own involvement in the South through Agricord, an agency founded by farmers' movements in the North to strengthen farmers' movements in Asia, Africa and Latin America. Fair Trade does not feature as the primary objective but is understood to be an indirect consequence of farmers in the South becoming more self-conscious and better informed of trade conditions.

The one co-operative who does support Fair Trade partners in the South is the investment society *Alterfin*. Alterfin was founded in 1994 by a number of NGOs and banks in order to provide loans, mortgages or financial

³ About the other importers: Maya has responded to this demand by creating two regular non-profit organisations. Fair Trade Organisation (FTO) is not subsidised and could remain within one structure.

participation to producers and NGOs in the South. Alterfin has an equity capital of €5.4 million and is owned by 866 institutional partners and over 750 private partners.

12 of the 40 or so partners in the South are genuine Fair Trade producers (in Peru, Ecuador, Chile, Honduras, Nicaragua, Guatemala and El Salvador), counting for 40% of the invested capital. The investment comes under the form of pre-financing (whereby the pay back goes through Oxfam Fairtrade) and technical assistance (through NGOs such as Vredeseilanden).

Overall, the mutual interest of the co-operative and Fair Trade sectors is not exactly overwhelming. The exit of co-operatives from the retail sector may be the single most important reason that the traditional Belgian co-operative sector has missed the chance to become the distribution vehicle for the Fair Trade market. That said, the interest comes more from the other way round: Fair Trade agents growing big (and leaving the 'safe' NGO playground) may find the co-operative form quite attractive as a means to hold a solid grip on Fair Trade business. This way they also may preserve the Fair Trade orthodoxy from becoming diluted by the commercial sector cleaning up its image.

To conclude; prospects and challenges

Still we want to reiterate the most striking features of both Fair Trade and co-operatives in Belgium and to review prospects and challenges.

Fair Trade has a considerable presence in Belgium having a strong movement with thousands of volunteers and one strongly grounded in the country. The Fair Trade label is well known and positively appreciated and there is growing consumer awareness in general. There is also transparency in Fair Structures including control and labelling systems. An ongoing debate within the movement focuses on the role of Fair Trade - whether it is development model aimed at marginalised farmers or one aimed at developing a new economic model to provide an alternative to market economics.

However, Fair Trade products lack visibility for much of the public being sold through world shop rather than supermarkets reflecting shallow interest from a commercial sector concerned primarily with protecting their reputation. Alongside this, is a situation where although there are over two million co-operative members in Belgium there is an absence of co-operative retailing.

The potential for increased co-operative engagement in Fair Trade however do provide some prospects for future growth and collaboration. The NGOs supporting Fair Trade provide energy for campaigns in the north and developing producer support in the south. This could be linked to the renewed interest expressed by some sections of the co-operative movement in playing a more active role in society. What is probably most needed at this stage is an institutional regrouping of genuine co-operatives, giving them visibility to the public and enabling them to act as spokespersons to other sectors such as the Fair Trade movement.

Annex: In the Netherlands

The structure of Fair Trade in the Netherlands

(source: www.eftefairtrade.org – figures refer to the situation in 2001)

The Netherlands has one of the most mature Fair Trade markets in Europe with a large number of importing organisations, a very dense network of world shops and one of Europe's biggest labelling organisations.

As such it has often served as a model for others. In the seventies, Fair Trade Organisatie (or more correctly, its predecessor SOS Wereldhandel) helped to build up Fair Trade organisations in neighbouring countries and in the nineties the Max Havelaar Foundation became the model followed by labelling initiatives all over the world.

Fair Trade Organisatie is by far the largest Fair Trade importer, accounting for 63% of all sales made by the Dutch world shops. The organisation sources products from 85 producer groups and its 100 employees service the Dutch market with a broad range of food and handicraft products. Fair Trade Organisatie runs six Fair Trade shops of its own and is currently embarking on an important programme of franchising shops.

Fair Trade Organisatie is very active in education, information and lobbying. Recent themes include the fight for better labour conditions in the football manufacturing industry in Pakistan, building up pressure for a code of conduct in the Dutch coffee sector and convincing public procurement officers of the added social value of Fair Trade.

The second largest importer *De Evenaar*, has a market share of about 10% in the world shops, and concentrates on handicrafts rather than on food.

Both importers head a list of 27 certified Fair Trade suppliers which have been officially recognised by the Dutch world shops association. Whereas the big suppliers provide food and non-food products alike, the smaller ones focus exclusively on handicrafts, many of them sourcing from only one or two countries. Some of them are members of the NIVAH (Nederlandse Importeurs Vereniging Alternatieve Handel), the Dutch Association of Fair Trade Importers.

The first Dutch world shop opened in 1969. Today the Dutch World Shops Association, *the Landelijke Vereniging van Wereldwinkels (LVWW)*, has 400 member shops. The organisation has 9 employees and helps world shops with sales development, public relations and political action. This assistance is provided through courses, publication of material, advice on shop management and in public relations, ready made advertisements for local shops, hosting visits by producers from the South, supply of materials and advice for campaigning etc.

The shops are becoming more professional in their operations and a corporate identity is being developed. 86% of the shops now use the same logo or a slightly adapted form of it.

About 10% of the world shops have paid staff, representing approximately 22 fte employees. However, Fair Trade in the Netherlands would not be possible without the dedication of approximately 12,000 people working on voluntary basis in the world shops and the groups.

The Stichting Max Havelaar, the Dutch label organisation, has played a pioneering role in opening supermarkets to Fair Trade products. With the strength of its 15 member organisations it has been successful in placing the label on coffee, tea, honey, cocoa/chocolate, bananas, and, from September 2000, on orange juice as well. More than 30 license contracts ensure that Fair Trade labelled food products are now available in 2,200 supermarkets all over the country, (representing nearly 90% of all Dutch supermarkets).

There is no formal national forum for co-operation between the different Fair Trade players but there are many irregular, less formal meetings and contacts between the organisations.

The Fair Trade market in the Netherlands

The two largest Fair Trade importers have a turnover of €17.1 million, Fair Trade Organisatie accounting for over 90% of this figure. The World Shops network represents €20.4 million net retail value. Sales of food products account for 36% of this.

The net retail value of products sold under the Max Havelaar label is about €34 million, of which more than 80% is made outside traditional Fair Trade outlets. Products carrying the Max Havelaar label have a market share of 2.7% (for coffee) and over 4% (for bananas).

Many public institutions have switched to and stayed with Max Havelaar coffee and tea. Many schools and the majority of Dutch municipalities serve and consume Fair Trade hot drinks, as do many departments of Ministries and the Dutch Parliament. Many companies now offer Fair Trade products in the traditional 'Kerstpaketten', the Christmas packages that companies give their employees at the end of each year.

The success and popularity of Fair Trade in the Netherlands is confirmed by market research showing that 74% of the Dutch population know what Max Havelaar stand for (Trendbox, 1999). Active brand awareness for the coffee is 20%, with passive awareness at 90%. The respective figures for bananas are 18% and 56%.

Being the focus of attention for many consumers and political decision makers, it is important that all Fair Trade players, particularly the world shops (who are closest to the consumers) must continue to become more professional.

Taking up this challenge, the Dutch world shops association LVWW is working on a project called 'Tranformatie' (transformation), aimed at making the world shops even more attractive to the public. To best serve the needs of consumers in different locations, four different shop profiles have been developed, based on market surveys and studies. The profiles are now being tested by a small number of world shops, that have agreed to act as pilot shops. It is hoped that clarification of the identity and the image of a shop will lead to better recognition of world shops, to more and new customers and, last but not least, to higher sales figures.

Table 3 The Netherlands (figures of the Fair Trade sector, 2001)

<i>Importing organisations</i>	27
<i>Sales Outlets</i>	
– World Shops	400
– Supermarkets	2,200
– Others	2,800
Total	5,800
<i>Paid Staff (full-time equivalent)</i>	
– Importing organisations	111+
– World shops association	9
– World shops	22
– Max Havelaar	10
Total	152+
<i>Volunteers in world shops + groups</i>	12,000+
<i>Label</i>	Max Havelaar
<i>Turnover, in € thousand</i>	
– Importing organisations	17,100+
– World shops, net retail value	20,400
– Max Havelaar, net retail value	34,000
Total	71,500+
<i>Expenditure on Education/PR/marketing, in € thousand</i>	
– Importing organisations	1,010+
– World shop association	220
– Max Havelaar	1,000
Total	2,230+
<i>Public awareness of Fair Trade</i>	
Knowledge of Max Havelaar	74%
<i>Market shares in %</i>	
– Max Havelaar coffee	2.7
– Max Havelaar tea	0.7
– Max Havelaar bananas	4.2

Co-operative involvement in Fair Trade

As in Belgium the involvement of the co-operative sector in Fair Trade in the Netherlands is more directed to the South (supporting the producers) than to the North (retailing). Two large organisations catch the eye: Oikocredit and Rabobank Foundation.

Oikocredit was created 'to build bridges between rich and poor, by making credit accessible to the disadvantaged of this world.' Oikocredit functions as an alternative bank or investment instrument. By investing in Oikocredit, churches, non-profit organisations, other institutions and individuals provide funds, which Oikocredit can subsequently use to provide loans to enterprises run by poor people in developing countries and Eastern Europe.

Oikocredit has its main office in Amersfoort, Netherlands, and regional offices in 16 countries in Africa (5), Asia (3), Latin America (5) and Eastern Europe (3). In addition, Oikocredit has support organisations in 17 countries in Europe, North and South America and Asia. Two important sectors of project funding are agricultural processing (13% of funds in 2001) and trade (12%). The latter includes ATOs and their Fair Trade partners in the South (www.oikocredit.org)

Rabobank Foundation was established by the Dutch Rabobank (a co-operative bank, which is among the four largest banks in the Netherlands) with the objective of supporting small-scale projects to achieve rural development on a viable economic basis. Their assistance is based on a longstanding expertise in rural savings and credit co-operatives. Rabobank Foundation can offer:

- Grants for small projects with a local or sub-regional outreach;
- Concessional loans to finance credit funds and productive investments by co-ops.
- Guarantees to local banks financing a co-operative development project.
- Technical assistance and advisory services for co-op savings and credit institutions as well as to Fair Trade producers.
- In exceptional cases, equity, participations and other risk capital for co-op enterprises (see: www.rabobankfoundation.nl).

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