# THE INTERNATIONAL FAIRTRADE MOVEMENT AND PROSPECTS FOR CAMEROONIAN PRODUCER ORGANISATIONS

**Prepared by**

**Dr Michael Njume Ebong**
**International Development Consultant**

**For Project**

## Professionnalisation Agricole et Renforcement Institutionnel (PARI )
## AFD/MINADER

**CONTENTS**

## ACRONYMS

| | |
|---|---|
| **AFN** | African Fair Trade Network |
| **CHEDE-MUAFCOOP** | Chede-Muambong Farmers Cooperative Society |
| **EFTA** | European Fair Trade Association |
| **EPA** | Economic Partnership Agreement |
| **FINE** | Grouping of FLO/IFAT/NEWS/EFTA |
| **FLO** | Fair Trade Labelling Organization |
| **FLO-CERT** | Fair Trade Labelling Organization (Certification) |
| **FT** | Fair Trade |
| **IFAT** | International Association of Fair Trade |
| **IMF** | International Monetary Fund |
| **KONAFCOOP** | Konye Area Farmers Cooperative Society |
| **MACEFCOOP** | Mamfe Central Farmers Cooperative Society |
| **MINADER** | Ministry of Agriculture and Rural Development |
| **NEWS** | Network of European World Shops |
| **NGO** | Non Governmental Organization |
| **OPCC** | Organisation des Producteurs du Coton du Cameroun |
| **PARI** | Professionnalisation Agricole et Renforcement Institutionnel |
| **SODECOTON** | Société de Développement du Coton |
| **WTO** | World Trade Organization |

## INTRODUCTORY NOTE

This study has been conducted at the request of the PARI Project (MINADER) which provided terms of reference summarized as follows: to define the concept of Fair Trade (FT) and trace its origins and evolution; to present useful data showing the importance of FT for Africa and Cameroon, and review its market strategy and major characteristics; to outline the FT certification process for small farmer organizations and their products, focusing on the benefits and constraints to be expected, and highlight the work of the African Fair Trade Network (AFN). With respect to the Cameroonian context more specifically, the terms of reference included an overview of currently FT-certified organizations in Cameroon, their operations and products, as well as an analysis of FT's poverty reduction impact for certified groups, leading to the drawing of lessons, conclusions and recommendations to MINADER.

The report has been prepared strictly in accordance with PARI's terms of reference as can be seen in the executive summary which follows. In terms of methodology, preparation of the report involved initial research work and data gathering and compilation from a wide body of literature on the subject of FT. This task yielded much of the information and analysis contained in the six chapters of Part I of the report. A questionnaire and interviews were used to gather information for Part II of the study.

The interviews covered the officials and, in some cases, the members of the Cameroonian FT-certified producer groups included in the study, as well as officials of two organizations (Bio Tropical and UNA-PAC) which are certified for organic production and trade but not (yet) for FT. Although these two organizations are not specifically included in the report's analysis, their insights yielded some useful comparisons between the organic and FT specialist markets. Altogether, over 20 persons were interviewed for this work.

The author records his appreciation to the PARI Project for this very instructive assignment, and also to all those who contributed their views in writing and during interviews towards the preparation of the report. He takes sole responsibility for the final product.

# EXECUTIVE SUMMARY AND RECOMMENDATIONS

## Executive Summary

This report provides a general overview of the FT movement and a detailed analysis of the Cameroonian context of FT. Part I looks at the global FT community and its prime movers in the North and South. This part comprises six chapters covering the FT concept; its origins and growth; the global FT market; the FT model in practice; certification of smallholders; and the African FT Network.

The main facts to be retained in this first part are the following: FT is a citizens and ethical movement fostered by civil society organizations in the developed countries, which consider that conventional free trade orthodoxy is unfair to Southern producers, particularly in the agricultural and rural sector where endemic poverty happens to be widespread, and which is adversely affected by subsidies enjoyed by farmers in the developed countries. FT differs from conventional free trade in several ways: it guarantees a stable price and promotes a long-term commercial relationship between Southern producers and Northern traders; it provides a development premium to producer organizations, and strengthens their self-reliance for social, economic and environmental development. These benefits are thought to outweigh the additional workload constraints that FT certification implies for small organizations.

The FT community has evolved rapidly from the late 1950s as a market for handicrafts from the South to become a major and thriving market segment that has penetrated mainstream supermarket chains in the North. Instrumental to this rapid growth has been the creation of FLO in 1997, which brought some order and homogeneity to the previously disparate ethical initiatives in different countries, leading to the development of a uniform FT certification mark. FLO and its constituent national entities have thus been key players in the expansion of FT purchases, projected to grow at about 16 per cent per annum over the next several years. But FT's overall share of the world market for food and agricultural products remains insignificantly small at barely 0.1 per cent. This statistic suggests that FT cannot be the silver bullet for reducing mass poverty in the developing countries.

On the supply side, certified producer organizations are concentrated in Latin America which accounts for just over 50 per cent of all certified producers, over 80 per cent of certified coffee growers, and over 70 per cent of certified banana producer groups. In Africa, certified organizations are concentrated in East Africa (37.2 of all African certified producer groups) and Southern Africa (30.2 per cent); followed by West Africa (22.2 per cent); North Africa (8.1 per cent) and CEMAC (2.3 per cent). CEMAC has only five certified groups, all in Cameroon. As such the CEMAC sub-region is at present not represented in the African continental Fair Trade Network. Generally, with few exceptions, Francophone Africa weighs little in the history and present operations of the FT movement.

Part II of the report covers the Cameroonian context more particularly. At present there are only 4 certified producer organizations (excepting Sodecoton which is certified as exporter and also happens to be a State company and therefore not a producer group concerned by this report).While the four groups in question offer somewhat contrasting lessons with respect to their relative success in penetrating the FT market, key common denominators stand out.

Firstly, success in the FT market probably depends less on being FT-certified and more on the type of product offered to this market segment. In this respect, OPCC has been hugely successful in selling on FT market terms and conditions because it has been able to find FT buyers for its cotton (though not without some help from Max Havelaar France and other partners), whereas Konafcoop and Chede-Muafcoop have not yet been able to sell their Robusta offering to a FT importer after over two years of certification.

Secondly, although it has not yet sold on the FT market, the Chede-Muafcoop experience demonstrates that the FT certification can be used in non commercial ways to project the local and international credibility and visibility of the certified producer in question and to use such assets for project fundraising in the pursuit of poverty reduction in the rural zones. That objective happens to coincide with the main preoccupation of the FT movement which regards itself as a pro-poor initiative.

Thirdly, the experience of OPCC, which within a few years of certification, has been able to harvest substantial gains for its members (increased and sustained farmers' incomes and many community development projects in existence or in the pipeline) provides conclusive evidence that the FT model holds significant benefits for certified producer groups able to penetrate the FT market, including benefits for the community at large.

OPCC's success also derives from its capacity to apply FLO's standards, especially the social standards, supplemented by OPCC's own locally-specific standards for its group members wishing to join the FT community. The FT standards required for certification are similar in essential respects to the provisions of Law No. 92/006 of 14 August 1992 on Cooperative Societies and Common Initiative Groups. However many cooperatives find it difficult to apply this Law faithfully to the letter for various reasons, such as poor rural road infrastructure and transport and communication systems, deficient marketing capacities, especially for export trade, limited practical support from public authorities, or short supply of technical and administrative skills in the rural sector.

Accordingly, the report recommends that MINADER should explore the ways and means of implementing the concept of a "network of lead cooperatives" in Cameroon, with prime focus on the Divisional level, so as to foster the capacity of the cooperatives to engage FT, other ethical and related trade sectors such as the organic and gourmet niche markets, and conventional export trade more generally. Additionally, a Cameroon Fair Trade Forum is suggested to lead the way for a FT movement in Cameroon and the CEMAC sub-region.

## Key Recommendations

**Recommendation 1: Enabling practical measures to foster the capacity of Cameroonian producer organizations**

**1.1.** Considering that one of the main benefits that FT brings to certified groups is the strengthening of their operational capacity for self-reliant development, and that FT social standards are similar in essential ways to the provisions of Law No. 92/006 of 14 August 1992 on Cooperative Societies and Common Initiative Groups, MINADER may wish to consider additional practical initiatives that enable Cameroonian producer organizations to function efficiently and effectively as agricultural and rural development agents in their respective areas of jurisdiction, including in marketing operations, and that enhance their skills and facilities for FT and organic certification, for local and export agricultural trade generally, and for fundraising for community development projects.

**1.2.** The additional practical measures referred to in recommendation 1.1 above could include the selection, based on specific criteria and products (crops and livestock), of a lead producer group in each Division that would be strengthened to operate as MINADER's conveyor belt to other groups.

**Recommendation 2: Creation of a Cameroon Fair Trade Forum**

**MINADER may consider encouraging currently FT-certified producer organizations in Cameroon to create a Cameroon Fairtrade Forum with the following terms of reference:**

**2.1.** Facilitate periodic and systematic sharing of knowledge and experiences among Cameroonian FT-certified groups and seek solutions to common problems;

**2.2.** Serve as information and facilitation desk for other groups in Cameroon and CEMAC sub-region wishing to join the international FT community;

**2.3.** Assist members in the export marketing of their products through FT, organic, and conventional channels;

**2.4.** Work towards the creation of a CEMAC FT network to complete the sub-regional structures of the African continental Fair Trade Network (AFN)

**Recommendation 3: Capacity building support for Fairtrade-certified producer organizations**

MINADER might wish to study, within or outside the context of Recommendation 2 above, the ways and means of supporting producer organizations already certified for FT so as to enhance their operational capacity to maximize the benefits of certification.

# PART I

# OVERVIEW OF THE FAIRTRADE MOVEMENT

## 1. CONCEPT

The basic rationale behind the fair-trade (FT) movement is that the international trading system is unfair to poor agricultural producers in the developing countries. Contrary to the advocates of free trade, FT proponents consider the global marketplace to be imperfect and unbalanced. They argue that despite the rhetoric of the rich countries on free trade, these countries continue to protect their markets and producers with high tariff walls and domestic and export subsidies, even as they push for the liberalization of developing country markets within international organizations such as the World Trade Organization (WTO), Bretton Woods institutions (World Bank and the International Monetary Fund (IMF) and through regional trade agreements such as Economic Partnership Agreements (EPAs).

As more specifically defined by a coalition of FT organizations known as FINE[1] :

***"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, marginalized producers and workers – especially in the south. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practices of conventional international trad***e"

FT can thus to likened to a citizens movement driven essentially by civil society organizations and consumers in the northern hemisphere who seek to mitigate poverty in the developing countries by campaigning for and practicing what they consider to be more equitable and balanced North-South trade relations that ensure benefits for the poor in economic globalization processes. More concretely, the FT system addresses the perceived inequities in international trade through a range of actions, including in particular:

- Encouraging more direct trading relationships in the supply chain (involving producers, buyers, exporters, importers, distributors, manufacturers, and retailers), so that producer groups are linked directly as much as possible to the consumer market and thereby obtain significant share of the market price;

- Helping small farmers to work together in co-operatives and associations, to share market information, and strengthen their bargaining power in the supply chain;

- Ensuring minimum prices that cover the cost of production and a sustainable livelihood, plus premium payments to be invested in community development projects and future business improvements, including diversification to other product lines;

- Offering advance credit facilities and more stable, longer term trading relationships to

[1] FINE stands for FLO, IFAT, NEWS, and EFTA

reduce market uncertainties and risks for the farmers involved;

- Raising the awareness of producers in the developing countries about environmental concerns by encouraging them to apply sustainable production practices (e.g. FT environmental standards for different products).

By campaigning actively for international "trade justice" for the poor, FT organizations hope to achieve three interrelated objectives: (1) alter existing conventional trade rules and practices in favour of producers in the developing countries; (2) increase consumer demand for FT products in the developed countries; and (3) ensure that the benefits derived by FT certified groups in the South are indeed employed for poverty relief (social development) and institutional strengthening (e.g. improving the management and export capacities of certified producer groups). In other words, the more consumers buy FT products, the more producers in the developing countries stand to benefit from the system and have the opportunity to grow out of poverty.

Overall therefore FT differs from the conventional trading system in that it emphasizes ethical considerations of "justice", fairness, social development, and consumer solidarity with the poor. However, it has been argued by some critics of the FT model that its central objective of using trade as a tool for reducing poverty in the South through more equitable North-South trade relations is basically the same objective claimed for free trade by classical economic theorists. They cite the examples of those developing countries, especially in Asia (e.g. China, India, Singapore, and South Korea) which have considerably reduced their poverty rates in the past decade by engaging the international free trade system more dynamically.

According to this view, the solution to poverty in the South is not "fair trade" but rather the comprehensive capacity (political and economic willpower, adequate infrastructure, technological, organizational, industrial, and marketing skills) of the developing countries to use global free-trade arrangements astutely if not optimally as a source of their economic growth, wealth creation and poverty reduction[2].

FT shares other similarities with global free trade, particularly as promoted by WTO, with respect to the quality, health and environmental standards it requires poor producers in the South to apply before they can be certified for FT. Some of those standards, such as

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[2] This argument is articulated amongst others by Adam Smith Institute in London which, in a 2008 paper, labelled fair-trade as "unfair trade" and stated the following: *"At the end of the Second World War, Hong Kong was poorer than many African countries. Advocates of 'fair' trade argued for boycotts of items produced in Hong Kong's 'sweatshops'. Yet by working with the free market – abandoning tariffs and resisting regulation – Hong Kong's economy soon outstripped not just the African economies it once lagged behind, but overtook the UK within thirty years. At the same time, some African countries have actually become poorer. An important part of the reason why they did not keep pace with Hong Kong is that they adopted diametrically opposed attitudes to international trade…Any scheme for the control of trade provides opportunities for bribery and graft, and customs officials, the frontline of economic protection, are among the worst offenders. In one African country, the bribe merely to train as a customs officer was ten times the average national income".* Unfair trade by Marc Sidwell, Adam Smith Institute, London, 2008.

environmental protection, seem to be even more stringent than those applicable under WTO rules. Similarly, as a concept FT seeks to level the international playing field for developing country producers through the reduction or elimination of trade tariffs and various subsidies received by producers in the developed countries. That is exactly the same objective pursued by free trade advocates and WTO - albeit through formal negotiations as opposed to the public and consumer campaigns used by FT organizations.

## 2. ORIGINS AND GROWTH

The several accounts of the history of FT suggest that the movement traces its origins from a growing awareness in the developed countries of the miserable conditions prevailing in the developing countries and attributed to economic exploitation by Northern companies and to unbalanced North-South trade relations. In this respect, a very popular 19$^{th}$ Century novel (1860) entitled "Max Havelaar" by Multatuli, pen name of a Dutch author (Edouard Douwes Dekker), contributed significantly to sharpening awareness of the conditions of workers in the developing countries because the fictional hero of the novel (Max Havelaar) denounced working conditions in Dutch colonies and was most critical of the exploitation of coffee pickers in those colonies by Dutch merchants.

Against this general backdrop of growing awareness in Europe and North America of economic deprivation in the South should be set the first concrete FT initiatives taken by diverse elements of the European and North American civil society and religious circles. A U.S. charity known as "Ten Thousand Villages" appears to be the first organization to be involved practically in fair-trade, also known as "alternative trade", by buying needlework from Puerto Rico as from 1946. By most accounts, the first "fair-trade" shop selling products branded as such opened in 1958 in the U.S.

In Europe, Oxfam UK began selling crafts by Chinese refugees in its shops in the late 1950s. In 1964, Oxfam created the first fair-trade organization. The Netherlands witnessed parallel initiatives at about the same period resulting in the establishment in 1967 of "Fair Trade Original" which, together with other Dutch third world groups, sold cane sugar with the message: "by buying cane sugar you give people in poor countries a place in the sun of prosperity". This effort evolved and diversified into the sale of handicrafts from the South, leading to the opening in 1969 of the first "Third World Shop" in the Netherlands. Since then, these shops, also known as fair trade shops in some countries, have played a major role in the FT movement, including active public campaigns and awareness-raising about the need for more equitable North-South trade relations.

According to the European Fairtrade Association (EFTA), the growth of FT from the late sixties onwards can be associated primarily with "development trade" or "alternative trade", which grew in response to poverty and sometimes disaster in the South and focused on the marketing of handicrafts from the South. These early initiatives were pioneered by major international non-governmental organizations (NGOs), also known as alternative trade organizations, and religious groups in Europe. These groups worked with producers in the South to establish Southern FT organizations that aimed to organize and support producers, provide social services and export their produce to the North.

The following landmarks[3] summarize the history of the FT movement over the past three decades or so:

**1973 :** The Dutch group "**Fair Trade Original"** imports the first "fairly traded" coffee from small farmer cooperatives in Guatemala and since then "fair coffee" has never stopped growing in Europe and North America. Building on the success of FT coffee, the FT product range expanded subsequently to include cocoa, tea, sugar, fruit juice, spices, rice, wine, etc. Non-food products include flowers and cotton.

**1987 :** The European Fair Trade Association **(EFTA)** is formed comprising the 11 largest European importers of FT products.

**1988 :** The **Max Havelaar** label is created by Solidaridad in the Netherlands as a FT brand. Products bought and traded respecting FT conditions qualify for this label, thus enabling such products to stand out distinctly on store shelves. This initiative is followed in other European countries and North America where similar non-profit FT labelling organizations are set up.

**1989 :** The International Association of Fair Trade **(IFAT)** is established as a global network of over 270 organizations sharing the objective of improving the livelihoods of disadvantaged people through FT. IFAT provides a forum for the exchange of information and ideas.

**1994 :** The Network of European Worldshops **(NEWS!)** is set up representing about 3 000 World or FT shops in 15 European countries. NEWS also coordinates public FT campaigns.

**1997 :** A world-wide FT association known as Fairtrade Labelling Organizations International **(FLO e.V.)** is created with an original membership of 14 FT organizations, currently counting 20 member organizations. Its mission is to set global FT standards, inspect and certify production, audit trade in accordance with its standards, and label products. This development is credited with enabling FT products to penetrate the mainstream business which now accounts for about two-thirds of FT sales.

**2002 :** FLO adopts a new international FT certification mark (CM) designed to harmonize different national labeling schemes[4] for retailing FT products worldwide, improve

[3] Adapted from "Sixty Years of Fair Trade" by the European Fairtrade Association (EFTA), November 2006 (www.efta.org)
[4] Three national labeling Initiatives have not yet adopted the new CM, namely Transfair USA, Transfair Canada, and Max Havelaar Switzerland who continue to use their own logos.

visibility of the mark on supermarket shelves, convey a positive FT image, facilitate cross-border trade and simplify procedures for importers and traders. To date over 20 Labelling Initiatives (members of FLO) have adopted the new CM. Actual certification is done by **FLO-CERT (GmbH)**, an autonomous body created by FLO to ensure that producers and traders comply with the FT standards established by FLO International.

**2004 :** Cooperation among the major FT organizations (FLO, IFAT, NEWS!, and EFTA) results in the establishment of **FINE** (standing for the initials of its member organizations). FINE establishes an office in Brussels with the mission to coordinate the advocacy activities of FT proponents at both the European and international levels.

Perhaps the most significant milestone in the evolution of FT as outlined above was the creation in 1997 of FLO International whose overall positive impact can be seen in the much harmonized FT system of operating principles and product branding as well as in the significant growth in the number of certified producer organizations, product range, and sales turnover. These developments are discussed in greater detail in the following chapter on the global FT market.

## 3. FAIIR TRADE MARKET OVERVIEW

### 3.1. The demand side (consumer market)

Although, as noted in the preceding chapter, the FT movement partly has its origins in the sale of handicrafts imported from poor communities in the South by development and missionary groups, food and agricultural products now account for the bulk of the FT product range in the consumer markets of the developed countries. The reason for this evolution may lie in the fact that poverty in the developing countries – which FT seeks to relieve through improved North-South trade links - tends to be concentrated in the agricultural and rural sector which, even today, still provides employment and livelihoods for the majority of the active population in the developing countries. The 14 main items currently fair-traded are: banana, cocoa, coffee, cotton, dried fruit, flowers, fresh fruit, honey, juices, rice, sportballs, sugar, tea, and wine.

Increasingly, FT has ceased to be confined to worldshops and specialist outlets to become a major segment of mainstream supermarket chains in the developed countries, to the point where these chains currently generate over 60 per cent of the retail value of fair-traded products. According to FLO, consumers worldwide in 2006 bought 1.6 billion Euros worth of FT certified products, representing a 42 per cent growth over 2005. FT products are now available at over 100,000 points of sales in the developed countries, close to 80,000 of which are in Europe alone. Datamonitor, a UK market analyst, forecasts that FT purchases will see double-digit growth of 15.7 per cent in the five years between 2007 and 2012 in France, Germany, Italy, the Netherlands, Spain, Sweden, the UK, the US, Australia, New Zealand, and Japan.

**Table 1: Estimated Fair Trade Retail Value in Million Euros 2005-2006**

| Country | 2005 | 2006 | % Increase |
|---|---|---|---|
| **United States** | 344.1 | 499.0 | 45 |
| **United Kingdom** | 276.8 | 409.5 | 48 |
| **Switzerland** | 133.8 | 135.3 | 1 |
| **France** | 109.1 | 160.0 | 47 |
| **Germany** | 70.9 | 110.0 | 55 |
| **Netherlands** | 36.5 | 41.0 | 12 |
| **Canada** | 34.8 | 53.8 | 54 |
| **Italy** | 28.0 | 34.5 | 23 |
| **Austria** | 25.6 | 41.7 | 63 |
| **Belgium** | 15.0 | 28.0 | 86 |
| **Denmark** | 14.0 | 21.5 | 54 |
| **Finland** | 13.0 | 22.5 | 73 |
| **Sweden** | 9.3 | 16.0 | 73 |
| **Norway** | 6.7 | 8.6 | 28 |
| **Ireland** | 6.6 | 11.6 | 77 |
| **Japan** | 3.4 | 4.1 | 23 |
| **Australia/NZ** | 2.5 | 7.2 | 191 |
| **Spain** | 0.03 | 1.9 | 7.474 |
| **TOTAL** | **1 132.4** | **1 609.0** | **42** |

*Source: compiled from FLO data*

**Table 2: Global fair Trade Sales (Metric tonnes) by Product in 2004-2005**

| Product | 2004 | 2005 | % Increase |
|---|---|---|---|
| Bananas | 80.641 | 103.877 | 29 |
| Coffee | 24.222 | 33.991 | 40 |
| Fresh fruit | 5.157 | 8.289 | 61 |
| Juices | 4.543 | 5.898 | 30 |
| Cocoa | 4.201 | 5.687 | 35 |
| Tea | 1.964 | 2.615 | 32 |
| Sugar | 1.961 | 3.613 | 84 |
| Rice | 1.383 | 1.704 | 23 |
| Honey | 1.240 | 1.330 | 7 |
| Cotton | -- | 1.402 | -- |
| Flowers[5] | 101.610 | 113.536 | 12 |
| Wine[6] | 617.744 | 1.129.508 | 83 |

*Source: compiled from FLO data*

As can be seen from table 1, the five leading FT consumer markets in 2005-2006 were, in descending order of retail value, the United States, United Kingdom, Switzerland, France, and Germany. Market research agencies project that the FT market segment will continue to grow at a steady pace in those leading markets, and expand significantly at about 20 per cent per annum in the rest of the developed world as well as in Eastern Europe.

[5] Number of stems
[6] Number of litres

It can be seen from table 2 above that bananas, coffee, fresh fruit, juices, and cocoa represented the most fair-traded products in volume and market turnover in 2004 and 2005.
At present Europe as a whole accounts for about 70 per cent of the FT global market, while the United States, Canada, Australia, New Zealand, and Japan account for the rest. Although FT has not yet penetrated South-South trade relations (trading among the developing countries), this market sector is being targeted by FT organizations as the logical next stage in the evolution of FT in view in particular of rapid expansion of South-South commerce in the past few years, China and Africa being a case in point.

However, the predictable question is whether the low purchasing power in much of the developing world, especially in Africa, will not be a disincentive to South-South FT. Moreover, the main rationale for North-South FT as promoted until now has to do with unbalanced, inequitable trade relations between the two halves, which inequity cannot a priori be said to characterize conventional South-South trade relations, such as between Cameroon and Gabon for example.

Much of the FT market growth in the developed world can be traced to a number of factors. Firstly, the civil society organizations and church groups promoting this form of trade have been remarkably skilful and successful in their campaigns for the inclusion of ethical considerations in global North-South exchanges. These campaigns are sustained by an impressive army of volunteers which organize all sorts of FT public events and even convince public authorities to include FT requirements in their public procurement policies. For example, FT coffee and tea are now served almost exclusively at meetings of the European parliament.

Secondly, the United Nations has since 2001 echoed the same ethical agenda in its "Global Compact" with the international private sector by which multinational corporations investing in the developing countries are required voluntarily to observe the United Nations human rights, employment, environmental, and other social norms that promote decent livelihoods and sustainable development.

Thirdly, the foregoing two factors have certainly contributed to consumer awareness of the ethical, environmental and developmental dimensions of trade to an extent never witnessed before in global commerce. This popular trend towards ethical consumerism is likely to remain a long-term reality in the light of trade data showing that FT has been growing twice as fast as conventional trade in the last several years, and that it has been a major factor driving up retail sales in some consumer markets such as the United Kingdom.

Yet another important factor explaining the popularity of FT purchases is the perceived authenticity and easy traceability associated with FT products. Consumers are increasingly concerned with questions about the origin and production details of the products they buy, and the FT brand seems to provide them with a degree of confidence in that respect. Such confidence tends to be enhanced when FT products are also certified as organic because "healthy diets" (based on products free of environmental contamination with chemical inputs and/or genetic manipulation) are also rapidly gaining ground in the same countries in which FT purchases have expanded in the last decade.

However, while there is ample quantitative evidence indicating the growth of FT in the consumer markets of the North, there is comparatively little hard information regarding the actual impact of FT on development in general and poverty relief more especially in the producer countries. This issue is addressed in the following section concerned with the producer/supply side of the global FT community.

### 3.2. Supply side

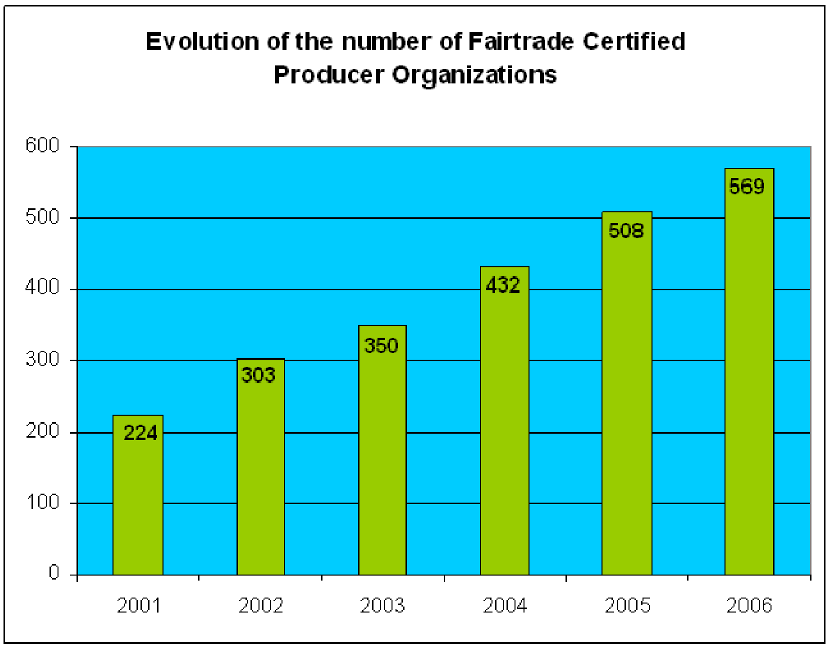
As Figure 1 below shows, the number of FT-certified producer organizations in the developing world appears to be growing as fast if not faster than FT sales in the developed consumer world. For example, FLO estimates that in 2007 FT benefited some 632 producer groups and 1.4 million farmers and hired workers in 58 countries in Africa, Asia and Latin America and the Caribbean. About US$100 million are reported to have been paid out in 2007 to producer groups as extra money from FT standard price and social premium over and above what these groups would have received from the conventional market.

The expansion of FT in the North and its above-mentioned quantitative benefits for farmers in the South should, however, be placed in relative world perspective in order to establish objectively whether or not FT is having an impact on poverty in the South or in reshaping for the better the commercial North-South power structure exemplified by the conventional global marketplace which justified the emergence of FT in the first place.

In that respect, one revealing statistic shows that FT currently represents a negligible portion **(barely 0.1 per cent)** of world food and agricultural trade. That figure shrinks further into irrelevance when all trade exchanges are factored into the impact calculus. Further, a comparison of FT 2006 sales of bananas and coffee – the two most successfully fair-traded products – with global sales of the same products shows that FT accounted for a mere 0.17 per cent and 0.5 per cent of world banana and coffee trade respectively that year. FT retail values for these two commodities are also correspondingly insignificant on a global scale. While there are about 125 million coffee farmers worldwide, current FT coffee sales benefit no more than 500, 000 farmers or about 0.4 per cent. These FT ratios would be even more negligible for the other 12 currently fair-traded products which are not (yet) as popular with Northern consumers as bananas and coffee and therefore have a significantly less retail value.

Similarly, the market share of fair-traded bananas and coffee for example in the major consumer countries reviewed above hardly exceeds 5 per cent at present; it is considerably much less for other FT-certified products. Accordingly, although the FT movement is undoubtedly registering significant progress as earlier noted, that progress should be judged on the basis of fair trade's very limited share of the overall consumer market of the developed countries. This fact certainly has implications for the use of the FT model as an efficient and credible tool for reducing mass poverty in the South, as claimed by Northern FT enthusiasts. Nonetheless, the merits of FT for Southern producers are however more than financial, as will be discussed later.

**Figure 1: Growth of Fair Trade Certified Producer Organizations**




*Source : FLO*

**Table 3: Fair Trade Certified Producers by Product and Geographical Region (As of 31.12.07)**[7]

| | AFRICA | | ASIA | | LATIN AMERIA | | TOTAL |
|---|---|---|---|---|---|---|---|
| **PRODUCT** | **No.** | **%** | **No.** | **%** | **No.** | **%** | |
| Banana | 1 | 1.4 | 0 | 0 | 69 | 98.6 | 70 |
| Cocoa | 6 | 16.7 | 4 | 11.1 | 26 | 72.2 | 36 |
| coffee | 43 | 13.2 | 21 | 6.4 | 263 | 80.4 | 327 |
| Cotton | 26 | 30.0 | 60 | 70.0 | 0 | 0 | 86 |
| Dried fruit | 14 | 73.7 | 1 | 5.3 | 4 | 21.0 | 19 |
| Flowers | 32 | 66.7 | 2 | 4.2 | 14 | 29.1 | 48 |
| Fresh fruit | 72 | 71.3 | 0 | 0 | 29 | 28.7 | 101 |
| Fresh vegetable | 1 | 100.0 | 0 | 0 | 0 | 0 | 1 |
| Herbs spices | 10 | 38.5 | 15 | 57.7 | 1 | 3.8 | 26 |
| Honey | 0 | 0 | 2 | 5.7 | 33 | 94.3 | 35 |
| Juices | 5 | 17.2 | 1 | 3.5 | 23 | 79.3 | 29 |
| Oil seed | 7 | 23.3 | 12 | 40.0 | 11 | 36.7 | 30 |
| Rice | 3 | 12.0 | 22 | 88.0 | 0 | 0 | 25 |

[7] See appendix 1 for a more detailed African column of this table.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sugar | 5 | 20.0 | 2 | 8.0 | 18 | 72.0 | 25 |
| Tea | 51 | 46.8 | 57 | 52.3 | 1 | 0.9 | 109 |
| Wine | 25 | 67.6 | 0 | 0 | 12 | 32.4 | 37 |
| **TOTAL** | **301** | **30.0** | **199** | **19.8** | **504** | **50.2** | **1004** |

*Source: compiled from FLO-CERT's database*

With respect more specifically to producer organizations and their product lines, table 3 above can be considered self-explanatory in its analysis of the producer/supply side of the FT market. As can be seen, the supply side of FT is concentrated in Latin America and the Caribbean region which accounts for 50 per cent of all FT-certified products going to the consumer markets, and as much as 72 per cent for bananas and 80 per cent for coffee, which are the most fair-traded products commanding the most retail value. By extrapolation, therefore, the financial and other poverty-reduction benefits deriving from these two products (bananas and coffee) are concentrated in Latin America and the Caribbean region and more particularly in Central America (e.g. Bolivia, Colombia, Costa Rica, Guatemala, Honduras, Mexico, and Nicaragua).

As such, Africa which has 80 per cent of all the Least Developed Countries in the world (as classified by the United Nations), accounts for only 30 per cent of FT production and exports. The bulk of this production is in turn concentrated in relatively few countries and product lines. Indeed, although there are altogether some 26 African countries with FT-certified producers, it can be observed that the majority of the producers are to be found in Eastern and Southern Africa, with Kenya and South Africa taking the lead, each with over 50 certified producers.

In Francophone Africa, Burkina Faso takes the lead with close to 20 certified producers, followed by Madagascar with 6 producers; Cameroon with 5 producers (3 of which are in the Anglophone South West Province and 2 in the North Province); Mali with 5; and Senegal with 4. In fact, the Francophone countries collectively weigh so little in the FT movement that French is not an official working language of FLO-CERT GmbH, the certifying affiliate of FLO International. The main working language seems to be Spanish (for obvious reasons linked to the foregoing analysis), followed by English. As far as can be ascertained from available information, most Francophone certified producer organizations became members of the global FT community only since 2000.

In mapping out the potential for FT development in Africa and in Cameroon more particularly, table 3 suggests possible areas of emphasis taking appropriate agro-ecological factors into account. Bananas and coffee having already saturated FT markets, potential growth cannot be envisaged in these two product lines considering in particular the stiff competition from Latin America which already controls the consumer market for the two products. By contrast, growth should be possible in areas where Africa already seems to have some comparative advantage, such as cocoa, cotton, dried fruit, fruit juices, flowers, fresh fruit, and tea. Other products can, of course, be developed for FT, such as chocolate, roasted coffee, and handicrafts.

Table 4 below draws the sub-regional picture of FT in Africa and confirms earlier comments about sub-regional pockets of concentration. The table also contains self-explanatory data regarding the relative performance of each African sub-region on the continental FT scale. East Africa has a commanding lead with 96 producer organizations/products; followed by Southern Africa with 78; West Africa with 57, North Africa with 21, while CEMAC trails distantly with 6 producers (the actual number is 5 because KONAFCOOP is counted twice for cocoa and coffee). All the certified producers attributed to CEMAC are actually Cameroonian; no other CEMAC country has a certified producer at present. This point is further discussed later in relation to Cameroon's potential to participate more actively in the FT movement.

**Table 4: Sub-regional Distribution of African Certified Producer Organizations (for sampled products)**

| SUBREGION | TOTAL | % AFRICA |
|---|---|---|
| East Africa | 96 | 37.2 |
| Southern Africa | 78 | 30.2 |
| West Africa | 57 | 22.2 |
| North Africa | 21 | 8.1 |
| CEMAC | 6 | 2.3 |

It proved difficult to access reliable data on the aggregate financial value generated by FT-certified African producers in view of the paucity of regional FT statistics. Nevertheless, it is possible to guesstimate from global FT financial data and Africa's relative contribution to the FT consumer market that African producers contributed upwards of 500 million Euros worth of FT retail value in 2007, and received some 30 million Euros in extra FT revenue over and above what their produce would have fetched on the conventional market.

Thus, on average, the extra FT revenue represented a notional 100,000 Euros for each certified group. In reality that was not the case because (1) not all certified groups exported to the FT market in 2007 (e.g. Chede-Muafcoop, Konafcoop, and Macefcoop), and (2) the extra money benefited those countries and sub-regions with the largest concentration of FT producers (especially in East and Southern Africa), as observed above. As such FT can be judged beneficial financially to producer organizations able to use it optimally for trading and developmental purposes. But on a continental scale, its financial value for mass poverty reduction through trade appears infinitesimal.

## 4. STRATEGY AND SYSTEM

### 4.1. The free market system

In order to understand how the FT model works in practice and differs from the free market commodity chain, it helps to explain the main features of the latter from the viewpoint of poor farmers in the South. Coffee is taken as an example because over 70 per cent of it is grown worldwide by smallholders in the villages and it is also the most fair-traded product at present.

The collapse in 1989 of the International Coffee Agreement (ICA) which had regulated and stabilized the coffee market since 1962, and consequent liberalization of the coffee sector in many developing countries, led to a restructuring of the relationships governing the main stakeholders – shown in figure 2 below - in international coffee trade. Producer organizations and local traders and exporters generally lacked the resources to take on the role of produce marketing boards after they had been dissolved. Local traders had little alternative but to partner with international traders, thus leading in many cases to vertical integration between international traders and local exporters, in some cases all the way up to estate producers.

This restructuring process also led to some concentration among international traders to the point where the two largest international coffee traders, Neusmann and Volcafé, controlled 29 % of the market in 1998 and the top six companies controlled 50 %[8]

This concentration process became even more visible in the coffee roasting industry. At present, the two largest groups, Nestlé and Philip Morris, control 49 % of the world market for roasted and instant coffees, and Nestlé alone controls 56 % of the market for soluble coffees. Thus, as a result of the liberalization of international coffee trade, the coffee value chain today exhibits the classic features of other major commodity chains which are faulted by FT proponents and other critics on the following counts:

- The free-market commodity chains are buyer-driven in that the supermarkets or other dominant stakeholders in the consumer markets, such as the coffee roasting industry, impose multiple controls (quality, economic, wages) over producer networks in the producing countries which simply become passive price takers from the North. Under these circumstances, the working and living conditions of producers do not count as much as profit maximization for those controlling the commodity chain.

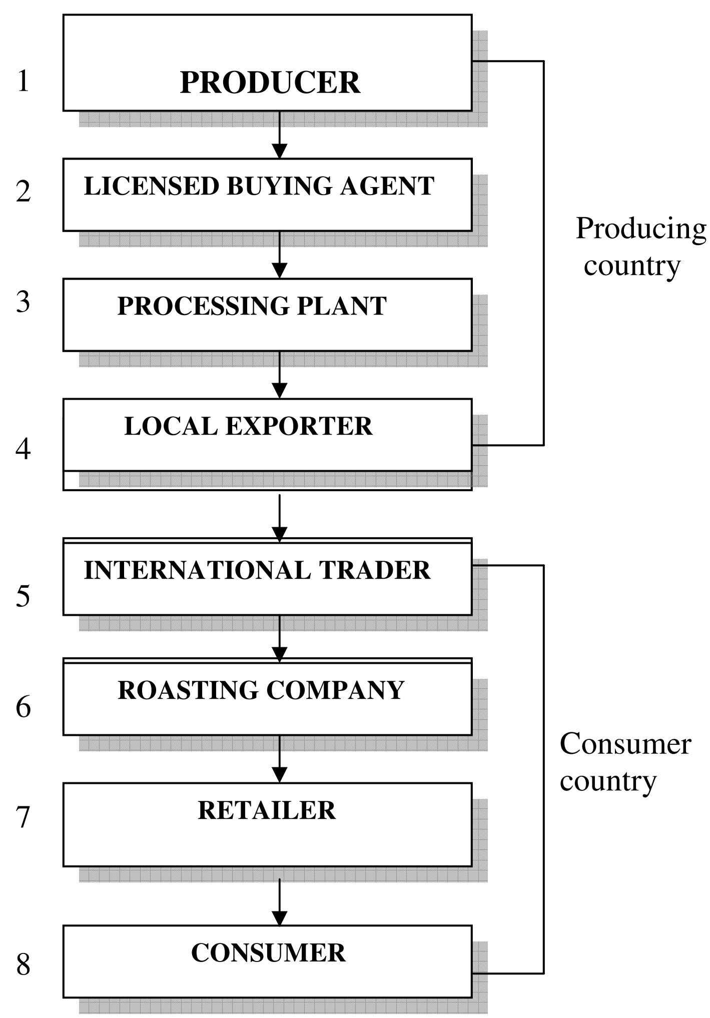
- Significant elements of value-addition such as roasting in particular, where the most profits can be obtained in the chain, usually occur outside the immediate area and country of production. Accordingly, producer organizations cannot capture such value-added gains. It

[8] According to Anna Milford, Coffee, Cooperatives and Fair Trade Impact ,Ch. Michelsen Institute, CMI Report, Norway 2004

is estimated that producing countries receive only about 10 per cent at most of the value of the global coffee market worth US$80 billion per annum. Nearly half of that turnover goes to the roasting companies, not the producers.

- The buyer-dominated chains profit from extremely low labour costs due to widespread poverty in the producing countries and do precious little to mitigate such poverty because of free-market orthodoxy and pure profit objectives.

**Figure 2: Conventional Free Trade Coffee Value Chain[9]**




[9] Adapted from Anna Milford, Coffee, Cooperatives and Competition: The impact of Fair Trade, Op. Cit.

- Changing consumption patterns in advanced consumer countries and the population's increasing awareness of environmental and health risks have sharpened the need for product differentiation through branding and labeling such as done by FT with its certification mark.

## 4.2. How Fair trade differs from the free market commodity chain

The case made by the international FT community is that, contrary to the profit maximization logic of international commodity chains dominated by a few partners in the consumer markets, the FT model offers farmers a chance to increase control over their livelihoods and development destiny, to have a just and fair reward for their labour, to enjoy a long-term stable income as well as decent working and living conditions thanks to sustainable development promoted by FLO's environmental standards. From this it follows that the FT model seeks at least to strengthen the bargaining position and financial reward of producers in the trading process by, among other things:

- Strengthening the democratic ethos and operational/export capacity of certified producer organizations, notably by requiring them to comply with FLO's standards as a condition for FT certification;

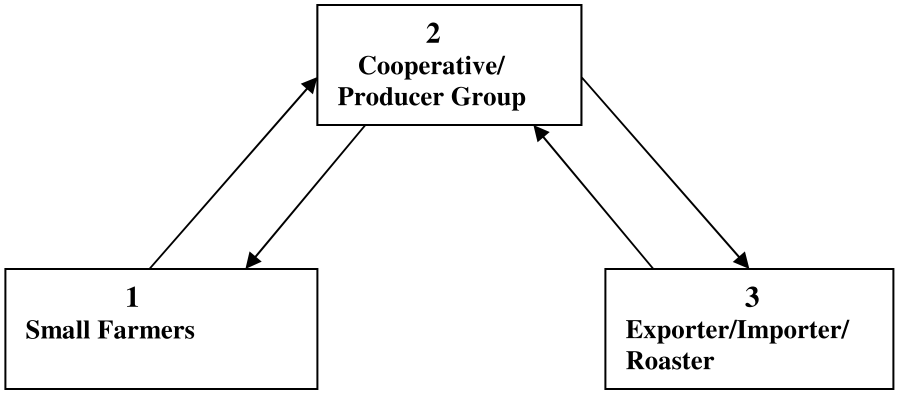
- Cutting out from the conventional commodity chain, depicted in figure 2 above, as many intermediaries as possible. Thus certified producer groups have the option, depending on their relative strengths, to sell to a local exporter, to an external importer, or directly to the roasting industry in the consumer market; all these potential partners of a certified producer group must also be FT-certified, which implies that they also must apply FLO's standards, including FLO's fixed minimum price;

- Establishing a fixed minimum price that guarantees to the producer group a predictable and stable income over the long term and above the free-market price, together with a FT premium for community development and institutional strengthening;

- Requiring certified importers doing business with producer groups to pre-finance sales contracts up to 60 per cent of the contract value;

- Encouraging producer groups to apply specific environmental and quality standards so as to enhance the competitiveness of their offerings.

**Figure3: Fair Trade Market Strategy**




1. **Small farmers** *provide* produce to their cooperative which they own and manage as prescribed by FLO in its standards, and *receive* FLO's fixed minimum price payment, plus social or community development premium.

2. **The cooperative** (representing its members) *concludes* a sales contract with a fairtrade-certified exporter/importer/roaster, *receives* from the latter 60 per cent advance payment on the contract value, which money is used to pre-finance farmers for their produce; the cooperative then *ships* produce to the exporter or importer and *receives* payment still due as well as premium payment for its members.

3. **The exporter/importer** *pre-finances* the cooperative up to 60 per cent of contract value, *receives* produce and pays the cooperative the remaining 40 per cent of contract value at FLO's fixed minimum price as well as a social development premium as prescribed by FLO.

As can be seen from figure 3 above, the FT market strategy reduces the market chain to essentially 3 stakeholders as opposed to 8 in the conventional chain, and promotes transparency in the relationships binding the trade partners. It should be noted that this market system excludes the principal FT organizations in the North, namely FLO International, its national member organizations known as Labelling Initiatives, and FLO-CERT because they are not directly engaged in market operations. FT market agents (exporter/importers/retailers) are those companies licensed by the Labelling Initiatives and sometimes by FLO itself to use the FT certification mark; there are currently over 200 such licensees operating in the FT consumer markets. FLO's own central role is to establish and manage FT standards and the certification mark which globally distinguishes and differentiates FT products from others. FLO-CERT's role is to ensure compliance with FT standards for producers and traders. The Labelling Initiatives promote the FT movement and license the FT mark in their respective countries. The work of these organizations is discussed in greater detail in the next section.

## 4.3. Fair Trade Organizations

#### 4.3.1. Fairtrade Labelling Organizations International (FLO e.V.)

As explained on its website, FLO is a non-profit association of about 20 member organizations (Labelling Initiatives and Producer Networks), traders and external experts. FLO's mission is to:

- Establish and review international FT standards which regulate both production processes in the developing countries and market operations in the developed countries within the international FT community;
- Develop and facilitate FT business world wide by working with certified producer groups and traders so as to match supply and demand, and support certified producers by assisting them in gaining and maintaining FT certification and capitalizing on market opportunities;
- Promote "trade justice" by working with other related FT organizations such as EFTA, FINE, IFAT, and NEWS to make the case for trade justice in international negotiations on trade and development.

FLO is structured into a General Assembly comprising all its members mentioned above, Board of Directors, and Committees.

**The General Assembly** decides on membership issues, such as approval of the annual accounts, possible admission or expulsion of members, and ratification of new board directors.

**The Board of Directors** is elected by the General Assembly. Its mission, in FLO's own words, is to guide FLO to becoming the worldwide reference for consumer and producer choice in Fairtrade Certification. It is primarily responsible for the strategic direction, sound financial management, risk management and employment of the Chief Executive of the association. Its membership includes:

- 5 representatives from the Labelling Initiatives (LI)
- 4 representatives from Fairtrade Certified Producer Organizations (at least one from Latin America, Africa and Asia)
- 2 representatives from Fairtrade Certified Traders
- 2 external Board Members

The board also appoints the members of its committees:

- The Standards Committee
- The Finance Committee
- The Nominations Committee

**Standards Committee:** The FLO Standards Committee supervises and guides the standards. Membership comprises all stakeholders of FLO (national Labelling Initiatives, producers and traders) and external experts.

**Finance Committee:** The FLO Finance Committee is responsible for the supervision of the Association's finances. It also develops financial policies to ensure adequate funding of the Association.

**Nominations Committee**: The Nominations Committee is responsible for reviewing appointments to the Board and its Committees, and appraising the performance of the Directors and of other members of Board Committees. This Committee also defines the roles and responsibilities and qualifications of Directors and of other members of the Board Committees.

### 4.3.2. FLO-CERT GmbH

This is a FLO-established organization which, as described on its website (www.flo-cert.net) is an **"independent international certification company"**. It is however not clear if FLO-CERT is also like FLO a non profit organization. Its main role is to ensure that FT-labelled products are certified throughout the supply or trade chain from producer to consumer-ready labelled product so as to guarantee to consumers that the product in question is indeed FT-certified. Accordingly, FLO-CERT works to ensure that producers and traders comply with FT standards and also that producers invest their social premium in community development projects.

FLO-CERT's specific functions include:

- Certifying production in keeping with stipulated FT standards by working with some 60 independent inspectors that regularly visit certified organizations and report back to FLO-CERT. As stated in FLO documents, inspection reports are submitted for decision to a certification committee comprising representatives of producers, traders, labelling organizations and external experts.
- Auditing of trade in order to monitor traders' and retailers' compliance with FT standards as defined by FLO for this group of FT actors. To this end, FLO-CERT apparently uses a trade auditing system that verifies that every FT certified product sold to a consumer has indeed been produced by a FT certified producer organisation that has received the FT price. The Trade Audit department within FLO-CERT deals with the control of all trade partners in the system.

### 4.3.3. National Fairtrade Organizations (Labelling Initiatives)

National Fairtrade Organizations, more commonly known in FT literature as Labelling Initiatives, are the founders and main stakeholders of FLO which they recognize as their umbrella organization for the setting of global FT standards. These national bodies have been created by civil society groups promoting the FT movement in each country concerned. The main functions of the national FT organizations is to license the FT Certification Mark (see under) appearing on FT consumer products and also promote FT business and message in their respective countries. There are currently some 20 such organizations, as follows in alphabetical order:

1. Fairtrade Labelling Australia and New Zealand
2. Fairtrade Austria
3. Max Havelaar Belgium
4. TransFair Canada
5. Max Havelaar Denmark
6. Reilun kaupan edistämisyhdistys ry. Finland
7. Max Havelaar France
8. TransFair Germany
9. Fairtrade Mark Ireland
10. Fairtrade TransFair Italy
11. Fairtrade Label Japan
12. TransFair Minka Luxembourg
13. Stichting Max Havelaar Netherlands
14. Fairtrade Max Havelaar Norway
15. Asociacion para el Sello de Comercio Justo Spain
16. Rättvisemärkt Sweden
17. Max Havelaar Stiftung Switzerland
18. Fairtrade Foundation UK
19. TransFair USA
20. Estonian Green Movement-FoE

### 4.3.4. Producer Networks

The role of producers in the South in the overall management and control of the international FT movement has been a recurrent question raised from the onset by producer organizations. Probably for that reason, producer networks have emerged over the past decade in Africa, Asia and Latin America. In some cases, national FT-certified producer associations have also been created such as in India, Kenya and Mexico. There are at present three well-known producer networks, namely African Fairtrade Network (AFN) which is the subject of chapter 6 of this study, Coordinadora Latinoamericana y del Caribe de Comercio Justo (CLAC), and Network of Asian Producers (NAP). These regional networks represent and promote the interests of FT-certified producer groups in their respective regions.

While the three networks were generally recognized to represent their members at FLO meetings, it was not until the 2007 FLO General Assembly that the networks became full members of FLO, thereby enjoying the same status in the FLO governance system as other FLO members based in the developed countries. This development is certainly a positive start of a process that should lead to more balance of perspectives between North and South, demand-side and supply-side, consumers and producers, in the management of the international FT agenda which until now appears to have been dominated by the perspectives of Northern consumers and FT bodies.

### 4.3.5. Partner Organizations and Certification Mark

These are the organizations listed in chapter 2 above on the historical landmarks of the FT movement. They include in particular EFTA, FINE, IFAT, and NEWS. The distinctive roles of FINE and NEWS in relation to FLO appear sufficiently clear. For example, FINE, which stands for the first letters of FLO, IFAT, NEWS, and EFTA, appears to represent all the above-mentioned Alternative Trade Organizations (ATOs) working to restructure the international trading system in favour of poor producers in the developing countries. NEWS is the umbrella association of World Shops specialized in the selling of FT products and to be found in most developed countries. EFTA represents European groups importing FT products but its relationship with FLO is not very clear.

Even less clear is how IFAT, a network of close to 300 ATOs and producer groups in the South and with the mission to improve the livelihoods of handicrafts and agricultural producers in the South, differs substantively from FLO. This question is even the more justified as IFAT operates with its own distinctive certification mark known as Fair Trade Organization (FTO) Mark launched barely two years after the FLO certification mark was adopted. Further, IFAT has its own FT standards and FT monitoring system. This suggests that the international FT movement, if apparently united in its push for an alternative trade agenda for the poor, may not be similarly united in its methods and operations.

With respect to the FT certification mark, the national FT organizations (Labelling Initiatives) that founded FLO in 1997 originally had different logos or product labels. Having created FLO with the objective of harmonizing standards across countries and regions, they also decided to adopt a single FT Certification Mark now used widely by FLO members with the exception of TransFair Canada and TransFair USA. This mark is reproduced below.

FAIRTRADE®

## 4.4. Fair Trade Standards and Pricing

The FT system is based on three main groups of standards: the **generic standards** applicable to all FT-certified producers, the **product-specific standards** to be observed by producers of the different products, and **trade standards** which guide market operations. This study focuses on the generic and product standards applicable to small farmer organizations in line with the terms of reference for this report.

**4.4.1. Generic standards:** These include prescriptions for:

- **Social development** of the group seeking certification or already certified, the requirement for it to be organized and controlled democratically by its members, the need for transparent decision-making processes, for inclusion and non-discrimination, all of which is to ensure that FT certification contributes as much as possible to the social development and harmony of the group concerned;

- **Economic development**, which requires the group to have adequate technical, logistic and administrative capacity to undertake export trade and to supply high quality produce to the market; to demonstrate that the use of the FT premium[10] is decided upon in a transparent manner by the general meeting and that it benefits all the producers; and economic strengthening by which the group is required to strengthen its business operations such as through the building up of working capital, implementation of a quality control system, training and education and risk management systems;

- **Environmental development** by which the producer organization must ensure that its members protect the natural environment and make environmental protection a part of farm management. "The organization is expected to facilitate the development, implementation and monitoring of producers' operational plans with the aim of establishing a balance between environmental protection and business results through the use of a combination of measures including crop rotation, cultivation techniques, crop selection, careful use of inputs such as fertilizers and pesticides and, as relevant, shade production. The organization ensures that its members minimize the use of synthetic and other off-farm fertilizers and pesticides, partially and gradually replacing them with non-synthetic and on-farm fertilizers and biological methods of disease control. FLO encourages small producers to work towards organic practices where socially and economically practical. Producers are encouraged to minimize the use of energy, especially energy from non-renewable sources. The organization is expected to maintain a management system consistent with its size in order to ensure organizational control of those areas for which it is responsible and to monitor

[10] FLO recommends that the FT premium be used especially for technical training and skill diversification for cooperative management and members so as to strengthen organizational capacity; access to low or no-interest loans; technical assistance to build infrastructure for improved production and quality; acquisition of communication equipment and collectively owned transportation and processing equipment; improved healthcare for the community; etc.

production by its members through the use of recognized inspection and verification methodologies”[11].

The purpose of FLO-CERT’s annual inspection visits to certified producers is to ensure that the above standards and their more detailed prescriptions, especially with respect to specific products and environmental protection, are complied with as a condition for the organizations to remain certified. If the inspection report indicates problems of non-compliance, the group concerned is required to take “corrective actions” within a specified deadline, failure of which could result in suspension of certification and ultimately to decertification.

**4.4.2. Product standards:** These come on top of the generic standards reviewed above, and are specific to each fair-traded product and its unique production and marketing characteristics. Taking coffee as an example, the following product standards are stated in FLO’s “Fairtrade Standards for Coffee for Small Farmers’ Organizations”:

- **Procure a Long Term and Stable Relationship:** Buyers and sellers will endeavour to establish a long term and stable relationship in which the rights and interests of both are mutually respected. Buyer and seller will sign contractual agreements for the first part of the season and a letter of intent for the rest of the season, to be confirmed by purchase contracts as the harvest progresses, which stipulate basic conditions such as: volume, quality, procedures to establish differentials and fixed prices, shipment schedules, etc.

- **International Customary Conditions**: All other customary conditions applicable to any international transaction will apply, such as the Green Coffee Association (GCA), the Specialty Coffee Association of America (SCAA), the Pacific Coast Coffee Association (PCCA), or the conditions of the European Contract of Coffee, latest edition (ECC-conditions), unless overruled by any of the special FLO conditions.

- **Pricing and Premium:** Buyers shall pay producer organizations at least the **Fairtrade Minimum Price** as set by FLO (see the price table further below). The fairtrade minimum prices vary according to the type and origin of the coffee. If the reference market price is higher than the Fairtrade Minimum Price, buyers shall pay the reference market price.

- **For Arabicas** the reference market price shall be based on the New York "C" contract. The reference market price shall be established in USD per pound, plus or minus the prevailing differential for the relevant quality, basis F.O.B. origin, net shipped weight.

- **For Robustas** the reference market price shall be based on the London "LCE" contract. The reference market price shall be established in US-dollars per metric

[11] Reproduced from *Generic Standards for Small Farmers’ Organizations* by FLO, 2007 version.

ton, plus or minus the prevailing differential for the relevant quality, basis F.O.B. origin, net shipped weight.

- In addition to the fairtrade minimum price or the reference market price, whichever is higher, buyers shall pay a minimum organic differential of **0.20** USD per pound **for certified organic coffee**.

**Table 5: Fair Trade Minimum Price and Premium (Valid from 1/06/08)**

US$ per pound F.O.B. port of origin

(2.2 pounds = 1kg)

| | **Fair Trade Minimum Price** | | **Fairtrade Premium** |
|---|---|---|---|
| | **Conventional** | **Organic Differential** | **Conventional and organic** |
| **Type of coffee** | All regions | All regions | All regions |
| **Washed* Arabica** | 1.25 | 0.20 | 0.10 |
| **Non-washed Arabica** | 1.20 | 0.20 | 0.10 |
| **Washed* Robusta** | 1.05 | 0.20 | 0.10 |
| **Non-washed Robusta** | 1.01 | 0.20 | 0.10 |

*Source: FLO*
**Semi-washed or pulped natural coffee are regarded as washed coffee*

- In addition to the fairtrade minimum price or the reference market price, whichever is higher, and if applicable, the organic differential, the buyers shall pay the **Fairtrade Premium** of **0.10** USD per pound of coffee.

- When by legal regulation, all coffee has to be passed through the auction, importer and exporter will agree upon a reasonable margin for the exporter to cover his costs. Producer organizations that sell coffee via an exporter agree upon a reasonable margin for the exporter to cover his costs.

### 4.4.3. Pre-financing/Credit

The coffee standards also provide for pre-financing/credit arrangements. The standards stipulate, for example, that in the case of contracts with fixed prices the buyer shall make available up to 60% of the contract value, on the request of the producer. In the case of unfixed prices the buyer shall make available up to 60% of the estimated contract value on request of the seller, as long as buyer and seller agree upon a mechanism that guarantees the contract value(s) will cover the pre-financing. In the absence of such a mechanism, the seller is entitled only to request pre-financing of up to 60% of the Fairtrade Minimum Price.

Pre-financing enables producer groups to have access to liquid cash, which they need to be able to buy coffee from their members. The payment instruments will be arranged in the contract, by mutual agreement. Buyers may use a third-party to facilitate pre-financing. If the group is not exporting the coffee itself, it should agree with the exporter on the handling of the cash so advanced and the fulfilment of the contract. In the event of several shipments the spread of the pre-finance must be fixed in the contracts. It is not always necessary to pre-finance the whole amount before the first shipment. Pre-finance must be adapted to the real needs of the producer organization.

If an importer requires the extension of the shipment schedule beyond the limits of sound commercial practice of the producer organization (three months after the harvest), the real costs of storage, interest and insurance must be covered (by the importer) in the terms of the contract. This rule may not apply for organizations in countries where specific export regulations make the above impossible.

# 5. CERTIFICATION OF SMALL FARMER ORGANIZATIONS

## 5.1. Minimum conditions for eligibility

The generic standards reviewed in the foregoing chapter are explicit as to which producer organizations can be eligible for FT certification. The same standards also summarize the work still ahead for those groups already certified in terms of their compliance with FT standards, which compliance is reviewed annually by FLO-CERT through field visits by its inspectors.

As stated by FLO in its generic standards for small farmer organizations: FT is an initiative for small farmers and wage workers in the South, who have been restrained in their economic and / or social development by the conditions of trade . If fair access to markets under better conditions of trade can help to overcome the restraints of development they can join FT.

**Small farmers** can join FT if they have formed organizations (in co-operatives, associations or other organizational forms) which are able to contribute to the social and economic development of their members and their communities and are democratically controlled by their members. Organizations can be certified by FLO if they comply with the requirements of the Generic Fairtrade Standards for Small Farmers' Organizations.

**Workers** can participate in FT if they are organized, normally in unions, and if the company they work for is prepared to promote workers' development and to pass on to the workers the additional revenues generated by Fairtrade. Such companies working with hired labour (farms, plantations, etc.), can be certified if they comply with the requirements of the Generic Fair Trade Standards for Hired Labour.

### 5.2. Producer/product Certification

Certification provides a guarantee to consumers of FT products in the North that they are contributing to the socio-economic development of producers in the south through their purchases. FT certification is also, for the producer, a sort of certificate of good institutional health, good performance, and reliability for international trade. There is adequate evidence to show that FT-certified producer organizations perform more consistently in their relations with importers than non-certified groups.

A producer group wishing to be certified only needs to apply to:

FLO-CERT GmbH, Bonner Talweg 177,
53129 Bonn, Germany,
Tel: +49-228 24 930,
Fax: +49-228 2493 120,
Email: registration@flo-cert.net
Website: www.flo-cert.net).

FLO-CERT is the only organization currently responsible for certification matters and which therefore is the only one that can give credible information on the certification process. In a nutshell, a producer group wishing to apply has to complete an application form provided by FLO-CERT and in which basic information is requested in line with the generic FT standards outlined above. If this initial information is judged acceptable, FLO-CERT schedules an on-the-spot inspection visit to the applicant organization which is required to pay for the visit (inspection fees), currently amounting to about 2 000 Euros (1.3 million FCFA). In addition to the inspection fees, the producer group, if successful, must pay a certification fee of 500 Euros (300 000 FCFA). Thus total initial costs towards certification roughly amount to 1.6 million FCFA before any trade is undertaken. Certification was previously done for individual products, but policy seems to have evolved to make certification cover all products a certified group can offer in accordance with FL standards.

Chapter 3 of this study on the global FT market discusses at length the commodities to be found in the current FT product range, which are: banana, cocoa, coffee, cotton, dried fruit, flowers, fresh fruit, honey, juices, rice, sportballs, sugar, tea, vegetable (so far offered only by Egypt) and wine. This product range is obviously not static. Originally FT was associated mostly with handicrafts and coffee. Other product lines were added progressively over the years, especially since 1997 when FLO was created to give renewed impetus to the organization and expansion of the FT movement in the developed countries.

The existing FT product range naturally includes only items mostly in demand in the FT consumer markets of the North. This means African/Cameroonian producer groups cannot (yet) offer such typically African food products like cassava, plantain, yam, cocoyam, etc for fair-trading. But that possibility cannot be ruled out in due course because the "ethnic market" for these products already exists in the United States (the most important FT market in the world at present) and is expanding in Europe due to its increasing minority of African descent.

The basic constraints faced by small farmer organizations are essentially two: (1) ability to pay for FT inspection and certification fees, and (2) acquiring the technical know-how and administrative capacity indispensable for applying FT standards, especially environmental development standards. However, organizations can apply to FLO-CERT, Food and Agriculture Organization of the United Nations (FAO, www.fao.org), and even local diplomatic missions for assistance towards certification costs and institutional strengthening.

### 5.3. Certification benefits

It should be stressed that FT certification of a producer group does not automatically guarantee a FT market for the certified product. Certified organizations may have to wait for several years before they can find a FT-certified buyer for their produce. That may be due in large part to the fact that some products sell more easily on the FT market than others. For example, Sodecoton and OPCC did not have to wait long after their certification before finding a FT market for their cotton. By contrast, after two years of certification, Chede-Muafcoop and Konafcoop are still to find a FT buyer for their coffee (and cocoa in the case of Konafcoop).

That is because although coffee generally is the most fair-traded product, the Arabica variety is the more preferred type and it therefore dominates the FT coffee market to the point where Robusta accounts for less than 20 per cent of the global FT coffee market. Moreover, the FT price differential between the conventional Arabica market and the FT one is smaller than in the case of Robusta, and the portion of Robusta that goes into blended coffees, although on the rise in recent years thanks to improving coffee manufacturing technologies, still hardly exceeds 30 per cent at present.

The global FT market preference for Arabica gives clear advantage to regions producing this variety, especially Central America and East Africa, and penalizes countries and areas, such as the South Provinces of Cameroon (Centre, East, Littoral South, and South West), which can only produce Robusta because of their agro-ecological characteristics. It is essentially because Chede-Muafcoop, Konafcoop and Macefcoop can only offer Robusta coffee that they have had great difficulty finding a secure FT market for their produce.

Product origin and quality parameters also play a part in the preference of international fair-traders. For example, most Latin American and East African countries have a long historical coffee tradition combined with a reputation for producing high quality beans preferred by the consumer markets. That is not the case for producers in Central and West Africa where an extremely poor rural road network in Central African countries and political instability in parts of West Africa are thought to pose risks not only to produce quality but also to a stable and credible supply chain. For example, Cameroon's coffee humidity problem is not unknown to importers. Regarding rural road infrastructure, Macefcoop in Mamfe, South West Province of Cameroon, appears to have paid a price for its inability to regularly ensure efficient and timely produce evacuation from the hinterland to Douala.

Furthermore, even after finding a FT buyer, the certified producer group will usually not, again depending on the product on offer, be able to sell all its production on FT market terms. Available information suggests that the average portion a producer group can sell in the FT segment averages 20 per cent for bananas and 10 per cent for coffee at present. The rest of the production is sold on the conventional market either through the same FT buyer or to a different non-certified buyer. Most Fair-traders are first and foremost big players in the conventional consumer market, Nestlé and the supermarkets being cases in point.

It would seem from FT impact case studies that the benefits that FT brings to producer organizations through certification lie rather in institutional strengthening and the performance credentials that the FT mark confers on certified producers. As a result, by conforming to FLO's generic and product standards, certified producers ipso facto acquire the capacity to meet the stringent quality, delivery, and administrative requirements of conventional export trade. Consequently, even though only a small portion of a producer group's produce can be sold at a time through FT market channels, the FT certificate and much improved organizational capacity achieved by the group thanks to the application of FLO's standards, have the positive impact of facilitating the marketing of the group's remaining production on the ordinary market and probably at a reasonably good price linked to product quality. It can therefore be safely concluded that the main benefit of FT for Southern producer organizations is the building of their self-reliance for export trade and community development.

### 5.4. Constraints

FT certification does not bring only benefits but also much hard work, including paperwork, as well as costs. A recurrent complaint by producer groups is the difficulty of complying with FLO's generic and product standards reviewed in the preceding chapter. The standards appear to be dictated by Northern consumer preferences[12], particularly those relating to environmental protection, and which in some cases run contrary to what is allowed or encouraged by national producer-support policies and services, a case in point being the list of chemicals forbidden under FT standards.

[12] This is only normal since the market for FT products is at present to be found only in the North where the products cannot expand their market share unless they conform to Northern consumer preferences.

Another complaint is paperwork generated by FT certification and business, such as reports (administrative and trading) a certified group must compile, forward to FLO or keep for the next inspection. These requirements can be frustrating for groups based in remote villages and without postal services and telecommunication networks. The paperwork also implies that the certified group should have a fairly literate leadership, even though this is not a formal and explicit FLO standard requirement. The level of education of most farmers in the developing countries not being high enough, the implication is that illiterate poor farmers seem to be excluded from FT benefits.

The weak involvement of FLO and FLO-CERT in prospecting market outlets for certified products and providing hands-on support to producer groups for the strengthening of their international marketing systems is also seen as a general drawback in the FT system. Certification does not automatically mean availability of FT customers in the North. The tedious and, again, knowledge-intensive task of finding FT commercial partners and negotiating and concluding contracts with them is left entirely to the care of individual producer organizations. The ideal solution here would be the pooling of efforts in, for example, a shared commercial agency owned by and working for two or more certified groups in a locality, such as OPCC in Cameroon, or country (e.g. Mexico). The regional FT networks could also be helpful in this respect. However, FLO has been slow to encourage horizontal or transversal networking of certified groups, apparently preferring to maintain direct vertical relationships with them. This FLO strategy needs to change in favour of strong national and regional FT producer associations, exactly as in the developed consumer countries, so as to enable more poor rural farmers and groups, including illiterate ones, to benefit from FT and enjoy a degree of ownership of the system.

Although actual certification costs of about 500 Euros (just over 300,000 FCFA) are not an issue, recurring annual inspection costs (fees, logistics, and hospitality), which amount to over 2, 000 Euros (1.3 million FCFA) depending on the size of the group, are generally judged to be too high for most poor farmer organizations, particularly for those that have not started to sell in and benefit from the FT market. However, the costs seem to be great value for money for those groups already selling to the international FT market and enjoying, in addition to a fixed and stable product price, a social premium as well. As such, the problem of costs concerns mostly newly certified groups still looking for their first FT contract.

## 6. AFRICAN FAIR TRADE NETWORK (AFN)

Table 4 (in chapter 3) on African producer organizations, their sub-regional distribution, and their FT-certified products gives an overall picture of the supply side of FT in Africa and is consequently also a summary of the African Fair Trade Network (AFN). AFN was created in March 2004 in Addis Ababa at the fourth meeting of FT-certified African producer organizations.

AFN is an independent non-profit umbrella continental network. Headquartered in Moshi, Tanzania, AFN seeks to raise awareness of FT in Africa, to defend and promote member's interests, and to ensure that African producer groups are able to capitalize on the international trade and development opportunities offered by FT. Its membership currently includes close to 200 African FT-certified organizations and aspiring groups.

As already found in aforementioned table 4, the majority of African certified producers are to be found in East and Southern African countries which currently account for well over half of African certified producer organizations. Predictably, therefore, AFN is much more active in East and Southern Africa than in other parts of the continent, although that is beginning to change. For example, the last General Assembly of the network was held in Ghana in 2007.

AFN is in turn structured into four sub-regional networks, namely East, Southern, West, and North African networks. As may be observed, the Central African (CEMAC) sub-region does not yet have a sub-regional network of its own although at least two Cameroonian certified organizations (Chede-Muafcoop and Macefcoop) are AFN members. More work is needed to develop FT awareness in the CEMAC sub-region and to expand it in Cameroon.

# PART II

# CAMEROONIAN CERTIFIED PRODUCER ORGANIZATIONS[13]

## 1. PROFILES OF CERTIFIED ORGANIZATIONS

There are currently five FT-certified producer organizations in Cameroon (in alphabetical order): Chede-Muafcoop; Konafcoop; Macefcoop; OPCC. Sodecoton is also certified but as exporter for OPCC and not as producer organization which is the focus of the present study. Consequently Sodecoton is not included in this part of the report. The profile of each of these is provided below.

### 1.1. Chede-Muafcoop

| | |
|---|---|
| Date established: | 1995 |
| Date certified : | 2005 |
| Main product: | Robusta coffee |
| Membership 2007: | 600 |

[13] Certified as of 31 December 2007

| | |
|---|---|
| Central contacts: | 77 73 52 70/75 00 39 60 |
| | Email: muafcoop@chede.org |
| | P.O. Box 20, Bangem, Kupe Muanenguba Division |
| | South West Province |
| Annual production capacity: | 500 metric tonnes of coffee |
| FT quantity sold to date : | None |
| FT premium received to date: | None |
| Number of FLO-CERT inspections: | 2 |
| Fees paid to date | 4 500 Euros (about 3 million FCFA)[14] |
| Benefits | Strengthening the democratic spirit and operation of the cooperative and the international visibility and credibility that have been gained since certification; the cooperative has been able to raise some project funding thanks to FT certification. |
| Constraints | Difficult Robusta FT market and limited FLO involvement in prospecting the market for its producer members; cumbersome procedures for complying with FLO standards, especially environmental development prescriptions. |

### 1.2. Konafcoop

| | |
|---|---|
| Date established: | 1994 |
| Date certified : | 2006 |
| Main products | Cocoa and Robusta coffee |
| Registered membership 2007: | 431 |
| Central contacts: | 99 36 44 07/77 79 74 16/79 82 10 64 |

[14] Including cerification fees and costs of two inspections one of which was subsidized by FLO up to 75 per cent of costs. Miscellaneous costs incurred during inspections are not included.

| | |
|---|---|
| | Email: ndedibau@yahoo.com and asekzachee@yahoo.com |
| | P.O. Box 604 Kumba, Meme Division |
| | South West Province |
| Annual production capacity: | Cocoa: 260 tonnes; coffee: 14 tonnes |
| FT quantity sold to date : | None |
| FT premium received to date: | None |
| Number of FLO-CERT inspections: | 2 |
| Fees paid to date | 4 000 Euros (about 2.6 million FCFA) |
| Benefits so far | Cooperative members have been made aware of environmental risks posed by some chemical inputs on the farmers and their farms. |
| Constraints | Inspection costs for renewal are too heavy for an organization not yet in the FT market; some farmers not willing to accept some FLO standards because for them less use of inputs means loss of production and productivity; farmers lack adequate knowledge to do FT business; lots of difficulties experienced in finding FT customers for cocoa and coffee; lack of equipment for produce quality control; lack of telecommunication facilities in Konye to facilitate contacts with the international FT market. |

### 1.3. Macefcoop

| | |
|---|---|
| Date established: | 1993 |
| Date certified : | 2000 |
| Main products | Cocoa and Robusta coffee |
| Registered membership 2007: | 800 |
| Central contacts: | 33 34 11 97/94 26 38 65/77 68 95 98 |

| | |
|---|---|
| | Email: macefcoop@yahoo.com |
| | P.O. Box 103 Mamfe, Manyu Division |
| | South West Province |
| Annual production capacity: | Cocoa: 300 tonnes; coffee: 10 tonnes |
| FT quantity sold to date : | 40 tonnes of coffee |
| FT premium received to date: | US$ 8 000 approx; present value: 4 million FCFA) |
| Number of FLO-CERT inspections: | 4 (No further inspections since 2004 due to suspension. |
| Fees paid to date | 4 500 Euros (about 3 million FCFA) |
| Benefits so far | Increased farmers' income due to the premium; Improved experience in sustainable development and better living conditions for the farmers. |
| Constraints | No dedicated staff to manage increased workload resulting from FT certification; much paperwork; inspection-related expenses can be high; pre-financing can be erratic. |

### 1.4. OPCC

| | |
|---|---|
| Date established: | 2000 |
| Date certified : | 2004 |
| Main products | Cotton |
| Registered membership 2007: | 31 000 |
| Central contacts: | B.P 1371 Garoua-Cameroun<br>Téléphone : 99 68 85 82<br>Courriel (email) : opcc.gie@sodecoton.cm |
| Annual production capacity: | 2 600 tonnes (2007) |

| | |
|---|---|
| FT quantity sold to date : | See attached tables |
| FT premium received to date: | About 300 Million FCFA (to date) |
| Number of FLO-CERT inspections: | 4 |
| Fees paid in 2007 | 20 Million FCFA |
| Benefits and constraints: | n ext page |

**OPCC continued)**

**Table 6** : **Volume and value of total production (coton) and share of FT in the past three years**

| Year | Total production (tonnes) | No. of producers | FT turnover (FCFA Million) | Total output (tonnes) | % of FT sales | Value of FT sales in CFA Million) | FT premium (CFA Thousands) |
|---|---|---|---|---|---|---|---|
| 2005 | 511 | 766 | 112,79 | 117 | 22,9 | 14,503 560 | 10 273 356 |
| 2006 | 2199 | 10 751 | 2 018 | 2114 | 97,02 | 322,32 | 173 953 716 |
| 2007 | 2868 | 31 202 | Not yet known | 2452 | 85,5 | 227 809 937 | 116 825 951 |

**Table 7 : Community development projects**

| **Project** | **years** | | |
|---|---|---|---|
| | 2005 (completed) | 2006 (completed) | 2007 (in pipeline) |
| Health centre | 01 | 06 | |
| Mill | 01 | 08 | |
| Classroom | 01 | 11 | |
| Warehouse | 01 | 08 | |
| Water system | 04 | 15 | |
| Rural electrification | 00 | 02 | |
| **Total** | **08** | **50** | |

**Table 8 : Evaluation of Fair Trade benefits**

| Benefits | As assessed by OPCC officials | As assessed by individual farmers |
|---|---|---|
| Increase in farmers' annual incomes due directly to FT operations | Some farmers have acquired draught animals, others small farm tools, while a few others have invested in school fees for their children or in home improvements. | |
| Social or community development projects due to FT premium (e.g. infrastructure projects, schools, health centres, etc) | Close to 58 different projects have been implemented and 52 are in progress | |
| Sustainable development (e.g. new expertise in farming techniques that preserve the natural environment) | The innovative project called ESA (Eau-Sol -Arbre) and anti-erosion techniques have been introduced successfully, and improved land management techniques are being applied. | |
| Other benefits directly attributable to FT | Positive attitudinal changes can be seen and more transparent management of resources and farmer groups is increasingly evident; women have become active participants at general assembly meetings. | |

NB : The community projects under consideration relate mostly to those of 36 farmer groups (affiliated to OPCC) registered for FT operations in 2006.

**Table 9 : Constraints**

| Constraints | As assessed by OPCC officials | As assessed by individual farmers |
|---|---|---|
| Technical (e.g. constraints experienced in conforming to FLO quality and environmental standards) | OPCC has just established committees responsible for environmental matters | |
| Cumbersome administrative procedures (e.g. resources and knowledge needed to do FT business) | OPCC has the needed resources ; an engineer with the requisite skills and experience has been recruited | |
| Searching FT customers/importers, setting up contracts and negotiating pre-financing and payments after delivery | This is the responsibility of Sodecoton, Exporter for OPCC | |
| Autres contraintes (à préciser[15] | | |

## 2. FAIRTRADE POVERTY REDUCTION IMPACT

On the basis of the Consultant's interviews with officials and members of the four FT certified producer organizations in Cameroon and their written questionnaire responses for this study, there is little doubt that despite the additional workload that FT certification requires, the benefits of certification substantially outweigh its constraints.

The benefits are essentially of three kinds: (a) increased farmer incomes and social development both supported by the FT premium; (b) strengthening of the democratic base and operational capacity of the certified group; and (c) environmental protection to ensure long-term sustainable development as prescribed by FLO's standards.

These reported benefits are to some extent inter-related and can be mutually reinforcing. For example, improved democratic functioning of a producer organization builds its operational capacity to plan, formulate and implement projects and manage funds transparently. This asset therefore enhances its ability to raise project funding from various sources unrelated to FT because the FT certification lends credibility to the organization in the way it is assessed by potential project donors. Funding of community projects by different donors leads to the enhanced social and economic wellbeing of the members and families of the producer organization concerned, which in fact is the goal of FT certification, namely self-reliance in social and economic development and community empowerment.

The foregoing paragraph describes the concrete experience of Chede-Muafcoop since its certification in 2005. Although it has not yet marketed any of its coffee through FT channels for reasons earlier explained in this study, Chede-Muafcoop has been able to use its FT certification to good effect as justification for its project fundraising efforts, both domestically and internationally. Probably as a result, the cooperative currently has a number of projects moving on-stream with financial and in-kind support coming from different sources within the donor community in Cameroon and from abroad.

Thus, and though it has been prodded in this direction by Chede Cooperative Union, of which it is the most prominent member at present, Chede-Muafcoop can be considered a concrete case study of a producer organization that has not yet benefited whatsoever from the FT market and FT premium that comes with FT sales, but which nonetheless has been able to use FT standards and certificate to project its credibility and visibility as an organization donors can work with reliably to implement poverty reduction projects within its area of operations. One example is a poverty alleviation project supported by the Poverty Reduction Sub-Programme (PRSP) of the United Nations Development Programme in Cameroon.

The experience of Konafcoop which, like Chede-Muafcoop, has already expended some 3 million FCFA in FLO inspection and certification costs without FT sales, may not yet be conclusive enough to permit a valid conclusion for other Cameroonian producer organizations. The problem here is very much related to the type of product(s) certified and the organization's commercial capacity to prospect the international FT market for customers. As earlier mentioned, Robusta coffee is extremely difficult for a newly certified group to sell through FT channels, and competition with long standing certified suppliers can be an uphill battle in a FT market environment where stability of commercial relations is a key FLO standard for traders. Furthermore, while FLO is eager to certify as many producer organizations as possible, it plays only a marginal role in supporting these organizations in their search for FT importers.

In order to avoid the situation described above where a newly certified producer group cannot find a FT customer soon enough after certification, FLO increasingly requires groups applying for certification first to find a FT buyer for their product(s) before they can be certified. That, in fact, has been the case of UNA-PAC, pineapple producer and exporter in Loum, Littoral, which is already certified for organic production but has been advised by FLO to find a FT importer for its pineapple before it can be certified. Accordingly the same advice should apply to other producer organizations seeking FT certification. Periodic information exchanges and other consultations (for example within a Cameroon Fair Trade forum that could be created by MINADER as recommended in this report) involving already certified organizations would seem desirable.

Overall therefore, and on the basis of the concrete experience acquired thus far by Chede-Muafcoop and Konafcoop regarding the difficulty of penetrating the international FT market depending on the product on offer, producer groups wishing to be certified should be well advised to be ready to shoulder some initial financial burden of close to 3 million FCFA (FLO inspections and certification costs) as well as additional administrative costs linked to FT workload requirements, before they can expect to start selling on the FT market and start receiving the financial rewards of FT certification.

Furthermore, in order to shorten their FT learning curve, aspiring FT applicant organizations should seek as much information and support as possible from existing certified organizations in Cameroon, which could use their FT customer database to facilitate market prospection. For its part, Chede Cooperative Union which manages Chede-Muafcoop's FT relations with FLO and the market, stands ready to provide such support to other organizations.

Macefcoop and OPCC, which are the two Cameroonian producer organizations that have already done FT business, clearly demonstrate the financial and other benefits, especially institutional strengthening, of FT certification. Macefcoop was most probably the first Cameroonian producer organization to be FT-certified in 2000. As a result, it was quite successful from the outset in finding FT buyers for its Robusta coffee and managed to ship at least two containers worth about 40 metric tonnes of the product on FT market terms between 2001 and 2003. During this period, Macefcoop received about US$8 000 in FT premium which was used for community development purposes. At the same time, the farmers enjoyed the benefits of a stable FLO minimum price which, at US$2.2/kg, was then almost double the conventional market price for Robusta.

Unfortunately thereafter, it would seem that Macefcoop experienced difficulties in fulfilling contracts due partly, as reported, to regular produce evacuation problems between its Mamfe base in Manyu Division, South West, and Douala, as a result of the poor road link. Macefcoop's inability to fulfil its contracts for reasons partly beyond its control became well known both to FLO and to European FT coffee importers. As such, this failure by a Cameroonian producer organization probably had some negative effect on the market prospection efforts of Chede-Muafcoop and Konafcoop to find an importer for their coffee.

Two lessons may be drawn from Macefcoop's case. The first is the necessity for an all-season motorable road link between production sites and Douala for organizations aspiring to international trade, both conventional and FT, because the export market (for all products) imposes stringent efficiency demands linked in particular to delivery and reception schedules that may involve an entire supply chain of many actors. The second lesson is that the success or failure of one or more producer organizations in a particular country or region tends to affect, one way or another through psychological association, the business prospects of other producer groups in the same country or region. Market operations thrive on information and psychology.

OPCC can be situated at the other extreme end of other Cameroonian certified producers in view of its smooth and significant success in selling its product (cotton) on the international FT market through Sodecoton as exporter, the amount of premium revenue (an impressive 300 million FCFA within barely three years) it has so far received from the FT market, and equally important, the many community development projects (over 100 by the end of 2008) it has been able to implement or will soon be implementing as a result of its FT certification..

Accordingly, OPCC furnishes concrete and conclusive evidence that FT is real and well and good for certified producer organizations. Therefore, there is nothing mystical about it, as claimed by classical economic detractors of the FT movement. OPCC's success so far needs however to be put in objective perspective. Cotton, its only FT product for now, has come under exceptional market pressures since about the year 2000 because of a host of factors, not excluding huge subsidies provided to competing suppliers in some developed countries such as the United States.

The fact that African cotton producing countries, such as Benin, Burkina Faso, Mali and Senegal, are all classified by the United Nations as Least Developed Countries (LDCs) in need of special attention on the part of the international community was enough reason for political and development support initiatives at national, regional and international levels in favour of these countries. For example, France was instrumental in initiating a development support project for these countries apparently through its Ministry of External Relations, Agence Française de Développement (AFD), and Max Havelaar France (French FT organization).

In Cameroon, the project was called DPGT (Développement Paysan et Gestion des Terroirs), which later morphed into DAGRIS, a parapublic French project piloted by Max Havelaar France. This project was thus decisive in ensuring the FT certification of OPCC and similar groups in other cotton producing countries of West Africa, and in finding FT trading partners for the groups. This makes the point that politics and business and FT can collaborate successfully to achieve constructive ends to reduce poverty despite free market orthodoxy.

That has been the key message of the international FT community. The lesson for the Cameroon Government is that it could equally support its producers to qualify for FLO certification and use this expanding global market segment to reduce poverty in the countryside.

OPCC is the umbrella organization for over 2000 producer groups comprising some 30 000 farmers who cultivate about 12 000 hectares of land. The groups are linked to OPCC mostly because it provides them with agricultural inputs on a credit basis as well as technical assistance in cotton production and handling. It is, however, OPCC that is FT-certified and not its producer group members. In this connection, OPCC uses FLO generic and cotton production standards, as well as its own local standards, to define the criteria for the eligibility of its group members for FT business. The selection of FT-qualified groups is done democratically by group members concerned. Each group has an average of 150 members. The number of groups judged qualified for FT has been increasing consistently, from 6 originally in 2004, to 36 in 2005, to 56 in 2006 and to 118 in 2007.

OPCC is obliged to export through Sodecoton, a State company, because of original statutory arrangements that created Sodecoton. But the option of OPCC exporting directly abroad as a result of FT certification that allows for the exercise of this option, also needs to be explored. But even with present arrangements, OPCC is of the opinion that it has little cause to complain because it considers the FT price and premium to be wholly satisfactory. The only problem it perceives is lack of guarantee that the output of OPCC's members can always be sold on FT market conditions every year. OPCC sees the need, like some other Cameroonian producer entities, for an international FT body responsible specifically for the marketing of the produce of certified members, just like FLO-CERT is a company specifically responsible for certification matters.

## 3. CONCLUSIONS

In reviewing the concept, origins and expansion of FT since the late 1950s, this study finds that both conventional free trade and fair trade have the potential to reduce poverty rates at different levels depending on the capacities of governments and FT-certified organizations to tap the opportunities of both forms of trade.

Fair Trade differs nonetheless from conventional free trade in some significant ways: it represents only about 0.1 per cent of global free trade in food and agricultural products; it focuses on small producer organizations or unionized workers hired on plantations; it guarantees a stable market price for certified products and a long-term commercial relationship between producer organizations and international traders; its social premium ensures the community development and democratic empowerment of producer groups; and its environmental standards seek to consolidate the long-term sustainable development of the groups, their members and families. These benefits are not easily available to producer groups through conventional market operations.

On the other hand, FT is not a universal silver bullet for mass poverty reduction in Cameroon, in Africa, or elsewhere in the South. That is because of its very limited share of the consumer markets of the North, and averagely limited percentage of produce certified organizations can trade through FT channels in each given year depending on the type of product on offer. Some FT products like cotton and fresh fruit and juices seem to sell more easily than others while Cameroonian Robusta coffee appears to be one of the most difficult to sell at present on FT market terms and conditions.

Consequently, producer organizations seeking FT certification should be alert to the type of product(s) they wish to have certified for FT marketing and should be ready to incur significant initial costs of inspection and certification before they can expect to start harvesting the financial and other rewards of FT. One key benefit FT brings to certified groups is organizational and democratic strengthening. In this respect, many of the requirements of FT social standards are basically similar to those governing cooperative societies in Cameroon, as stipulated in Law No. 92/006 of 14 August 1992 on Cooperative Societies and Common Initiative Groups, and Executive Directive No. 92/455/PM on the application of the same Law.

It would thus be desirable for the Government to find a way of enabling in practical ways Cameroonian producer organizations to build up their development capacity so that they can qualify not only for FT certification but also for organic certification while also having the capabilities required for conventional free trade, since both the organic and FT market segments are much too limited to absorb the exports of producer groups interested in developing international trade. Such Government strengthening measures could be directed, based on specific criteria and products (crops and livestock), to a lead producer group in each Division which would, for example, take the role similar to that of OPCC in the North, or an adapted local/Divisional variation on such a role model.

Similarly, Government might wish to consider the option of enabling the creation of a Cameroon Fair Trade Association or Forum that could lead the way for the creation of a CEMAC Fair Trade Network, which at present is the only sub-regional group lacking in the continental African Fair Trade Network (AFN).

## APPENDIX 1

**Fair Trade Certified Producers by Product and Geographical Region (As of 31.12.07)**

| Certified product | African countries | Producers | Total Africa | | Total Asia | | Total Latin America | | World[16] |
|---|---|---|---|---|---|---|---|---|---|
| | | | No. | % | No. | % | No. | % | |
| **Banana** | Ghana | 1 | 1 | 1.4 | 0 | 0 | 69 | 98.6 | 70 |
| **Cocoa** | Cameroon | 1[17] | 6 | 16.7 | 4 | 11.1 | 26 | 72.2 | 36 |
| | Ghana | 1 | | | | | | | |
| | Ivory Coast | 3 | | | | | | | |
| | Sierra Leone | 1 | | | | | | | |
| **Coffee** | Cameroon | 3[18] | 43 | 13.2 | 21 | 6.4 | 263 | 80.4 | 327 |
| | Ethiopia | 4 | | | | | | | |
| | Ivory Coast | 2 | | | | | | | |
| | Kenya | 9 | | | | | | | |
| | Rwanda | 6 | | | | | | | |
| | Tanzania | 8 | | | | | | | |
| | Uganda | 12 | | | | | | | |
| | Zambia | 1 | | | | | | | |
| **Cotton** | Burkina Faso | 4 | 26 | 30.0 | 60 | 70.0 | 0 | 0 | 86 |
| | Cameroon | 2[19] | | | | | | | |
| | Egypt | 2 | | | | | | | |
| | Madagascar | 3 | | | | | | | |
| | Mali | 5 | | | | | | | |
| | Mauritius | 5 | | | | | | | |
| | Morocco | 1 | | | | | | | |
| | Senegal | 4 | | | | | | | |
| **Dried Fruit** | Burkina Faso | 7 | | 73.7 | 1 | 5.3. | 4 | 21.0 | 19 |

[16] Because many producer organizations are certified for more than one product, the total in this column should be understood as total number of FT-certified products, and should not be confused with the total number of FT producer organizations (632 as of 2007) in the South.
[17] Konafcoop which is certified both for cocoa and coffee
[18] Chede-Muafcoop (certified as producer and exporter of coffee), Konafcoop (certified as producer of cocoa and coffee), and Macefcoop (certified as producer of coffee).
[19] Sodecoton is certified as exporter of cotton and OPCC is certified as producer of cotton.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | South Africa | 2 | 14 | | | | | | |
| | Togo | 1 | | | | | | | |
| | Tunisia | 4 | | | | | | | |
| **Flowers and plants** | Egypt | 1 | | | | | | | |
| | Ethiopia | 1 | | | | | | | |
| **Certified product** | **African countries** | **Prod ucers** | **Total Africa** | | **Total Asia** | | **Total Latin America** | | **Total World** |
| | | | **No.** | **%** | **No.** | **%** | **No.** | **%** | |
| **Flowers Continued** | Kenya | 19 | 32 | 66.7 | 2 | 4.2 | 14 | 29.1 | 48 |
| | Tanzania | 2 | | | | | | | |
| | Zimbabwe | 9 | | | | | | | |
| **Fresh Fresh Fruit** | Benin | 1 | 72 | 71.3 | 0 | 0 | 29 | 28.7 | 101 |
| | Burkina Faso | 7 | | | | | | | |
| | Egypt | 6 | | | | | | | |
| | Ghana | 10 | | | | | | | |
| | Ivory Coast | 1 | | | | | | | |
| | Mali | 2 | | | | | | | |
| | Morocco | 1 | | | | | | | |
| | Mozambiqu e | 1 | | | | | | | |
| | Namibia | 1 | | | | | | | |
| | Senegal | 1 | | | | | | | |
| | South Africa | 38 | | | | | | | |
| | Togo | 3 | | | | | | | |
| **Fresh vegetable** | Egypt | 1 | 1 | 100 | 0 | 0 | 0 | 0 | 1 |
| **Herb spice** | Comoros Islands | 1 | 10 | 38.5 | 15 | 57.7 | 1 | 3.8 | 26 |
| | Madagascar | 6 | | | | | | | |
| | Uganda | 3 | | | | | | | |
| **Honey** | 0 | 0 | 0 | 0 | 2 | 5.7 | 33 | 94.3 | 35 |
| **Juices** | Benin | 1 | 5 | 17.2 | 1 | 3.5 | 23 | 79.3 | 29 |
| | Egypt | 2 | | | | | | | |
| | South Africa | 2 | | | | | | | |
| **Nut oil** | Burkina | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **seed** | Faso | 3 | 7 | 23.3 | 12 | 40.0 | 11 | 36.7 | 30 |
| | Ivory Coast | 1 | | | | | | | |
| | Malawi | 1 | | | | | | | |
| | Mozambique | 1 | | | | | | | |
| | Zambia | 1 | | | | | | | |
| **Rice** | Egypt | 2 | 3 | 12.0 | 22 | 88.0 | 0 | 0 | 25 |
| | Mali | 1 | | | | | | | |
| **Sugar** | Kenya | 2 | 5 | 20.0 | 2 | 8.0 | 18 | 72.0 | 25 |
| | Malawi | 2 | | | | | | | |
| | Zambia | 1 | | | | | | | |
| **Tea** | Burkina Faso | 1 | 51 | 46.8 | 57 | 52.3 | 1 | 0.9 | 109 |
| | Egypt | 4 | | | | | | | |
| | Kenya | 23 | | | | | | | |
| | Malawi | 3 | | | | | | | |
| | Rwanda | 1 | | | | | | | |
| | South Africa | 10 | | | | | | | |
| | Tanzania | 6 | | | | | | | |
| | Uganda | 3 | | | | | | | |
| **Wine** | South Africa | 25 | 25 | 67.6 | 0 | 0 | 12 | 32.4 | 37 |
| **TOTAL** | | | **301** | **30.0** | **199** | **19.8** | **504** | **50.2** | **1004** |

*Source: compiled from FLO-CERT's database*

**APPENDIX 2**

**GROUPS AND PERSONS CONSULTED**

| GROUPS | OFFICIALS | POSITION | CELL PHONE NO. |
|---|---|---|---|
| **Chede Muafcoop** | **Hon Nzenze Ewanoge** | **Chairman of BVoard of Directors** | **96 04 04 73** |
| | **Emelda Aloge** | **Treasurer** | **76 28 21 33** |
| | **Joachim Ndelle** | **Book-keeper** | **94 01 55 88** |
| | **Chief Ejede Ejede** | **Board member** | **-** |
| | **Sylvester S. Ngipe** | **Coop member** | **79 34 42 68** |
| **Konafcoop** | **Akama Makia Ndedi Bau** | **Chairman** | **99 36 44 07** |

| | | | |
|---|---|---|---|
| | **Asek Zachee Ojong** | **Manager** | **77 79 74 16** |
| **Macefcoop** | **Ashu Dickson** | **Chairman** | **94 26 38 65** |
| **OPCC** | **Hamadou Adjia** | **PCA** | **99 9989 14** |
| | **Hamadou Nouhou** | **Directeur technique** | **99 68 03 91** |
| | **Nathan Bello** | **Responsible Sodecoton** | **-** |
| **Bio Tropical** | **Sangnie Colbert** | **Directeur** | **96 45 65 92** |
| **UNA-PAC** | **Jean Marie Sop** | **Directeur** | **77 75 03 95** |
| **CDE (ACP)** | **G. Nkodo** | **Directeur** | **77 73 98 74** |
| **Projet PARI** | **Valentine Achancho** | **Coordonnateur national** | **99 31 40 11** |
| | **Christian Huet** | **Conseiller Technique** | **22 23 25 87** |
| | **Dominique Morand** | **Conseiller technique près OPCC - Garoua** | **96 93 86 81** |
| **MINADER** | **Jean Claude Djoumessi** | **Directeur, OP** | **99 72 00 13** |
| | **Lawrence F. Nyakangah** | **Provincial Delegate, S/W** | **33 32 22 14** |
| | **Samuel Nkongo Ntouba** | **Chargé d'études** | **99 98 73 89** |

## APPENDIX 3

## SELECTED BIBLIOGRAPHY

**A. PUBLICATIONS (BOOKS AND ARTICLES)**

**1. Anna Milford: Coffee, Cooperatives and Competition, The impact of Fair Trade, Michelsen Institute, CMI Report, Oslo, Norway 2004.**

**2. Cathy Farnworth and Michael Goodman: Growing ethical networks: the Fair Trade market for raw and processed agricultural products, Washington, 2006.**

**3. Marlike Kochen: Sixty years of Fair Trade, the European Fair Trade Association (EFTA), 2004.**

**4. Mark Sidwell: Unfair Trade, Adam Smith Institute, London, 2008.**

**5. United Kingdom Department for International Development (DFID): How to leverage the cooperative movement for poverty reduction, London, 2005.**

**6. United Nations Conference on Trade and Development (UNCTAD): Challenges and opportunities arising from private standards on food safety and environment for exporters of fresh fruit and vegetables in Asia, Geneva, 2007.**

**7. Walter Zwald of the Worldwide Sustainable Coffee Fund: Analysis of the Common Code for the Coffee Community (4 Cs), Zurich, 2007.**

**8. World Bank (International Bank for Reconstruction and Development (IBRD): World Development Report – Agriculture for Development, Oxford University Press, Oxford, 2008.**

**B. WEBSITES**

**9. www.fairtrade.net (website of the Fair Trade Labelling Organizations (FLO), which contains comprehensive information on the international fair trade movement and related documents).**

**10. www.flo-cert.net (Website of the FLO affiliated body in charge of certification issues; it contains information on conditions and procedures for fair trade certification).**

**11. www.wto.org (Website of the World Trade Organization; it contains useful information on global trade statistics and negotiations).**

**12. www.unctad.org (Website of the United Nations Conference on Trade and Development (UNCTAD); the site highlights world trade and development issues, including up to date documentation on North-South trade relations).**

**13. www.intracen.org (Website of the United Nations International Trade Centre (ITC/UCTAD/WTO); the site contains practical information on international trading of specific products, such as coffee, cocoa, frzh fruits and vegetables, etc, and related publications.**

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