

Department of Economics
Faculty of Economics and Business
University of Amsterdam

How does the success and failure of marketing of fairtrade products
clarify the market opportunities of vegetal leather products coming from
the Brazilian Amazon?

Author's name: Itxaso Aldecoa Villarroel

Student number: 0375217

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Primary supervisor: Prof. G. Meester

Secondary supervisor: Prof. J. Sonnemans

Table of contents

Table of contents.....	1
Introduction	2
Chapter 1	4
1.1 The international trade system. The case for fairtrade.....	4
1.2 What is fairtrade?.....	5
1.3 The history of fairtrade and its' main actors.	6
1.4 The fairtrade model.	8
Chapter 2	11
2.1 The positive impacts of fairtrade.....	11
2.1.2 Fairtrade addresses market failures.	12
2.2 The negative impacts of fairtrade.	13
2.2.1 Economic problems created by fairtrade.	14
Chapter 3	18
3.1 The study case for coffee.	18
3.1.1 The impacts of fairtrade.	18
3.1.2 Critical success factors for fairtrade coffee.	20
3.2 The study case for handicraft products.	22
3.2.1 The impacts of fairtrade.	23
3.2.2 Critical success factors for fairtrade crafts. The case for bags.	24
Chapter 4	27
4.1 Introduction to the <i>tecido da floresta</i>	27
4.1.1 The production process of the <i>tecido da floresta</i>	28
4.1.2 Marketing of the <i>Tecido da Floresta</i>	29
4.1.3 Results from contacts with fairtrade organisations regarding the <i>tecido da floresta</i>	30
4.2 Marketing opportunities for the <i>tecido da floresta</i>	31
4.2.1 The <i>tecido da floresta</i> within the fairtrade market.	31
4.2.2 Other opportunities for the <i>tecido da floresta</i> . The Brazilian market and the non-fairtrade international market.	33
Conclusion	36
Bibliography	38
Annexes	40
Annex 1 – ICO Composite Indicator Price for Coffee.	40
Annex 2 – Coffee prices in the different fairtrade and non-fairtrade markets in 2008.	41
Annex 3 – Fairtrade bag prices.	43
Annex 4 – Conventional market bag prices.	46
Annex 5 – Photographs of the production process of the <i>tecido da floresta</i>	48
Annex 6 – Graphic samples of bags made of <i>tecido da floresta</i>	49

Introduction

The inequality between the economic situations in different countries around the world is being aggravated by the international trade system. Within this system, the powerful and richer countries get to keep their privileged position, while less developed countries such as those in Africa are poorer and poorer everyday. The situation is not sustainable in the long-term, therefore alternative paths, such as the fairtrade market, emerge to provide other types of international trading relationships.

The fairtrade market aims at providing righteous trading relationships, which are based on social justness, preservation of the environment and economical safety. The bases for this market are fairer prices paid to producers, together with long-term relationships that provide them with stability.

About a year ago I took part in a research project with the Expertise Centrum Duurzame Ontwikkeling (ECDO) from the UvA. The project consisted on identifying the possibilities of vegetal leather (*tecido da floresta*), and how these can be developed in a sustainable way for the benefit of the different actors involved in Rondônia, Brazil. One of the most important conclusions of the research project was that the quality of the product, both the vegetal leather itself and the designs used to make bags, belts or any other items, needs to be improved. This improvement is necessary for the product to access markets, in particular the fairtrade market.

The fairtrade market seems a possible marketing option for this product, given the social, economical and geographical situation of the producers of the *tecido da floresta* and other products made from that material. Hence, this thesis aims at providing some light on the subject.

The objective of this thesis is to, start by making a study and evaluation of the fairtrade market today, see how it has evolved, its flows and the present opportunities it offers. After that has been done, the second objective is to use the above mentioned evaluation to examine whether the fairtrade market actually is able to offer opportunities to products made of *tecido da floresta* coming from the Brazilian Amazone. Other marketing options, such as the internal Brazilian market for handicraft, will also be researched to give a broader picture of the different alternatives that the product has.

Hence a study of the fairtrade market will be performed by researching the different fairtrade organizations and the way of working and searching for papers that evaluate the system. Later on in the thesis, the understanding of the production and marketing experiences of some fairtrade products becomes crucial. A case study of products such as fairtrade coffee and fairtrade crafts and handicrafts will be performed. The next step will be to give an overview of the actual situation of the production and marketing of the *tecido da floresta* and different products made with it. Later on a comparison of market opportunities of *tecido da floresta*

products with the successful or failing marketing experiences of the other fair trade products will be made.

The *tecido da floresta* will be briefly introduced here. The reason is that explanation and arguments will be stronger when referring to a particular project. The extraction of natural rubber has been a common economical activity in the Amazon region in Brazil. The communities of *seringueiros*¹ that remain in the rainforest, now perform an economical alternative to selling the natural rubber, i.e. is the production of *tecido da floresta*. The *tecido da floresta*, also known as *couro vegetal*, is produced by covering cloths with natural rubber treated to become latex. Those cloths are then used to produce bags, belts and other articles.

This thesis focuses on the production of *tecido da floresta* by COOPFLORA (Cooperativa dos extrativistas da floresta de Rondônia). COOPFLORA supports the *seringueiros* in the production process and marketing of their products, even if they are still in a starting phase of commercialisation. The history and actual situation of *tecido da floresta* and COOPFLORA will be further explained in Chapter 4.

This thesis aims at the understanding and answering of very important questions such as, which are the critical success and fail factors for the marketing of *tecido da floresta* products coming from the state of Rondônia, in the Brazilian Amazon? Is the idea of fair trade a realistic solution or alternative for sustainable products made of *tecido da floresta*? Another question which will also be taken into account is whether other markets could be a potential success for *tecido da floresta* products coming from the Rondônia?

The outline of the thesis will be organised as follows. After the Introduction, Chapter 1 introduces the subject of fairtrade and how the fairtrade system works. In Chapter 2 the positive and negative impacts of fairtrade will be studied in a theoretical framework. In Chapter 3, the case studies for fairtrade coffee and fairtrade handicrafts will be exposed. In Chapter 4, the case study for *tecido da floresta* products coming from the state of Rondônia in the Brazilian Amazon, looking first at the fairtrade market already studied and going further to the national Brazilian market and the international market in general. The conclusion will finish of, followed by bibliography and annexes.

¹ A *seringueiro* is the person working to extract the natural rubber from the tree, from the *seringa*. They are not pure indigenous, but a mixture with other cultures and races.

Chapter 1

This first chapter provides an extended introduction to the subject of fairtrade. This is done by first explaining the motivation for an alternative market to emerge within the world market, followed by section 2, in which an explanation of what the fairtrade system is, its description and goals. Section 3 pictures how the fairtrade market aroused within the international trading system and how it is managed by the different organisation, producer associations, etc. To end with, section 4, will clarify how the fairtrade model actually functions.

1.1 The international trade system. The case for fairtrade.

The world we are living in is basically ruled by the market economy; this means it is governed by the laws of demand and supply above all other values, such as the people or the environment. As Karl Polanyi, a Hungarian economic historian from the beginning of the 20th century, describes it in his work *The Great Transformation*:

“is an economic system controlled, regulated, and directed by markets alone; order in the production and distribution of goods is entrusted to this self-regulating mechanism. An economy of this kind derives from the expectation that human beings behave in such a way as to achieve maximum money gains.”

Within this market economy, the international trade system which gained importance in the XVIII century, after the industrial revolution, has gone through periods of severe interference and regulation, that is protectionism, and through less restricted periods with a tendency to the laissez-faire idea of Adam Smith, free trade.

According to free trade theory, restrictions on trade harm the world economy as well as national economies, and it does so by reducing trade. Trade on the other hand brings wealth, so that a self-regulating market promotes trade and distributes wealth evenly between the different countries.

When looking at the economic situation in the global market that has emerged over the years, we see that the self-regulating market hypothesis has clearly not worked, as the distribution of wealth is anything but even. It is also true that countries have always used mechanisms to protect their domestic markets and in that way have stopped the free flow of international trade, so that the principles of free trade theories have not been applied in an authentic manner and this has caused negative effects.

Nevertheless, results are clear and experience tells us that when free trade is applied to countries with different economic power, the economic differences are becoming greater and the consequence is an unfair world which is ruled by few economically strong countries. One thing cannot be denied, even if some less developed countries, such as China or India see their economies grow, in general less developed countries are clearly the losers in this “game” and

with no changes in the international trade system in sight, some kind of evolution or new development is necessary, and the fairtrade system is an interesting proposal.

1.2 What is fairtrade?

Coming from the belief argued in the above section, that an alternative trade model is necessary for a more equal world; an interesting option is that of the fairtrade market or fairtrade movement. Fairtrade supports the idea that the international trade system alone fails to offer a respectable economical base for producers in less developed countries to have a decent life, and therefore puts social and environmental minimums together with economical ones as a prime condition.

Fairtrade aims at creating market opportunities for disadvantaged producers in the less developed countries, mainly in countries of the southern hemisphere. The idea is to bring opportunities to disadvantaged producers, by promoting a different approach to business which is directly linked to ethical criteria, i.e. to sustainable development based on social justness, preservation of the environment and economic security.

The internationally accepted definition of fairtrade which was developed by the world's leading fairtrade players² is as follows:

“Fairtrade 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. Fairtrade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and campaigning for changes in the rules and practices of conventional trade”

The above definition can also be explained by showing the goals of the fairtrade movement, which are³:

- a) Improvement of the livelihoods of producers through a better access to markets, fortifying producer organisations, providing increased prices and security with long-term trading relationships.
- b) Consumer awareness of the negative effects that international trade is exerting on producers from less developed countries and of the fact that buying fair makes a difference.
- c) Show that trade through principles such as respect, transparency and dialogue is possible.
- d) Changes in the international trade system, setting new and fairer principles.
- e) Protection of human rights including child exploitation.

To achieve these goals, fairtrade lays down on the following criteria:⁴

- a) Direct buying from organisations enrolled in their register;

² Main fairtrade actors are FLO International, IFAT, NEWS! and EFTA. They will be discussed in the next section of this thesis.

³ Goals taken directly from the Traidcraft webpage, fact sheet.

⁴ E. Cantós; 1998; *El porque del comercio justo*; SETEM; Icaria editorial, S.A. Barcelona.

- b) Payment of a guaranteed price, which must be superior to a price that has been fixed by international fair trade organisations. These prices are at the same time higher than prices on the international market;
- c) Partial advanced payment, until 60%;
- d) Mutual compromise (vendor and buyer) to guarantee sale of a certain amount of a specific good and compromise for a long term relationship;
- e) Compromise, on the side of the producer, to guarantee a quality, quantity and delivery due date.
- f) In the case of coffee, availability of the toaster to provide information and to undergo controls on the fulfilment of fair trade conditions

With the goals and criteria mentioned above, fairtrade does not only commercialize products, but also acts as an awareness-raising mechanism to consumers and as a formal complaint to governments and other institutions which have the power to influence markets and to adjust political measures. Commercialization is providing a competitive and quality product from producers, in the case of fairtrade from less developed countries, to consumers, mostly in the north. Awareness-raising means providing consumers with information, letting them know that their consumption patterns have important consequences on less developed economies, when talking about the case of fairtrade of course. And formal complaint in the sense of political pressure which some fairtrade organisations practice, such as launching initiatives that concern coffee prices and tariffs.

Therefore, the fairtrade movement should not only benefit producers, but also consumers and in that way it becomes a real alternative to the common international trade market.

1.3 The history of fairtrade and its' main actors.

The fairtrade movement dates back to the 1960s, when organisations, such as Oxfam or Caritas and new agencies for development, known as Alternative Trading Organisations (ATOs) started to work with associations in less developed countries in the south to promote the export of their products mainly to developed countries in the north. At the beginning trade was mostly in handicrafts.⁵

In 1988, the Dutch aid development organisation Solidaridad gave birth to the Max Havelaar label which certified that Mexican coffee farmers would receive a premium price for their produce. At this point the fairtrade movement started for real, and its focus changed from handicrafts to mainly agricultural products.

Later in the 1990s the movement spread over to many other countries in Europe and to the United States, so that most northern countries had their own national projects for fairtrade and fairtrade certification.

⁵ A. Jaffee; 2007; *Brewing Justice. Fair trade coffee, sustainability, and survival*; University of California Press, Ltd. London, England. (pp – 12-13).

The main fairtrade actors can be identified by grouping them into the following categories⁶:

- a) Producer groups, which must be organised democratically, on a participatory basis and must also have a social, economical and political objective. Production needs to be environmentally sustainable and offer adequate labour conditions. Furthermore, the producer group should be within the most disadvantaged group in the region.
- b) Fairtrade importing organisations, which given the fairtrade criteria, buy items from the producer groups mentioned above and afterwards distribute them to worldshops, local groups, promotion campaigns, wholesale and catalogue sale. They also advise producers on how to improve their exports. An important example is the Fair Trade Organisatie (FTO), biggest European importer of handcrafts.
- c) Worldshops, which are the main distribution channel for fairtrade products and at the same time work on fairtrade awareness together with importers or alone.
- d) Fairtrade labelling organisations, which guarantee the fulfilment of the fairtrade criteria, as mentioned at the end of section 1.2. Today, there are labels only for food products, i.e. for coffee, cocoa, tea, honey, sugar, orange and bananas. Handcraft does not have a market price system and therefore no fairtrade label, individual case studies need to be done for every product.

The different fairtrade actors described above joined forces to create some umbrella organisations⁷ to enforce the movement. The first one was the International Federation for Alternative Trade (IFAT)⁸ established in 1989, in which both ATOs and producer organisations are represented. IFAT is an alliance to give an impulse to the fairtrade movement while promoting the exchange of information between its' members. IFATs' main objectives are to supply a connection between different organisations, provide technical and general business support and to promote educational activities, awareness-raising and political pressure.

One year later, in 1990, the European Fairtrade Association (EFTA)⁹ was created by the fairtrade organisations to make the importing of products to Europe more efficient and to raise awareness on fairtrade and to strongly provide formal complaint to governments and consumers in general, about the international trade system.

In 1994, the Network of European World Shops (NEWS!)¹⁰ was founded to bring together the worldshops, for campaigning and lobbying activities and to cooperate with the other umbrella organisations.

⁶ Categories as divided by Traidcraft, which describes itself as UK's leading fairtrade organisation, on the fact sheet on its' webpage.

⁷ Term taken from Traidcraft.

⁸ Webpage: <http://www.ifat.org/>

⁹ Webpage: <http://www.european-fair-trade-association.org/>

¹⁰ Webpage: <http://www.worldshops.org/>

Later, in 1997, the Fairtrade Labelling Organisation International (FLO)¹¹ was established. Today, FLO represents 20 labelling initiatives by setting the international Fairtrade Standards with which the labels are provided, and working to support producers with the improvement of production and market access.

Last but not least, all the above mentioned organisations, the FLO, IFAT, NEWS and EFTA decided to join forces and create a common platform, known as FINE, which stands for the first letter of each of the member organizations above mentioned. FINE improves communication between the four organs and coordinates activities to promote fairtrade, for awareness-raising, and to exert political pressure.

Therefore, the umbrella organizations have been created with the aim of strengthening the whole fairtrade movement, by joining the forces of all producers, fairtrade importers, labelers and worldshops. Nevertheless, there are many criticisms as all the different groups do not seem to be represented with the same strength, it always looks like those organizations from the northern countries carry more weight.

1.4 The fairtrade model.

Fairtrade needs to work within the same international trade market as any other product, it is no exception. This means many different costs, such as the price for the raw materials, for transportation in the country of origin, for international shipping and for transportation in the country of delivery, storage, promotion and commercialization.

Therefore, within the system, the fairtrade fights for improvement in producers lives and in the environment by following the criteria mentioned on section 1.2 of this thesis, i.e. by offering producers advantages such as direct buying, guaranteeing a fair price, partial advanced payments up to 60%, long-term relationships, design advice, market information and export markets knowledge.

What is a fair price? Fairtrade considers that a price is fair when it covers the cost of sustainable production and adds some extra amount as a profit for those producers to have a “reasonable life¹²”.

For products such as coffee, cocoa and sugar, the world market sets a world price that fluctuates depending on supply and demand forces. What fairtrade does is guarantee a minimum price for each product, which covers the costs of sustainable production and the extra for a reasonable life, and which cannot decrease during times of crisis. The minimum price structure is economically possible because fairtrade customers are willing to pay a higher price for their products even if market prices are lower. On top of the minimum price, the fairtrade sets a so called premium, which is paid to producer organisations and co-operations to finance

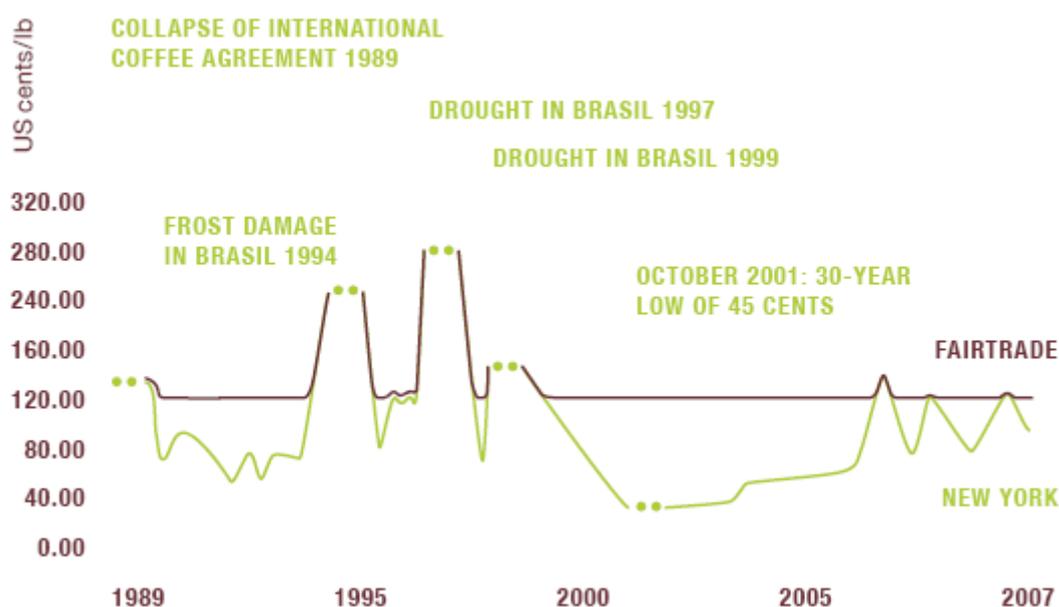
¹¹ Webpage: <http://www.fairtrade.net/>

¹² Term taken from Traidcraft.

social, commercial and environmental projects, such as building schools, installation of electricity resulting in further improvement of producers' livelihoods.

Figure 1 below shows fluctuations of fairtrade and New York prices for coffee from 1989 until 2007. It is easy to see how, after the collapse of the international coffee agreement, conventional market prices varied enormously, with it's highest in 1997 due to a drought in Brazil (less supply rises prices) and it's lowest during the international coffee crisis of 2001-02, when bad quality coffee flooded the markets lowering prices below cost price. Next to conventional market prices, the graph shows how the evolution of the fairtrade price is much more stable and the minimum price, set at 121 cents/lb, can also be identified and understood.

Figure 1: The Arabica coffee market 1989 – 2007: Comparison of fairtrade and New York prices.



NB Fairtrade Minimum price = 121 cents/lb + 5 cents/lb Premium. When the New York price is 121 cents or above, the Fairtrade price = New York price + 5 cents/lb Premium. The NY Price is the daily closing price of the second position Coffee "C" futures contract at the NY Board of Trade

Source: Fairtrade Labelling Organisation International (FLO)

For specific data on coffee prices from 1977 until 2007, see Annex 1, which shows the ICO composite indicator price¹³.

For other products included in the fairtrade market, such as handicrafts and some food products for which no world market price system exists, a case-by-case study is made to set a fair minimum price.

¹³ From <http://www.ico.org/>.

With its' price system, fairtrade does not only guarantee higher prices paid to producers, but also those prices are stable. This way, small producers are not exposed to the fluctuations of the world markets of the commodities they produce, or whether those markets enter a crisis. A clear example of the devastating result of exposure is the coffee crisis in 1992, when coffee prices fell to 49 cents per pound, below production costs¹⁴.

Taking care of the environment is also a priority to fairtrade. Producer organisations must respect the environment and fulfil the national and international legislation set to protect it, to result in the selling of sustainable products.

The criteria used for the fairtrade system to work is combined with the certification process, by which labels from third parties, i.e. international labelling organisations, validate the authenticity of several environmental and social standards which those products must attain. Labelling organisations are held accountable for the inspection of producer organisation procedures throughout the production chain until products are passed on to the fairtrade importer and of certification for both producers and importers, given that all fairtrade criteria are met.

¹⁴ A. Jaffee; 2007; *Brewing Justice. Fair trade coffee, sustainability, and survival*; University of California Press, Ltd. London, England.

Chapter 2

This chapter will show, in a theoretical framework, the different impacts, both positive and negative, of fairtrade. Furthermore an explanation of the market failures which fairtrade address is included, and how it addresses those market failures. Finally an economical critique to fairtrade is performed.

2.1 The positive impacts of fairtrade.

The fairtrade market exerts both direct and indirect impacts on fairtrade producers, as well as on other players in the market. The direct impacts on fairtrade producers are the first and easiest to trace because they are the ones directly related to the fairtrade criteria exposed in chapter 1. Direct impacts can therefore be exposed as follows:

- a) extra income coming from the higher prices paid to producers and from the minimum fairtrade price;
- b) benefits coming from direct trade, as the fairtrade system reduces the conventional export chain. One of the main benefits resulting from direct trade is that producers receive direct information from the market instead of being dependent in intermediaries and the distortions created by them;
- c) long-term relationships between producers and importers, so that producers can have long-term plans for their crops and for example invest in bigger plantations along with the benefits from greater stability;
- d) access to credit, the partial advanced payment of 60%. Credit again allows producers to make long-term plans to be able to grow;
- e) social and environmental development projects that arise from the fairtrade price premium, such as the building of warehouses and offices for cooperatives, building of schools and health centres, etc.

As mentioned above there are also important indirect impacts of the fairtrade system. Indirect effects are more difficult to measure as they are intangible, but equally important. Indirect impacts can be divided as follows:

- a) producers self-esteem and confidence increases as they feel that they are being valued;
- b) fairtrade brings with it special support to women and to human rights in general, such as opposition to child labour;
- c) preservation of producers own culture, generally indigenous culture.

The fairtrade market also offers consumers the possibility to, in an alternative manner, support development projects in less developed countries, the ones arising from the fairtrade price premium, just by choosing to consume fairtrade products. Consumers do not need to engage in monthly or yearly payments to Non Governmental Organisations (NGOs), but can be involved by buying products which will have a positive effect on disadvantaged producers whenever they are economically able to do so.

2.1.2 Fairtrade addresses market failures.

There are other ways of looking into the advantages that come with the fairtrade system. Another path brought up by fairtrade supporters comes from the argument, that one of the main reasons for which this alternative market is needed is that it addresses some of the microeconomic market failures found on the international market¹⁵. One of the main advantages brought by the fairtrade system and main way in which it addresses market failures, comes from working directly with producers.

The fact that fairtrade works directly with producers brings transparency to the market, providing producers with the possibility of understanding their customers' needs concerning economical, environmental and social issues. It is true that this would happen in a well arranged market, no need for it to be fairtrade, but the fact is that when talking about small producers in developing countries that have no access to information and who in many cases are even illiterate, it does not happen. This situation is clearly seen with the production of *tecido da floresta*, as individual producers in the middle of the Amazon rainforest are isolated. Small producers do not have the means or knowledge to access export markets, i.e. lack of access to markets. Therefore, the fairtrade requirement to be organised in co-operatives addresses this market failure by giving producers the possibility to enter the international market.

Another market failure, considered by economists as the most important of all¹⁶, results from producers missing access to information about prices, quality and market requirements in general. Again, this failure is eroded when belonging to a co-operative, as producers get first hand information from their customers in developed countries. Furthermore, as is the case with *tecido da floresta* producers, co-operatives have access to technology that provide other sources of information, such as telephone, fax or even internet connexion.

Moreover, small producers usually have no possibility to stock their products and when prices are low they basically need to sell at that specific amount, sometimes even incurring losses. On the contrary, co-operatives have stocking facilities and the ability to negotiate a selling price for future dates, with the possibility to have longer term strategies, and providing small producers security. COOPFLORA for example, with the help of a funder, has built a sort of

¹⁵ Nicholls A., 2005; *Thriving in a hostile environment: Fairtrade's role as a positive market mechanism for disadvantaged producers*; University of Oxford.

¹⁶ Stiglitz, J. E., 1989; *Market, market failures and development*; American Economic Review; 79:2; pp. 197-203.

warehouse in the closest village and individual producers now have the possibility of storage and meeting other producers so that knowledge is passed from one to another.

Furthermore, banks and other credit institutions do not provide this kind of benefits to small producers which offer no guarantee of return payment. Fairtrade criteria, as mentioned in Chapter 1 of this thesis, corrects this market failure by providing partial advanced payment up to 60%, even though forward payment needs to be requested by the producer. Nicholls 2005 suggests that most of the times, co-operatives do not dare to ask for advanced remuneration as they fear that fairtrade importers can then choose to buy the same products from another seller which might be less demanding.

Yet low income producers encounter another market failure, as they are usually not able to respond to the market and benefit from extraordinary situations, in which they could for example diversify their crops, as they are highly risk-averse. Small producers who have just enough for subsistence will not be willing to run the risk of losing and therefore will not invest and will also not have winning possibilities. Fairtrade does not address this market failure directly, but indirectly, as producers income increase with the higher prices received by the fairtrade importers, they gain room to play more with their income and might even decide to enter new markets.

2.2 The negative impacts of fairtrade.

The fairtrade model also brings with it negative impacts, such as unfair competition, because some commercial companies use the fairtrade “brandname” as promotion for their own products while not pertaining to the movement and not really using the fairtrade procedures¹⁷. For example, Starbucks Coffee Company (UK) Ltd. claimed to be committed to helping coffee farmers, while they only buy a very small percentage of their coffee (about 4%)¹⁸. Those companies act as what is known in economics as free-riders.

Another issue affecting the fairtrade market comes from the fact that it has an image of low professionalism. Some of the consumers, especially the ones not using the fairtrade market, view it as not efficient and not professional. Furthermore, when talking about handicrafts and non-food products, fairtrade products have an image of not providing good quality¹⁹.

The certification process, which many fairtrade products have to go through, can also be seen as a disadvantage. This is due to the fact that standards for certification are difficult to reach, plus it costs a lot of money and time to cooperatives, while in many cases results are not really worth the effort. A clear example will be exposed regarding the main case study of this thesis, the “cuoro vegetal” case.

¹⁷ Cantos, E., 1998, *El porqué del comercio justo. Hacia unas relaciones norte sur más Equitativas*; SETEM; Icaria editorial, S.A. Barcelona. (pages 160-162)

¹⁸ Information from The Corporate Social Responsibility Newswire, February 2002; and The Organic Consumers Association.

¹⁹ Cantos, E., 1998.

Furthermore, many argue that due to the strong requirements the fairtrade system imposes, it does not really reach the smallest, poorest or marginalised producers, to which it is actually aimed. Fairtrade is in fact directed to producer associations which already have some sort of organisation and are present in the market, even if they can be made more efficient.

It is also important to not only look at negative impacts, but also to realise how significant the positive ones are, especially whether the increase in incomes is good enough or not. Results from Jaffee 2007 show that even if the coffee farmers belonging to the fairtrade initiative are better off, their incomes did rise since they joined the movement, they are still living a poverty situation. The problem arises because, even if the prices paid to fairtrade producers are higher than those paid to the conventional coffee farmers, the costs of fairtrade production are much higher than those of conventional production. This is a result of the strict requirements the fairtrade market brings with it.

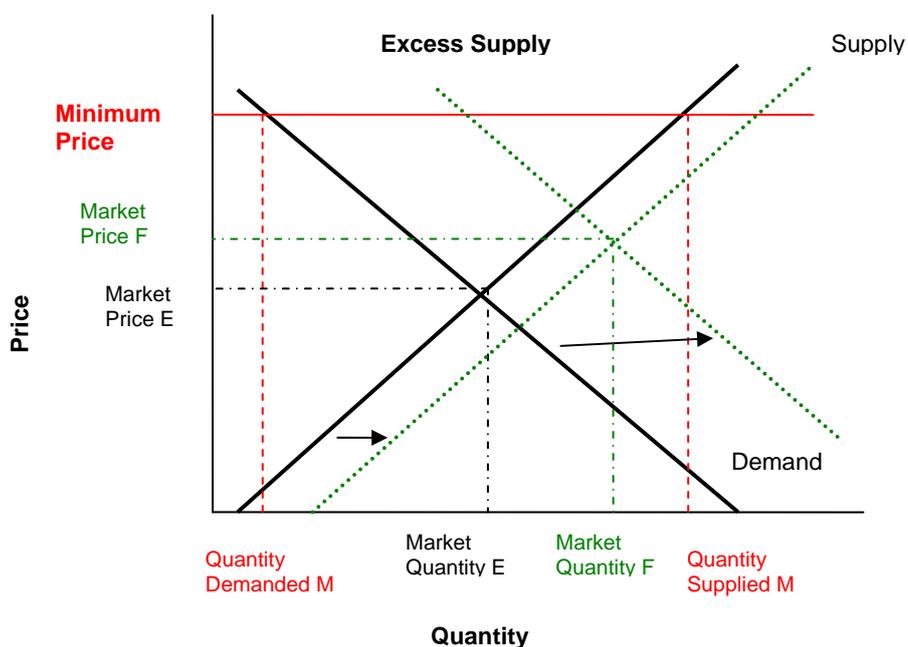
Moreover, regarding products such as coffee, its' fairtrade price has not been adjusted over the years. The minimum fairtrade price was established in 1988 and since then it has only been increased once, by six dollar cents per pound. Every year that passes in which the price is left the same and not adjusted to inflation growth, results in the fairtrade market being less and less fair.

2.2.1 Economic problems created by fairtrade.

The fairtrade initiative has received critics from several economists, such as the Adam Smith Institute, of course supporters of free trade²⁰. These economists defend the idea that the minimum price structure used in the fairtrade system, does not allow the free market economy to function correctly. The minimum price structure delivers prices that are higher than they would be at market equilibrium, and therefore there are not enough consumers wanting to buy the commodity in question at those prices. The consequence can be that prices decrease even further in the conventional market, or that some produce ends up not being sold and gets thrown away. This waste results in what is known in economics as a dead weight loss. See how the excess supply is created in Figure 2. There is a move from market price and quantity E (equilibrium), to quantity demanded and quantity supplied M (monopoly), the difference is the excess supply.

²⁰ <http://www.adamsmith.org/>

Figure 2: Effects of a Price Floor.



However, the above situation would only take place if the fairtrade market was able to modify market prices. But fairtrade is a niche market which cannot affect prices or quantities in the conventional market. The fairtrade equilibrium can be found as follows, see dotted lines. The fairtrade premium would shift the demand curve to right, that shift is larger than the shift of the supply curve to right, due to extra costs such as certification. Therefore, equilibrium is found on a higher price level, market price F in stead of E.

Fairtrade proponents, on the other hand, argue that the fairtrade market does not have the power to be a price fixing mechanism, because it involves a very small percentage of international trade. The World Trade Organisation (WTO) (2006) states that fairtrade sales in 2006 amounted to 0,01% of world trade²¹. Nevertheless, it can be argued that fairtrade markets are growing, according to the FLO, consumers spent 1,6 billion of Euros on fairtrade certified products in the year 2006, which means a 41% increase in sales compared to the year before. Therefore if the fairtrade market grows to the point in which the system can become price fixing, supply shocks must be dealt with in some way.

Another way to defend the fairtrade system is by arguing that as the awareness-raising campaigns that fairtrade promotes affect consumers, the demand curve, as seen on Figure 2, will shift to the right. With the shift of the demand curve, low priced goods will loose a lot of

²¹ WTO publication of annual figures on the world trade of goods and services.

demand, so that the demand curve becomes flatter, and the dead weight loss becomes smaller²².

Above the defenses on the paragraphs above, what these criticisms ignore and the reason for which they cannot be a serious threat for the movement, is that they are only taking into account some of the possible economic effects of fairtrade, while forgetting about all the social and environmental benefits that the fairtrade brings with it, which is a crucial issue for the advocates of the fairtrade market.

Another criticism evolves from the strictly economic thought that having a minimum price which is set with social and environmental ideas makes no sense. Economists argue that it brings about uncompetitive production. Furthermore it does not follow economic rationality, so that consumers will not follow the fairtrade pattern.

Regarding the coffee market and the interference of the fairtrade system in it, Lindsay (2004) states that coffee prices have been decreasing due to overproduction²³. She argues that after the International Coffee Agreement stopped existing, with the collapse of the export quota system, prices started to go down. The decrease in prices came mainly because producers of very low-cost coffee, such as those from countries like Brazil and Vietnam, increased their production very much by reducing costs and improving their productivity. Brazil's production of coffee has grown from 25 to 30 million bags from 1990 to 1994 to nearly 50 million bags in 2002. The situation was aggravated by depreciation of the Brazilian real, which made their products even cheaper for exports. Lindsay explains that coffee markets are working optimally, hence the most efficient producers will stay and less efficient players will have to be substituted. She believes that the fairtrade is not helping the market when supporting producers which are more expensive and do not deliver better quality.

While criticizing the fairtrade movement, Lindsay (2004) supports initiatives such as the one coming from Technoserve. Technoserve believes in creating new business opportunities for poor farmers in less developed countries assessing them with technical knowledge to enter growing agricultural products markets. As an example, regarding farmers involved in the production of coffee, Technoserve guides them so that they can enter the market of high-quality, speciality coffee.

Yet Christian Jacquiau offers another criticism to the fairtrade market, which has been denominated as the mainstreaming argument²⁴, and brings a completely different turn by standing at the other extreme of thought. Jacquiau argues that the fairtrade movement is sort of half way, not taking a real stance, the fairtrade should not be working within the conventional

²² Nicholls A., 2005; *Thriving in a hostile environment: Fairtrade's role as a positive market mechanism for disadvantages producers*; University of Oxford.

²³ Lindsay B. 2004; *Grounds for complaint? Fairtrade and the coffee crisis*; Adam Smith Institute; London.

²⁴ Jacquiau C. 2006; *Les coulisses du commerce équitable*; Editions Mille et une nuits; Paris, France.

international market it is a bit hypocrite. The fairtrade movement should create a new and fair autonomous trading system, and he even supports far higher fairtrade prices so that the impact really makes a difference.

In conclusion, theoretically speaking, this section has shown that fairtrade has both positive and negative impacts on the producers involved in the fairtrade market as well as the ones not related to the market, and that it could even have impacts on the economy in general. In my opinion, the positive impacts are more direct and therefore more important than the negative or possible future negative impacts it can create. Therefore I believe the fairtrade market is a desirable path for many small producers, mostly coming from less developed countries.

Chapter 3

This chapter will look into specific case studies of fairtrade, to evaluate whether the impacts that were described in Chapter 2 actually take place empirically. The products that have been chosen as examples to perform the case studies are coffee and handicraft. I have chosen coffee because it is the fairtrade product for which there is more information, as it is the product considered as the big winner within the fairtrade market. Therefore the majority of studies made by fairtrade organisations and also independent studies have been made for coffee. Choosing for handicraft has been more difficult, as the information is very scarce because it is not just one product but many. Nevertheless, I consider it to be very relevant for this thesis, as the “cuoro vegetal” is also a handicraft product and therefore conclusion will be more appropriate.

3.1 The study case for coffee.

Coffee has proven to be the most successful fairtrade product, as it has seen steady growth rates since the beginning of its existence and is the product to which consumers first relate the fairtrade initiative. Furthermore, it is clearly the fairtrade product which has focused the most attention not only within fairtrade organisations reports and research, but also most independent researchers have been primarily dedicated to coffee when talking about the fairtrade market.

This section will focus on some case studies that have been performed by the Fairtrade Foundation and, to have an outside view, the independent case study from the book by Jaffee²⁵, made in the Rincón de Ixtlán region, Oaxaca, Mexico will also be commented on.

Since the 1960s up until the end of the 1980s, coffee markets were controlled by the International Coffee Agreement (ICA), which included consent from exporting and importing countries on a system of quotas. The system of quotas was developed to control prices and result in more stability for producers. In 1989 the ICA system broke down and brought with it a deep crisis, in which prices decreased about 30%. Since then different phenomena have had effects on coffee prices, such as the frosts in Brazil in 1994 when prices about doubled in the last half of the year, or the overproduction of coffee which resulted in a regular decrease of prices from 2000 to 2004.

The situation of destabilization above described makes the case for the fairtrade coffee market to exist, to protect coffee producers by bringing stable prices and a long term secure market.

3.1.1 The impacts of fairtrade.

The impacts of fairtrade will be discussed in the order of appearance in Chapter 2, as much as possible, so that they are easier to compare between the different case studies.

²⁵ Jaffee D.; 2007; *Brewing Justice. Fair trade coffee, sustainability, and survival*; University of California Press, Ltd. London, England.

Various research studies show proof of how fairtrade has impacted on farmers in different places around the world. An example is that of Ronchi (2006), who performed a research using data of work on the field in Costa Rica. She finds that the work fairtrade performs with producer organisations makes them more efficient and this causes benefits to increase. Furthermore, she argues that the fairtrade system improves the situation of coffee producers, improving their capacity, increasing their market power as organisations gain direct market access, and to corrects information failures²⁶. Therefore, Ronchi (2006) basically argues that the direct impacts of fairtrade, as exposed in Chapter 2, take place for the producer organisations in Costa Rica.

Another example of an independent case study is that of Jaffee (2007)²⁷, who makes a thorough study on coffee farmers leaving in Rincón de Ixtlán, Oaxaca, Mexico. The study makes a comparison between the incomes and the livelihoods of coffee producers pertaining to the fairtrade system and other coffee producers in the same region selling to the conventional market. Coffee producers in the conventional market, sell their produce to intermediaries, known in the region as “Coyotes”, which afterwards sell the coffee in the city.

Jaffee shows clearly how producers working for fairtrade organisations get higher prices for their coffee than those selling in the conventional market. To be more precise, fairtrade producers of certified coffee receive an average of 15 pesos per kg (0.68US\$ per lb), fairtrade producers of regular coffee receive an average of 10 pesos per kg (0.45US\$ per lb), while conventional producers of coffee receive an average of 5 pesos per kg (0.23US\$ per lb). These data proof that the difference is huge, extra income coming from fairtrades’ higher prices at least doubles conventional market prices. Jaffee also mentions other studies made at the Colorado State University that find the same results, i.e. fairtrade coffee prices to be about double of conventional coffee prices²⁸. However, the difference in income received by producers is not big enough when taking into account the extra effort made by fairtrade producers to comply with the requirements of the fairtrade system.

Jaffee also shows how, with information is taken in a period over 6 years, conventional coffee producers see their prices decrease with crisis, fairtrade producers have received rising or stable prices for their coffee. Nevertheless, the coffee crisis has affected all producers,

²⁶ Ronchi L.; 2006; *Fairtrade and market failures in agricultural commodity markets*; World Bank Policy Research Working Paper 4011.

²⁷ Jaffee A.; 2007; *Brewing Justice. Fair trade coffee, sustainability, and survival*; Chapter 4, The difference a market makes. Livelihoods and labour; University of California Press, Ltd. London, England.

²⁸ Raynolds L.T., Murray D. and Wilkinson J.; 2007; *Fair Trade. The challenges of transforming globalization.*; Routledge; New York; USA.

because not all the produce coming from fairtrade producers meets the fairtrade market requirements and therefore some of it needs to be sold to the “coyote”²⁹ anyway.

With regards to access to credit, Jaffee explains how payments made to fairtrade producers are made three times throughout the year, resulting in some advanced payment, even if it is normally less than the 60% stipulated in fairtrade criteria.

Furthermore, the fact that being in a cooperative is a prerequisite to belong to the fairtrade market also brings positive impacts, above psychological benefits of belonging to something, in the case of Mexico, coffee-support programs exist only for associations. However, fairtrade producers are not the only ones pertaining to cooperatives.

Another positive impact comes from the technological assistance offered by advisers from fairtrade, who train producers to increase the quality and quantity of coffee produced on their fields. This training, together with the use of organic production methods and the regular replacement of plantations brought fairtrade producers 500 kg. of coffee in 2002-03, while conventional producers only amounted 320 kg³⁰.

Some non direct economical impacts are also mentioned, for example fairtrade producer families on average have fewer debts with the local shops and with “coyotes”, and the level of expenditure on education for children within those families is two times bigger³¹, so that children from fairtrade families receive higher levels of education.

Therefore, even if results are not as good as expected, and even if things are still difficult for all coffee producers mentioned in the studies above commented, I believe that it is legitimate to conclude that fairtrade producers are in general better off than those selling for the conventional market.

3.1.2 Critical success factors for fairtrade coffee.

Yet another possible route to study the different impacts of the fairtrade market, in a more practical way, is by performing an analysis of its critical success factors. The critical success factors type of research make a comparison on the basis of brand, price, distribution, new product development and the ethical component. This is done to understand where the fairtrade market stands in relation to the conventional market, with which it needs to compete.

To perform a critical success factor analysis, a specific product within the fairtrade market needs to be chosen and then the comparison with the same product sold conventional market must be made in a more concrete manner. Da Silva Paiva 2006³² performs a critical success factors study for fairtrade coffee, based on the market of the United Kingdom (UK).

²⁹ The “coyote” is the intermediary, the person who goes to the villages buying coffee and afterwards sells it in the cities. The “coyote” puts his own price for products, and as he is the only one trading, producers need to accept his prices.

³⁰ Jaffee, 2006, p. 103.

³¹ Jaffee, 2006, p. 114.

³² Da Silva Paiva D.C., 2006, The Fair Trade as a business model to converge social and economic development, Cranfield University.

Regarding brand, the fairtrade system has joined forces and created umbrella organisations, such as the IFAT and FLO, to support small ATOs and producer organisations. Nevertheless, there are many different brands offering fairtrade coffee, like for example the Fairtrade Foundation, Traidcraft or Oxfam, and this diversification results in a deficient brand recognition. Most customers are confused and therefore not able to differentiate between brands or even do not know where to buy each of them. This confusion does not give the fairtrade market opportunities for a good marketing strategy. Fairtrade is strong in countries such as United Kingdom and the Netherlands, but in Spain for example, there is a long path to be made and I think that the umbrella organisations of fairtrade should try to put some effort on the communication of what is the fairtrade label and how it is related to the different fairtrade brands. In conclusion, when comparing the element brand in fairtrade coffee with conventional coffee brands such as, Douwe Egberts, the fairtrade is in a disadvantaged position.

In relation to price, the fairtrade system raises prices to producers through the minimum price and the price premium policies. With this raise in costs, we expect higher prices for fairtrade products, but that was only the case at the beginning of the fairtrade story. Today the fairtrade coffee prices have become very competitive. At the shelves of a regular supermarket, packages of 250 gr. of grounded coffee, of brands such as Douwe Egberts or Bonka, can be found for a minimum of 1.59 Euros and ranging to also normal prices like 2.35 Euros, depending on the supermarket and whether it is mixed coffee, Arabica, etc. Also on the shelves of a supermarket, even if it is still only offered in some supermarkets, fairtrade coffee packages of 250 gr. of grounded coffee, of brands such as Oxfam or Fairtrade Foundation, are found for 1.89 Euros, the natural and the mixed coffee. And when going to a fairtrade specialized shop, such as the Oxfam shop, coffee is available for same prices, 1.89 Euros, the natural and the mixed coffee, and biological fairtrade coffee is sold for 2.29 Euros, while 100% ecological Arabica has a price of 2.49 Euros³³. Therefore, even if fairtrade coffee is still a bit more expensive than conventional coffee, the conclusion regarding price is that the fairtrade coffee has evolved until the point of becoming competitive in prices when compared to conventional coffee. Annex 2 presents an overview of the different prices coffee prices today, in 2008, in different supermarkets and shops, both in The Netherlands and Spain.

With regards to distribution, the fairtrade used to sell their products exclusively in fairtrade worldshops, afterwards the distribution extended to some specialised ecological and biological shops and nowadays it is even being delivered and sold at some regular supermarkets, next to conventional coffee brands. Therefore, when looking for any kind of fairtrade coffee, i.e. not wanting a specific brand, it is to be found in most supermarkets. Hence, in the distribution aspect the fairtrade is still not as good as conventional coffee, but it is

³³ Prices taken from supermarkets in Barcelona, such as Día, Caprabo and Opencor, and from one of the Intermon Oxfam fairtrade shops also in Barcelona.

improving very much and today it can also be considered as competitive, even if slightly worse off.

When considering the component new product development is probably the black spot on the critical success factors analysis for fairtrade coffee. The coffee market is a very competitive one, with a lot of different producers and many different brands. Brands such as Illy are always keeping up with the market and new tendencies, evolving with new formats like the capsules sort of coffee machine and even getting into the sustainable coffee market. There are also brands like Nesspresso (Nestlé) that focus on the high quality sector and selling an exclusive product. While the evolution of the market is active and fast, the fairtrade coffee on the other hand does not innovate much and focuses on a more traditional coffee kind of market.

The last element, the ethical component, is the one actually used by the fairtrade system as a base for differentiation from other conventional coffee brands. Ethical issues are becoming more and more important to consumers, factors such as poverty and the environment are issues consumers worry about increasingly and fairtrade offers a great opportunity to easily support ethically correct initiatives. Nevertheless, because of ethics and social responsibility becoming more and more important to consumers, many coffee brands such as Illy, have created a new sustainable branch of coffee to their range of products, as they feel the need to be included into this niche of the market. Therefore, even if the fairtrade is probably the promoter and therefore the head of the ethical component, it is no longer something exclusive for fairtrade or ecological and biological products, many I even dare to say most of the big companies are now paying special attention to social and environmental issues.

The critical success factors show that fairtrade coffee is in general well positioned in the market. The component with which it holds a competitive advantage is clearly the ethical factor, it is the component that differentiates fairtrade, that makes it special and worth buying to many. However, there are also weak points, there is a need to work on the distribution aspect and its main disadvantage is clearly set on the brand component. I believe that the brand component should be strengthened by reinforcing the role of the fairtrade label and by providing more information to potential customers.

3.2 The study case for handicraft products.

The study case for handicraft is more complex than that of agricultural products, as every particular product is different from the rest and therefore comparison is more difficult. The fairtrade labelling organisations has not yet been able to compose a handicrafts label, even if results from a survey made by IFAT show how both producers and fairtrade organisations are positive about the label being created, i.e. 84% of producers and 47% of fairtrade organisations in the north agree on the importance of having a handicraft label³⁴.

³⁴ IFAT 2006 Annual report (p. 8)

Moreover, there is less information available for fairtrade handicraft than for agricultural products. All independent impact studies on fairtrade that I have been able to find, from several universities, the Worldbank, etc, are about agricultural products such as coffee, tea and cotton, but there is none for handicrafts. Nevertheless, the director of Traidcraft, Paul Chandler, offers a presentation with impact results for handicraft fairtrade products³⁵, which together with the short stories exposed in the websites of fairtrade organisation³⁶, and with Cockram, M. (2005)³⁷ from Aid to Artisan, give the grounds for conclusions to be drawn.

The market of handicraft in the European Union benefits from low tariffs and an increase in consumers' interest for functional craft which can also be decorative. But there are also aspects that threaten the market, such as pressure on prices to decrease and on production volumes to increase, and crucial issues that need to be worked on, like consistent delivery times and the absolute need for good and standard quality and focus on design.

3.2.1 The impacts of fairtrade.

The impacts of fairtrade for handicraft will be discussed in the order in which they appear in Chapter 2, as it was done in the case studies for coffee already discussed above. It is important to keep in mind that the case for handicraft products is very complex as it includes very different products in the materials from which they are made, how they are produced, the time it takes for production, their use, etc.

With regards to the direct impacts of fairtrade, it has been proved that producers' income does increase, while it also becomes more stable, even though there are serious seasonality issues and many fairtrade handicraft producers are still close to the poverty level of earning less than 1 USD per day³⁸. Information on craft experiences³⁹ also supports the statement that fairtrade impacts positively on artisans' lives with aspects such as long-term relationships and access to partial advanced payment. However, it is not quantifiable, as there is no numerical data supporting the amount of that extra income or how much artisans receive as advanced payment.

Regarding the existence of social development projects and their impact on artisans' communities, Traidcraft stories confirm that producers' situation improves due to better infrastructure, i.e. education, health, electricity, etc. For example Salay provides scholarships for some of the children of artisans on the project, and Thuy Kinh Ceramics has established a Humanitarian Centre and School in Hanoi, which works to get children out from the streets. While, referring to environmental development projects, it seems that even if the fairtrade

³⁵ Chandler, P.; 2007; *Handcraft value chain analysis*; University of Leeds; United Kingdom.

³⁶ Mainly from www.traidcraft.co.uk. For example, Monda African Art; the Thuy Kinh Ceramics Group; Salay Handmade Paper Industries.

³⁷ Cockram, M.; 2005; *Lessons learned in twenty years. Honduras, Ghana, Hungary, Russia, Armenia, Central Asia and Perú.*; Aid to Artisans, Hartford; United States.

³⁸ See Chandler, P.; 2007.

³⁹ See Chandler, P.; 2007.

movement criteria include environmental protection, when applying this to handicraft projects it is basically no priority.

Once the direct impacts have been discussed, let's move to the indirect impacts of fairtrade for handicraft products. In the case of handicraft products, indirect impacts seem actually more direct than with agricultural products, it even seems that impacts are further strengthened. Why? For example, because handicraft products are in many cases made by women, at home while taking care of the kids or taking care of household activities in general, therefore support to women is evident. Moreover, often, handicrafts are directly linked to the preservation of producers' culture, as most craft items are based on traditional products from the different places where they are being made, many times indigenous populations who, by producing handicraft, get a good opportunity to continue with their cultural heritage. Furthermore, in reference to producers' self-esteem, Traidcraft also assures that training programmes and the empowerment created builds artisans self-confidence.

With regards to the negative impacts, a major issue with the market of handicraft products is the image that many consumers have of low professionalism and bad quality. These qualities are seen by many as intrinsic to handicraft, whether it is fairtrade handicraft or conventional (mainstream) handicraft. Handicrafts have an image, for which there is of course an origin, of not having a consistent quality, not being able to supply big volumes or a good after sales customer service, which I believe provides magic to the product, as every single handicraft good is individual and different from the rest. This could be taken as a competitive advantage, as a differentiation characteristic, but it is not what the international markets demands, therefore it works less and less. For the handicraft market to not be substituted by industrialised products, these issues need to improve, so that the market will gain in consumer confidence and satisfaction.

At the beginning of this section I mentioned that the handicraft fairtrade market is much more complex than that of agricultural products such as coffee. However, as a generalisation it can be stated that the fairtrade market does provide an opportunity for handicraft producers to sell export their products and get some extra income and other economical and social benefits. I believe it is important to emphasize the need to improve in issues such as quality or supply as exposed on the paragraph above.

3.2.2 Critical success factors for fairtrade crafts. The case for bags.

After discussing the impacts of fairtrade within the handicraft scene, to better understand the market of fairtrade craft, and as was developed with the case of coffee, a critical success factors analysis will be performed, taking bags as an example of a handicraft product. Bags have been taken as example because conclusions will be more relevant when writing Chapter 4 on *tecido da floresta*.

The critical success factors analysis aims at understanding the different types of bags available, the brand factor, prices, distribution, new product development and the ethical

component effect. This is done to understand where the fairtrade market stands in relation to the conventional market, with which it needs to compete.

With regards to the factor brand, in a similar way to fairtrade coffee, fairtrade handicraft bags do not have an own brand with which it could impose some competitive advantages when related to other bags it needs to compete with. On the other hand, handicraft bags on the conventional market⁴⁰ usually do not have strong brands either. Therefore, when considering only handicraft products as a competing product, both markets seem to be very proximate.

However, there are also industrial bags which can be considered as competition to handicraft bags. Those would be bags sold in shops where every product belongs to the brand of the shop, such as Accessorize in the Netherlands or Fun&Basics in Spain⁴¹. These kind of industrial bags they have a stronger brand image in the market and therefore a competitive advantage as opposed to handicraft bags.

The next success factor to be discussed is price. I have taken five fairtrade organisations in The Netherlands and in Spain as a sample, Oxfam, Fairtrade Winkel NL, Unicef and Alternativa3 and Xarxa de Consum, and on the other side the shops or organisations that were mentioned on the paragraphs above, as Fuzing, The African Beauty or Accessorize. Fun&Basics. There are very wide ranges of prices in all of the different options. Within the fairtrade market it is possible to find simple little bags for 3 EUR to more elaborated ones for about 60 EUR. Similarly, in the case of the conventional market of handicrafts bags can be found from 2 EUR in places like Eurobali, to bags with more work and textile from The African Beauty for 28 EUR, while in Accessorize there are bags of all prices, some of them sold for more than 60 EUR. Therefore, it can be concluded that in relation to prices, the fairtrade market is not more expensive as might be expected, but it is basically as competitive as any other product. Annex 3, presents an overview of the different prices within the fairtrade market that have been used as sample for this study. While Annex 4, shows the overview of the different prices that have been used for the conventional market as sample of this study.

Continuation of the critical success factors analysis brings us to distribution. Again when comparing to handicraft bags on the conventional market and on the fairtrade market, the situation is very similar, both lack a good distribution system, as those products can only be found in specialised handicraft or fairtrade shops respectively. Basically, this means that only

⁴⁰ Handicraft bags on the conventional market can be found mostly in craft fairs to which artisans go and sell directly, in specific craft shops or in web pages, such as:

<http://www.theafricanbeauty.nl/hats-bags-belts.html>

<http://www.fuzing.com/vli/000769394363/Handicraft-Handbag>

http://eurobali.org/index.php?row=1&action=product&category_id=6

⁴¹ See their webpages for reference:

<http://www.accessorize.nl/home.php>

<http://www.funbasics.com/wellcome.htm>

the people who intentionally want to buy the products will get there, while industrialised bags, such as Fun&Basics can be found in own shops, but also in retail stores, department stores and other kind of shops. Therefore again handicrafts are in a disadvantaged position.

In reference to new product development, handicraft in general, whether they are fairtrade or not, typically evolve depending on the artisan that makes them. However, another flaw in the handicraft market comes from the difficulty in adapting to up-to-date design trends. Hence again, the fairtrade handicraft market needs to focus in design and market trends, by continuous innovation so that it keep up with market expectations.

Last but not least, the ethical component is clearly fairtrades' strongest factor in the critical success factor analysis. The ethical factor, meaning special concern for social and environmental issues, is the differentiating factor with which the fairtrade counts, therefore it is important to make it stand out.

The analysis as a whole tells us that fairtrade handicraft bags are at the front of the line in the ethical factor, while regarding all other components of the critical success factors analysis it is basically worse off. Therefore to be competitive, fairtrade handicrafts need to start by improving in components such as new product development and brand, for which they are really at the tail of the market.

Chapter 4

This chapter will expose the case of the product known as *tecido da floresta* or *cuoro vegetal*, which basically means vegetal leather in Portuguese. The chapter will start by introducing the subject and explaining the actual situation of the production process and marketing of the *tecido da floresta*. Later on and given the theoretical and empirical data presented on Chapters 2 and 3, the possible future situation of the *tecido da floresta* will be discussed.

4.1 Introduction to the *tecido da floresta*.

The Amazon region in Brazil has a great history of extrativism since the end of the nineteenth century. Extrativism has been in practice in many different ways, from wood and other kind of vegetation, to many other kinds of wildlife. The extraction of natural rubber from a tree known as *seringa*, has been one of the main sources of income within the region, and it has gone through various cycles.

The natural rubber needed for the worldwide production of tires for the car industry was basically coming from the Amazon, so that there was a huge demand for employment as *seringueiro* in the region. Until the year 1912, when the English exported *seringa* seeds to Asia and developed plantations there, that could produce rubber at a much lower price. Since then the natural rubber market in Brazil has been going through ups and downs, but as a whole the result has been that most of the *seringueiros* have left the rainforest to go and live in the cities, because it was economically impossible to earn enough for a living. However, moving to the cities is not an easy choice, as there are few jobs available for the *seringueiro* and his family, who in many cases are illiterate.

Nowadays, there are still some communities of *seringueiros* that continue to live in the rainforest, developing various economical activities, among which the extraction of natural rubber is found in a reduced scale. Figure 3 shows a *seringa* tree, from which the natural rubber is being extracted.

Figure 3: Extraction of natural rubber from a *seringa* tree



During all those years, the *seringueiros* have been safely transporting their tools or food from one place to another, using a regular sack which they cover with natural rubber treated to

become latex, so that those objects would not be damaged due to the rain or humidity. The personal use of these sacks covered has developed in a commercial direction to produce cloths of *tecido da floresta* or *couro vegetal*. The cloths covered with natural rubber can be varied in colours and textures and even have any kind of designs on them, no matter what the pattern of the cloth is, the same will show on the canvas of *tecido da floresta*.

The next sub-sections, all within 4.1, will be dedicated to the in-depth description of the situation of the *tecido da floresta* first by approaching first the production process, followed by the marketing of the product.

4.1.1 The production process of the *tecido da floresta*.

The *tecido da floresta* is produced within the different states of the Amazon rainforest. This case study will focus on the production and commercialisation of *tecido da floresta* in the state of Rondônia. The reason is that at the end of the year 2006, a bit more than a year from today, the Expertise Centrum Duurzame Ontwikkeling of the University of Amsterdam together with the UNIR (Universidade Federal de Rondônia), organised a project on *tecido da floresta* in that region. I took part in the project, together with a group of other students from The Netherlands and Brazil and the organisations involved in the production and commercialisation of the product. Aldecoa I. *et al*, 2006⁴² is the result of that project.

The production of *tecido da floresta* in the state of Rondônia is mainly focused in Costa Marques and Machadinho de Oeste (MdO), our study took place in MdO, and so does this thesis. In MdO the production of *tecido da floresta* is carried out by COOPFLORA (Cooperativa dos extrativistas da floresta de Rondônia), and therefore it is the centre organisation of this case study. COOPFLORA supports the *seringueiros* in the production process providing them with the material and utensils needed and when ready, buys the canvases from them to make bags or other items.

The production of the *tecido da floresta* is an economical alternative for the *seringueiros* and at the same time it preserves the Amazon rainforest, because there is no need to cut down trees and because the *seringueiros*, while leaving in the rainforest, act as “guardians of the forest”. However, the production process as it is today needs improvement and optimization, as the end product is still inconsistent and therefore it results in some bad quality canvases being generated.

It is also important to take into account that the *seringueiros* have different sources of income, and the production of the *tecido da floresta* is just one of them. Hence sometimes they are busy with other activities and do not spend time on canvases of *tecido da floresta*, so that there is no continuity of production to deliver consistently.

⁴² Aldecoa I., Frijlink M., Garcia F., Janssen S., Junior P., Mamanny F., Rijneveld J., Riva F. and Willems E.; December 2006; *O tecido da floresta. Uma alternativa sustentável?*; UNIR, Faro, Sao Lucas, Rondonia, Brazil and UvA, Expertise Centrum Duurzame Ontwikkeling (ECDO).

The production process starts with the *seringueiro* extracting of the natural rubber from the trees, followed by the gathering of the dry coconuts of a palm tree, known as *babaçu*. The *babaçu* coconuts are placed in a sort of furnace, in which they are burned, to produce a stream of smoke. The producers will then give a coat of latex⁴³ to a plain cotton canvas, which will afterwards be treated with the smoke coming from the furnace and put to dry outside or in a homemade drying machine with light bulbs, so that the latex sticks well to the canvas. After the canvas is dry, the process needs to be repeated around 4 or 5 times, depending on the result wanted. The more coats, the thicker the canvas, and in many cases the better the quality, with a maximum of about 10 coats. Later the canvas is cleaned and stored. These canvases can be used to elaborate different articles, such as bags, belts, wallets and even shoes, as we will see later. Annex 5 provides some photographs of the production process of the canvases of the *tecido da floresta*.

An important weak point within the production process comes from bad quality controls, if any. For suggestions on how to improve the quality of the canvases of *tecido da floresta* and of further detail on the process, including a comparison of the productions process in different regions of the Brazilian Amazon, see Aldecoa I. *et al*, 2006.

Another issue that needs attention is product design. At the moment bags and other items elaborated with the canvases of *tecido da floresta* are designed by artisans without the directions of what the market actually wants and what is fashionable at the time. In many cases handicrafts do not have to deal with fashion that much, because it is a traditional product, but in this case, there is no tradition for making vegetal leather bags or other articles, therefore I believe design is a basic asset that would add value.

Annex 6 provides a graphical sample of the finished product, it shows a few photographs of handbags made of *tecido da floresta* by the women in MdO.

4.1.2 Marketing of the *Tecido da Floresta*.

Nowadays the bags and other items, such as belts and wallets, made from the *tecido da floresta* in MdO are scarcely being sold, as the right product for the right market has not yet been developed⁴⁴. COOPFLORA has had support from SEBRAE (Serviço Brasileiro de Apoio às Micro e Pequenas Empresas) for several years, with the aim of promoting the quality of the production process and to support in the search for possible clients within the Brazilian territory. However, few bags are being sewed by the seamstresses in MdO, and those are mostly sold directly from the cooperative to few tourists that pass by or at some handicraft fairs around the country (promoted by SEBRAE). At the moment there are no consistent clients that buy the products in a periodical manner.

⁴³ Natural rubber mixed with chemicals that keep it liquid and make it latex.

⁴⁴ Aldecoa I., et al. P. 48

Before our project in Brazil took place, SIMPI (Sindicato da Micro e Pequena Indústria em Rondônia) promoted a group of seamstresses in Porto Velho, that sew some bags and sold them at SIMPI's shop in PV, the capital of Rondônia, and at various handicraft fairs around the country. The group of seamstresses assured that when going to fairs they got very positive responses on the bags, and that there were a lot of potential clients, but the quality needed to improve. Nevertheless, there were some conflicts between the group of seamstresses, SIMPI and COOPFLORA, and the production of bags of *tecido da floresta* in Porto Velho was ceased.

Therefore, marketing of the *tecido da floresta*, in and outside the Brazilian borders, is not much all together and it needs to be promoted in many ways, together with the quality problems that appear often.

Another issue within the commercialisation in the fairtrade market is certification. Because there is no standard label for certification of handicrafts within the fairtrade market, I think that, at least for the moment, there is no need for COOPFLORA to invest time and money on this issue. However, coming to the elaboration of a standard product is crucial for fairtrade importers to have confidence on the product.

4.1.3 Results from contacts with fairtrade organisations regarding the *tecido da floresta*.

During the year 2007, right after the project in Brazil took place, the Dutch student group got in contact with the NGO Barbosa do Brasil and with Marjolein Starreveld, who used to work in the fairtrade market, but is now self-employed and busy with the production development, marketing and organisation of fairly traded products. These NGOs deal with fairtrade products in The Netherlands. The idea was to get their opinion on the product and see the possibilities it could have in the market. In first instance, the organisations were very interested in the story and product, and believed that there was a possibility for it in the European Fairtrade market. A couple of meetings took place, in which the whole story was exposed and bags that the group brought from Brazil were shown to people representing the organisations. The reaction was not very positive. The feedback coming from Barbosa do Brasil, for example, was that the smell was a problem, it is too strong and even sticks to the fingers, plus the quality of the material is not good enough. Furthermore, they considered that the designs is old and out of fashion.

Later on, at the beginning of 2008, I also got in contact with another fairtrade organisation, Intermon Oxfam (IO), the Spanish branch of Oxfam International, to see on their possible interest in the *tecido da floresta*. They explained that they would be interested in receiving more information on the products, but that the procedure was for them to receive a catalogue or a website of the organisation in Brazil and in that way they could study the situation of the products in detail and see for its potential. IO also recommended that a first step would be to get in touch with FLO, as it is the international organisation fixing the fairtrade standards for all products. Hence, all this information gives a hint to see that at the present time, the *tecido da floresta* might not have what is needed to access the fairtrade market.

Important conclusions can be made from the information from the NGOs that have been contacted until today, like Barbosa de Brasil and IO. We see that the fairtrade market has very high and strict standards and both canvases of *tecido da floresta* and the products that can derive from them do not seem to be ready for the entrance into this specific market. The *tecido da floresta*, not only needs to improve its quality and attain a good level of standardization, but also requires a second phase of commercialisation. With second phase of commercialisation it is meant that other marketing issues such as packaging, image and communication (webpage, selling points), advertising (marketing strategies, new market research and trend studies), commercialization (promotional activities), become crucial. Hence, for COOPFLORA to access the fairtrade market, it should try to focus on the above mentioned issues, including the need for a catalogue, a webpage and other tools for commercialisation.

However, this does not mean that the *tecido da floresta* should never access the fairtrade market, but that significant initiatives need to be made before that, with the limitation that they involve time and money. Last year, COOPFLORA requested a *Desenvolvimento Rural Sustentavel* (DRS) credit from the Banco do Brasil. Therefore, if they get the DRS credit, investing in the issues mentioned in the above paragraph would be a good strategy, to then be able to access the fairtrade market, which has been proven to be a very positive initiative, and would bring a better future to the community of *seringueiros* in MdO.

4.2 Marketing opportunities for the *tecido da floresta*.

This section starts by understanding the real possibilities of the *tecido da floresta* within the fairtrade market, given all the information of chapters above. Later on, the section goes beyond the fairtrade market, to expose other marketing possibilities for the *tecido da floresta*, both within the Brazilian borders and outside, within the international market.

4.2.1 The *tecido da floresta* within the fairtrade market.

As mentioned in the Introduction, if the cloths made of *tecido da floresta*, or the products that can derive from them, access the fairtrade market, producers will benefit from direct impacts such as extra income, direct information on the international market, stability coming from the long-term relationships between producers and importers, access to credit and social and the environmental development projects from the fairtrade price premium. Moreover, indirect impacts, such as the increase in producers' self-esteem and confidence and the preservation of producers' culture, could also be expected. In the case of the *tecido da floresta* it would not be the indigenous culture, but the culture from the rainforest inhabitants.

Turning to the case studies of coffee and handicrafts carried out in Chapter 3, brings a further understanding of the opportunities that the fairtrade market could offer to the *tecido da floresta*. The coffee experience confirms the expected theoretical direct impacts of the fairtrade market on producers, while handicrafts impacts are similar, but indirect impacts are further strengthened. Translating all this positive impacts to the *tecido da floresta*, makes the entrance

to the fairtrade market attractive, COOPFLORA would receive extra income, lives of *seringueiros* would improve and, if bags are produced by the women in MdO, women would be encouraged, plus all the social and environmental advantages that come with it.

After that, a critical success factors analysis was performed, for coffee and handicrafts, both result in the ethical component being the strongest point, prices for fairtrade coffee are competitive, high quality assumed for coffee, while brand and distribution are relatively in a disadvantaged position and new product development being the weakest of all. Hence, the same structure can be assumed to apply to the *tecido da floresta*.

The problem with the *tecido da floresta* comes from basic requirements that have been assumed to be true for the critical success factors analysis, such as high quality, which is a must and is not fulfilled due to the smell and the whitening of the cloths with time and heat. The image problem of bad quality and low professionalism related to handicraft, mentioned in chapter 2, can be considered as true when talking about the *tecido da floresta*.

Regarding quality, in the case of coffee, we even see how, if the quality is not good enough, coffee from producer groups included in the fairtrade market is rejected by fairtrade importers, and it needs then to be sold in the conventional market at a lower price. The quality problem has even been confirmed through the contacts with fairtrade organisations and their refusal to accept the product. Another basic requirement is a good and attractive design, which again as confirmed by the contacts with fairtrade organisations, is not strong enough for products of *tecido da floresta*. Therefore even if the critical success factors analysis could be for the *tecido da floresta* as for coffee and handicraft, the fact that it misses the basic requirements of quality and design shows that the product is probably not yet ready to be sold in the fairtrade market.

Regarding the market of handicraft in the European Union, we saw that it suffers from pressure on prices to decrease and on production volumes to increase, and other issues such as consistent delivery times and the need for good and standard quality and focus on design. The actual production of *tecido da floresta* has also no continuity, because producers are involved in many economical or subsistence activities at the same time, therefore some months the *seringueiros* have free time and they use it to produce canvases and others not. Hence with the potential export of *tecido da floresta* products to fairtrade market, or European markets in general, there would also be problems with consistent delivery times.

With these results it is possible to conclude that products made of *tecido da floresta* do not fulfil the requirements needed to enter the fairtrade market. For the time being, COOPFLORA does not have the knowledge or technology needed to compete in the international market with the quality, designs and delivery times it offers.

However, if we apply these results to the natural rubber, possibilities increase. We see that in general raw materials are growing higher into the fairtrade market. That is the case of coffee, tea or even ecological cotton instead finished products such as shirts or jeans. The

natural rubber has good and practically standardised quality and could be sold to fairtrade organisations or companies at a fair price, higher than the conventional market for rubber. With the rubber, these fairtrade organisations could produce the canvases of *tecido da floresta*, as they have more technological possibilities than COOPFLORA to achieve good quality canvases. Furthermore, fairtrade organisations could also produce bags or other things with the canvases, and they would probably have more market possibilities, as fairtrade organisations have an extensive knowledge of tastes and fashions. The introduction of natural rubber into the fairtrade market could already bring the benefits as the impacts that fairtrade has on coffee, resulting in a very important improvement for the cooperative of *seringueiros* in MdO.

4.2.2 Other opportunities for the *tecido da floresta*. The Brazilian market and the non-fairtrade international market.

Within the Brazilian market, there are some interesting influences or trends that come from the fairtrade market. SEBRAE performed few research studies on global fairtrade⁴⁵ and states that there is no actual fairtrade market definition used by the fairtrade organisations, the one used in this thesis. So there is no fairtrade market in the way that it is developing in Europe and the United States. However, SEBRAE states that in big cities such as São Paulo, there are initiatives that share the same bases as the fairtrade market, but are independent shops or organisations. A successful example is that of Mundaréu⁴⁶, that sells handicraft from all the different states in the country, to create opportunities for people that are excluded from the formal working market and they do so using a fair system of payments, treatments and distribution. Assuming the improvement in quality and standardization of their products, the producers of *tecido da floresta* might have a better chance to access this alternative fairtrade market, as they share a similar culture and same language, so it will be easier to communicate and because these shops seem more flexible and have fewer pre-requisites.

Not only do fairtrade trends offer opportunities for the *tecido da floresta*, Brazil is an enormous country that attracts a lot of tourism, mostly to the coast, but also to the Amazon rainforest region. Various studies have been published on handicraft and tourism, both national tourism from Brazil and international tourism, and proof the direct link between them⁴⁷. This link appears because the artisan needs to produce and sell, while the tourist desires to buy something special and authentic as a remembrance of the place visited. Cohen (1993) states

⁴⁵ Giani S., Barboza L.C. and Okamoto P.T.; 2004; *Comercio Justo. Pesquisa Mundial*; SEBRAE; All Type Assesoria Editoria, Ltda., Brasília, Brazil.

⁴⁶ <http://www.mundareu.org.br/>

⁴⁷ Perota C.; 2007; *Impactos do artesanato sobre o turismo no Espírito Santo*; SEBRAE; All Type Assesoria Editoria, Ltda., Brasília, Brazil.

that today, industrialized countries are the reason why in some countries handicrafts have not yet disappeared and even the reason for new development of crafts⁴⁸.

On the same line, the Brazilian national network for social mobilisation⁴⁹ defends that crafts add value to tourism and contribute to enforce the identity of a country, while tourism opens markets and creates demand, strengthening handicrafts. A very important point here is also that handmade souvenirs are not expected to be of very good quality, the main purpose is to take something authentic back home. Therefore, as handmade souvenirs, products made of *tecido da floresta* can be a real success.

There are various handicraft shops in Porto Velho, where the *tecido da floresta* could be sold. The official craft shop promoted by the town hall, "A casa do artesão"⁵⁰, is the most visited shop, sometimes considered also as an exposition hall, where tourists and even locals go for regional handicraft. Furthermore, it is always possible to sell through internet handicraft online shops⁵¹.

Furthermore, handicraft expositions and fairs within the Brazilian market are selling points, where it's possible to find potential customers, such as souvenir shops or distributors in other states of the country. As already mentioned, the seamstresses in Porto Velho went to various handicraft fairs in Brazil, and they received positive responses on the bags and met potential clients, even if the quality issue always came up. Examples of fairs which COOPFLORA should go for are, the Feria Latino Americana de Artesanía⁵², the Feira Nacional de Artesanato⁵³, the Associação Brasileira dos Organizadores de Festivais de Folclore e Artesanato⁵⁴ or the Exposição do Artesanato Brasileiro Espaço Brasil⁵⁵.

Turning now to the international non-fairtrade market, it also seems like alternative opportunities for the *tecido da floresta* could arise, but as discussed in the previous section, the quality of the canvases needs to be optimal and standardization is a must. In the same line as Mundaréu in São Paulo, there are various international green organisations or even firms that, without belonging to the fairtrade market, are focused on the protection of the environment and the social wellbeing of people in less developed countries. Therefore, if COOPFLORA achieves good and standardised quality, selling the canvases to green or social organisations would be an option, as their goals match with development of projects such as the *tecido da floresta*.

⁴⁸ Cohen, E. (1993). *Investigating tourist arts: Introduction*. Annals of Tourism Research 20; pp. 1–8.

⁴⁹ Rede nacional de mobilização social. <http://www.coepbrasil.org.br>

⁵⁰ Situated at the Av. Sete de Setembro s/n.

⁵¹ Such as <http://www.artesanato.net/default.asp>.

⁵² From the 3rd to the 12th of October, 2008. In Usina do Gasómetro, Porto Alegre. <http://www.artesaors.com.br/>

⁵³ From the 25th to the 30th of November, 2008. In Expominas, Belo Horizonte. <http://www.feiranacionaldeartesanato.com.br/>

⁵⁴ <http://www.abrasoffa.org.br/sitenovocompleto/novolayout2.htm>

⁵⁵ Organised by the Programa do Artesanato Brasileiro (PAB) and coordinated by the Ministério do Desenvolvimento, Indústria e Comércio Exterior (MDIC), in Brasília. <http://www.desenvolvimento.gov.br/sitio/interna/>

Apart from not belonging to the fairtrade movement, i.e. to the FLO or the EFTA, etc, one of the main differences found with these green organisations is that they focus very much on design and therefore sell high quality fashionable clothing. Hence, the products are directed to modern young people who care for the environment and like to follow avant-garde fashion, and therefore are willing to pay higher prices for their special cloths.

An example is the Veja project⁵⁶, whose mission is to produce trainers, i.e. sport shoes, with ecological inputs and respecting the dignity of producers and other workers in the trade chain. The trainers are produced with organic cotton, natural rubber⁵⁷, and ecological leather. Veja pays a 30% premium to the producers for the natural rubber and on their mission they even explain how buying the wild latex from the *seringueiros* helps to stop the deforestation of the rainforest. After the prime materials have been collected, the actual production process for the trainers takes place in São Paulo, under good working conditions, decent wages and a policy for no child labour.

As concluded in the previous section, COOPFLORA should consider the idea of selling the natural rubber to an organisation such as Veja, as it would also bring in extra income for improvement of the life of *seringueiros*. Note that this option offers a fair price to producers to improve their economical situation, but it does not offer a fairtrade premium so that cooperatives invest in social projects for the community.

To sum up the conclusions of this section, the Brazilian tourism market seems to offer opportunities for the *tecido da floresta*. The potential market exists, on the one hand because of the desire to obtain something authentic and on the other hand because of the loser requirements for good standardised quality. Hence, within the brazilian market, there are possibilities even for bags made of *tecido da floresta*. Thus, COOPFLORA should make the effort to benefit much more from this market, as it does not require immediate big changes on their present production for perfect quality, even if that is always an advantage and should always be the goal.

When turning to the international examples, the lesson is the same as the one on the previous section, i.e. without a good standardised quality product, the *tecido da floresta* does not have good marketing possibilities. However, if most important obstacles are quality and design, it would be more better to sell the prime material, the natural rubber, at a fair price, for example to Veja, and let designers and people from the fashion world make a special product that can reach international markets.

⁵⁶ Webpage: www.veja.fr

⁵⁷ Note that it is exactly the same product, the natural rubber from Rondônia in the Brazilian Amazon, which is used to make the canvases of the *tecido da floresta*.

Conclusion

Fairtrade has proved to be a very positive experience, for coffee farmers to improve their market position, incomes and in general their life, and even if more complicated, the case fairtrade handicrafts also shows positive results. The thesis examined whether the fairtrade market could offer opportunities to the *tecido da floresta* from the Brazilian Amazon, both for canvases or products made from them such as bags, and went further to the internal Brazilian market and other international markets.

Which are the critical success and fail factors for the marketing of *tecido da floresta* products coming from the state of Rondônia, in the Brazilian Amazon? The critical success factors analysis was performed for fairtrade coffee versus conventional coffee and for fairtrade handicraft bags versus conventional handicraft bags. The results from both studies were applied to the *tecido da floresta* products and showed how the ethical component is the strongest point, prices are competitive, brand and distribution have a disadvantaged position, and new product development is the weakest point.

However, the question remained. Is fairtrade a realistic marketing alternative for the *tecido da floresta*? Results from the study of the fairtrade market show that both canvases and products made with *tecido da floresta*, are not ready to be introduced in a market with strong requisites. Contacts with fairtrade organisations, which corroborated that the story of the product has a lot of potential due to its' social and ecological importance, also supported the fact that the production of *tecido da floresta* needs to improve on some areas.

Which reasons have been found to conclude that the *tecido da floresta* is not prepared to be sold in the fairtrade market?

1. Bad quality, smell and the whitening of the product with time and heat.
2. No standardisation.
3. Design is old fashioned and not attractive.
4. Weak actual marketing of the product. Issues such as packaging, tools for commercialisation including catalogues a webpage, and promotional activities.
5. Discontinuity in production, so that continuous delivery times cannot be achieved.

Nevertheless, other marketing options have been identified, both within the international and the national Brazilian market. Which other markets offer a potential success for the *tecido da floresta*?

1. The tourism market in Brazil offers possibilities. The bags of *tecido da floresta* could be sold in handicraft or souvenir shops, which are frequently visited by tourists. The *tecido da floresta* products could be sold to tourism, even with the quality and design problems, as the important thing is taking back home something authentic from the visited place. Various handicraft sale points have been suggested.

2. The tourism market in Brazil can be extended to Brazilian handicraft expositions and fairs, where potential clients in other states of the country can be found.
3. Again within the Brazilian market, new initiatives, that share the same bases of the fairtrade market with a focus on social and ecological issues, have developed. These organisations are independent from the fairtrade movement; an example is that of Mundaréu. Nevertheless, an improvement in the quality of the *tecido da floresta* is still needed for this alternative market.
4. Natural rubber offers good and standardised quality, and with the technological knowledge of fairtrade organisations, better quality canvases and bags of *tecido da floresta* could be produced, and be adjusted to fashion and actual tastes. Hence, selling the natural rubber to fairtrade organisations at a fair price is another option. This would produce the same impacts as other raw materials, products such as coffee, tea or cotton, resulting in an important improvement for COOPFLORA.
5. The international market offers green or social organisations, which care for the environment and for the social wellbeing of people in less developed countries. The ones identified focus on exclusive market directed to modern young people, who are willing to pay higher prices for their special cloths. Nevertheless quality is a must here, so selling natural rubber at a fair price, and letting designers of the fashion world make a special product with added value is the best solution. The Veja project, due to its' direct relation with natural rubber coming from the Brazilian Amazon.

All the new possibilities for commercialisation that have come up during the writing of thesis, should be further researched. A deeper study will confirm whether they are actually viable. I believe that COOPFLORA should attempt to bring them forward.

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Annexes

Annex 1 – ICO Composite Indicator Price for Coffee.

The ICO composite indicator price, offers a reference for the price of different types of green coffee coming from major exporting countries.

1 pound (lb) = 454 grams(g)

Monthly averages of ICO Indicator prices in US cents per lb

(Unquoted prices are shown as 0.00)

Composite Indicator Price

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1976	94.97	101.49	100.50	123.15	138.93	149.24	142.34	150.87	154.19	162.62	179.63	205.54
1977	217.61	245.93	305.13	314.96	277.41	243.06	209.00	201.36	195.78	172.48	182.13	185.70
1978	191.65	186.08	166.37	161.69	152.86	159.82	130.17	133.34	151.12	151.89	145.21	131.58
1979	130.93	127.76	132.76	140.22	148.74	190.99	199.78	189.70	198.36	196.97	192.19	185.63
1980	165.62	163.42	177.14	171.86	182.30	175.22	151.81	134.02	125.42	125.79	115.61	119.87
1981	124.93	120.18	119.93	120.57	117.15	98.59	104.13	107.24	107.45	117.67	124.60	122.64
1982	124.43	134.30	129.01	124.01	120.56	121.14	115.92	117.45	122.78	128.84	130.17	131.33
1983	127.24	124.35	123.14	123.00	125.82	123.80	124.20	124.93	127.11	135.52	136.95	139.72
1984	138.32	141.11	143.18	143.89	148.36	145.43	141.01	143.13	141.85	135.99	138.14	133.89
1985	135.46	133.30	132.36	132.02	131.87	131.04	120.68	119.96	118.78	125.93	140.91	174.84
1986	204.02	195.11	204.23	191.73	176.92	151.14	149.12	154.38	181.45	163.21	149.42	130.41
1987	118.39	115.52	100.81	104.33	111.45	101.59	96.17	98.38	104.93	111.45	115.53	115.14
1988	115.07	120.76	117.75	116.31	116.35	118.72	113.65	107.11	113.80	113.92	114.03	124.06
1989	126.69	118.04	117.36	117.55	115.89	104.52	76.67	69.05	69.23	61.10	62.07	61.90
1990	62.75	67.01	75.25	75.34	73.30	69.91	68.36	74.10	75.55	73.89	70.10	72.83
1991	69.38	70.55	72.47	71.45	67.47	65.58	64.31	63.34	66.86	62.83	64.30	63.07
1992	61.12	55.51	56.48	53.64	49.27	48.13	48.70	45.89	47.11	52.88	57.49	64.00
1993	58.14	57.32	54.76	51.38	54.18	54.54	60.61	67.69	71.64	67.78	70.03	71.50
1994	69.17	72.37	76.11	81.19	108.42	127.91	191.44	181.53	202.39	185.64	168.12	149.14
1995	152.08	152.24	162.73	159.59	155.96	141.66	132.71	141.70	124.76	120.02	117.99	99.57
1996	100.33	110.50	105.89	107.09	110.24	105.79	99.97	102.73	96.52	98.56	97.14	90.04
1997	100.03	121.89	137.47	142.20	180.44	155.38	135.04	132.63	132.51	121.09	118.16	130.02
1998	130.61	130.78	119.93	119.66	114.23	103.84	97.32	101.25	95.82	95.01	98.26	100.73
1999	97.63	92.36	89.41	85.72	89.51	86.41	78.21	77.22	71.94	76.36	88.22	95.63
2000	82.15	76.15	73.49	69.53	69.24	64.56	64.09	57.59	57.31	56.40	52.18	48.27
2001	49.19	49.39	48.52	47.31	49.39	46.54	43.07	42.77	41.17	42.21	44.24	43.36
2002	43.46	44.30	49.49	50.19	47.30	45.56	44.70	42.79	47.96	50.79	54.68	51.68
2003	54.04	54.07	49.61	51.87	53.19	48.90	50.89	52.22	54.10	51.72	49.81	52.44
2004	58.69	59.87	60.80	58.80	59.91	64.28	58.46	56.98	61.47	61.10	67.74	77.72
2005	79.35	89.40	101.44	98.20	99.78	96.29	88.48	85.31	78.79	82.55	85.93	86.85
2006	101.20	97.39	92.76	94.20	90.00	86.04	88.57	95.78	95.98	95.53	103.48	108.01
2007	105.81	104.18	100.09	99.30	100.09	107.03	106.20	107.98	113.20	115.71	114.43	118.16

Annex 2 – Coffee prices in the different fairtrade and non-fairtrade markets in 2008.

Maximum, minimum and medium coffee prices from supermarkets in the Spanish and Dutch market, per May 2008.

<u>Branded Coffee</u>	<u>Media</u>
Maximum Price 6.25 EUR	2.60 EUR
Minimum Price 1.59 EUR	

<u>Decaf Coffee</u>	<u>Media</u>
Maximum Price 2.15 EUR	1.98 EUR
Minimum Price 1.70 EUR	

<u>White-Brand Coffee</u>	<u>Media</u>
Maximum Price 1.39 EUR	1.35 EUR
Minimum Price 1.25 EUR	

<u>Fairtrade Coffee</u>	<u>Media</u>
Maximum Price 3.14 EUR	2.20 EUR
Minimum Price 1.89 EUR	

<u>Biological Coffee</u>	<u>Media</u>
Maximum Price 5.10 EUR	3.30 EUR
Minimum Price 1.69 EUR	

Study case per supermarket.

Albertheijn

AH Brand " Perla":	1.39 EUR
AH Biologisch Koffie:	1.69 EUR
Café Oké Aroma :	1.69 EUR
Douwe Egberts Aroma:	1.85 EUR
Illy Espresso :	6.25 EUR
Lavazza Espresso speciale maling, blik:	3.29 EUR
Café Oké Biologische snelfilter :	2.39 EUR

Dia

Día Mix:	1.39 EUR
Día Decaf:	1.99 EUR
Douwe Egberts Aroma :	1.59 EUR
Douwe Egberts Decaf :	1.99 EUR

Opencor

Opencor Mix:	1.39 EUR
Opencor Decaf:	1.99 EUR
Douwe Egberts Aroma:	1.85 EUR
Douwe Egberts Decaf :	2.15 EUR

Caprabo

Caprabo Brand:	1.25 EUR
Caprabo Decaf:	1.70 EUR
Douwe Egberts Aroma :	1.67 EUR
Douwe Egberts Decaf :	2.09 EUR

Fairtrade in the fairtrade shop, OXFAM and Fairtrade Winkel NL**Fairtrade Winkel NL:**

Fair trade:	2.49 EUR
Max Havelaar:	1.89 EUR

Intermon Oxfam:

Fair trade Natural:	1.89 EUR
Fair trade Mix:	1.89 EUR
Biological Mix:	2.29 EUR
100% Arabica:	2.49 EUR
Biological Gold:	4.30 EUR
Max Havelaar:	1.89 EUR

Fairtrade in a biological supermarket:

Fairtrade (Alternativa 3):	3.14 EUR
Biological 100% Arabica:	3.96 EUR
Biological 100% Robusta:	5.10 EUR

Annex 3 – Fairtrade bag prices.

Study case per fairtrade organisation. Maximum, minimum and medium fairtrade bag prices from fairtrade organisations settled in the Spanish and Dutch market, per May 2008.

<u>Handbag</u>	<u>Media</u>	
Maximum Price 59.95 EUR	19.45 EUR	(media calculated per model, not per colours in each model)
Minimum Price 5.95 EUR		

<u>Bag</u>	<u>Media</u>	
Maximum Price 29.95 EUR	19.00 EUR	
Minimum Price 3.00 EUR		

<u>Travel Bag (big)</u>	<u>Media</u>	
Maximum Price 39.99 EUR	30.50 EUR	
Minimum Price 19.95 EUR		

<u>Backpack</u>	<u>Media</u>	
Maximum Price 25.00 EUR	17.85 EUR	
Minimum Price 7.50 EUR		

Oxfam NL

<u>Bag</u>	<u>Media</u>	
Maximum Price 29.95EUR	21.45 EUR	(media calculated per model, not per colours in each model)
Minimum Price 12.95EUR		

Intermon Oxfam

<u>Handbag</u>	<u>Media</u>	
Maximum Price 59.95EUR	38.05 EUR	
Minimum Price 19.95EUR		

<u>Travel Bag (big)</u>	<u>Media</u>	
Price 39.99 EUR	39.99 EUR	

<u>Bag</u>	<u>Media</u>	
Maximum Price 29.99EUR	20.65 EUR	
Minimum Price 9.95EUR		

Fairtrade Winkel NL

Travel Bag (big)

Price 25.00 EUR

Media

25.00 EUR

(media calculated per model, not per colours in each model)

Bag

Maximum Price 29.99EUR

Minimum Price 3.00 EUR

Media

9.65 EUR

Unicef

Bags

Maximum Price 24.90EUR

Minimum Price 10.00 EUR

Media

17.45 EUR

(media calculated per model, not per colours in each model)

Backpack

Price 25.00EUR

Media

25.00 EUR

Alternativa 3

Handbag

Maximum Price 29.95EUR

Minimum Price 5.95EUR

Media

14.10 EUR

(media calculated per model, not per colours in each model)

Travel Bag (big)

Maximum Price 26.95EUR

Precio mínimo 19.95EUR

Media

23.60 EUR

Bags

Maximum Price 19.50EUR

Minimum Price 4.75EUR

Media

10.76 EUR

Backpack

Maximum Price 21.00EUR

Minimum Price 7.50EUR

Media

15.93 EUR

Xarxa de Consum Solidari

Handbag

Maximum Price 23.40 EUR

Minimum Price 9.00 EUR

Media

22.30 EUR

(media calculated per model, not per colours in each model)

Fairtrade shop addresses in Barcelona, Spain

Intermon Oxfam

C/ Gran de Gràcia , 156.

Barcelona 08012

C/ Provença, 247.

Barcelona 08008

C/ Roger de Llúria, 15.

Barcelona 08010

Unicef Catalunya

C/ Mallorca, 346. 08013,

Barcelona

Xarxa de Consum Solidari

PI de Sant Agustí Vell 15,

Ciutat Vella, 08003, Barcelona

Annex 4 – Conventional market bag prices.

Maximum, minimum and medium conventional market bag prices from organisations settled in the Spanish and Dutch market, per May 2008.

<u>Handbag</u>	<u>Media</u>	
Maximum Price 59.95 EUR	24.25 EUR	(media calculated per model,
Minimum Price 5.95 EUR		not per colours per model)

<u>Bag</u>	<u>Media</u>	
Maximum Price 29.95 EUR	17.85 EUR	
Minimum Price 3.00 EUR		

<u>Travel Bag (big)</u>	<u>Media</u>	
Maximum Price 39.99 EUR	29.90 EUR	
Minimum Price 19.95 EUR		

<u>Backpack</u>	<u>Media</u>	
Maximum Price 25.00 EUR	16.80 EUR	
Minimum Price 7.50 EUR		

Study case per shop.

The African beauty

<u>Handbag</u>	<u>Media</u>	
Maximum Price 59.95EUR	38.05 EUR	
Minimum Price 19.95EUR		

<u>Travel Bag (big)</u>	<u>Media</u>	
Price 39.99 EUR	39.99 EUR	

<u>Bag</u>	<u>Media</u>	
Maximum Price 29.99EUR	20.65 EUR	
Minimum Price 9.95EUR		

Fuzing

Travel Bag (big)

Price 25,00 EUR

Media

25.00 EUR

Bag

Maximum Price 29,99EUR

Minimum Price 3,00 EUR

Media

9.65 EUR

Euroballi

Bags

Maximum Price 24.90EUR

Minimum Price 10.00 EUR

Media

17.45 EUR

Backpack

Price 25.00EUR

Media

25.00 EUR

Accesorize

Handbag

Maximum Price 29.95EUR

Minimum Price 5.95EUR

Media

14.10 EUR

(media calculated per model, not per colours in each model)

Travel Bag (big)

Maximum Price 26.95EUR

Precio mínimo 19.95EUR

Media

23.60 EUR

Bags

Maximum Price 19.50EUR

Minimum Price 4.75EUR

Media

10.76 EUR

Backpack

Maximum Price 21.00EUR

Minimum Price 7.50EUR

Media

15.93 EUR

Fun & Basics

Handbag

Maximum Price 29.95EUR

Minimum Price 5.95EUR

Media

14.10 EUR

Annex 5 – Photographs of the production process of the tecido da floresta.



Seringueiro adding a coat of natural latex to the cloth.



Seringueiroadding a cot of natural latex to the cloth.

Annex 6 – Graphic samples of bags made of tecido da floresta.

