



What about fair trade in a high prices' context?

Stéphane Fournier, Elisabeth Rasse-Mercat

► To cite this version:

Stéphane Fournier, Elisabeth Rasse-Mercat. What about fair trade in a high prices' context?. 6. Fair Trade International Symposium, Portsmouth Business School., Jun 2018, Portsmouth, United Kingdom. 11 p. hal-02787046

HAL Id: hal-02787046

<https://hal.inrae.fr/hal-02787046>

Submitted on 5 Jun 2020

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

WHAT ABOUT FAIR TRADE IN A HIGH PRICES' CONTEXT?

Stéphane FOURNIER (1)

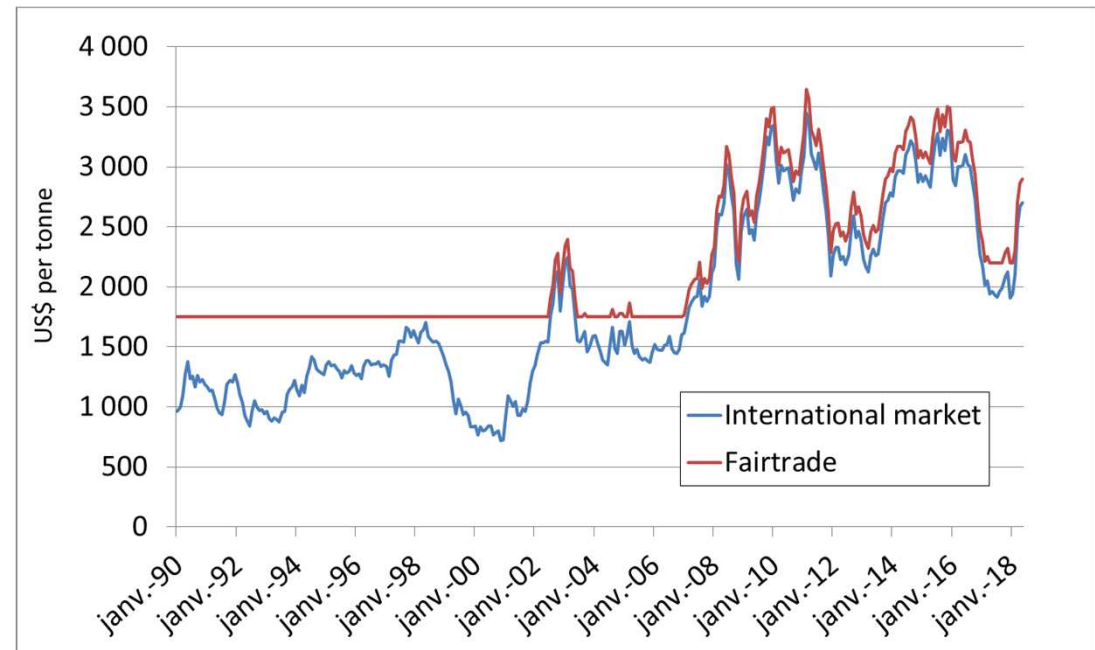
Elisabeth RASSE-MERCAT (2)

(1) Montpellier SupAgro, UMR Innovation

(2) Montpellier SupAgro

An impact study

- 3 case studies commissioned and funded by Ethiquable to understand the effects of fair trade on cocoa supply chain in 3 countries : Côte d'Ivoire, Madagascar and Nicaragua
 - Master theses of West African and French students (of Montpellier SupAgro)
- Studies carried out in 2016, in a **specific context**
=> What about fair trade in such a context?



Clear incentives for fair trade whatever the prices context?

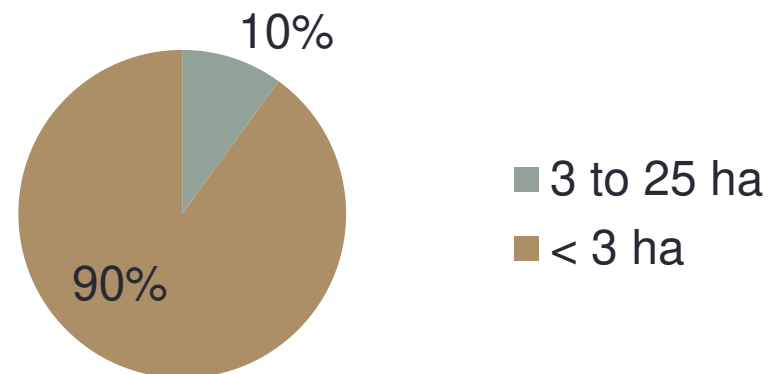
- High prices (quasi-equal to FT ones) in conventional supply chains can annihilate FT “income effect”.
- But this price context shouldn't jeopardize FT, which offers many advantages and services to producers
 - Remuneration for agro-ecological practices and no price negotiation
 - Technical support from cooperatives
 - Guaranteed selling price
 - Access to social services.
- At cooperatives' level, strong advantages too
 - Advance payments
 - Premium
 - Mid-term commitment of the buyers
- Can this theoretical reasoning stand the test of field studies?

CASE STUDY

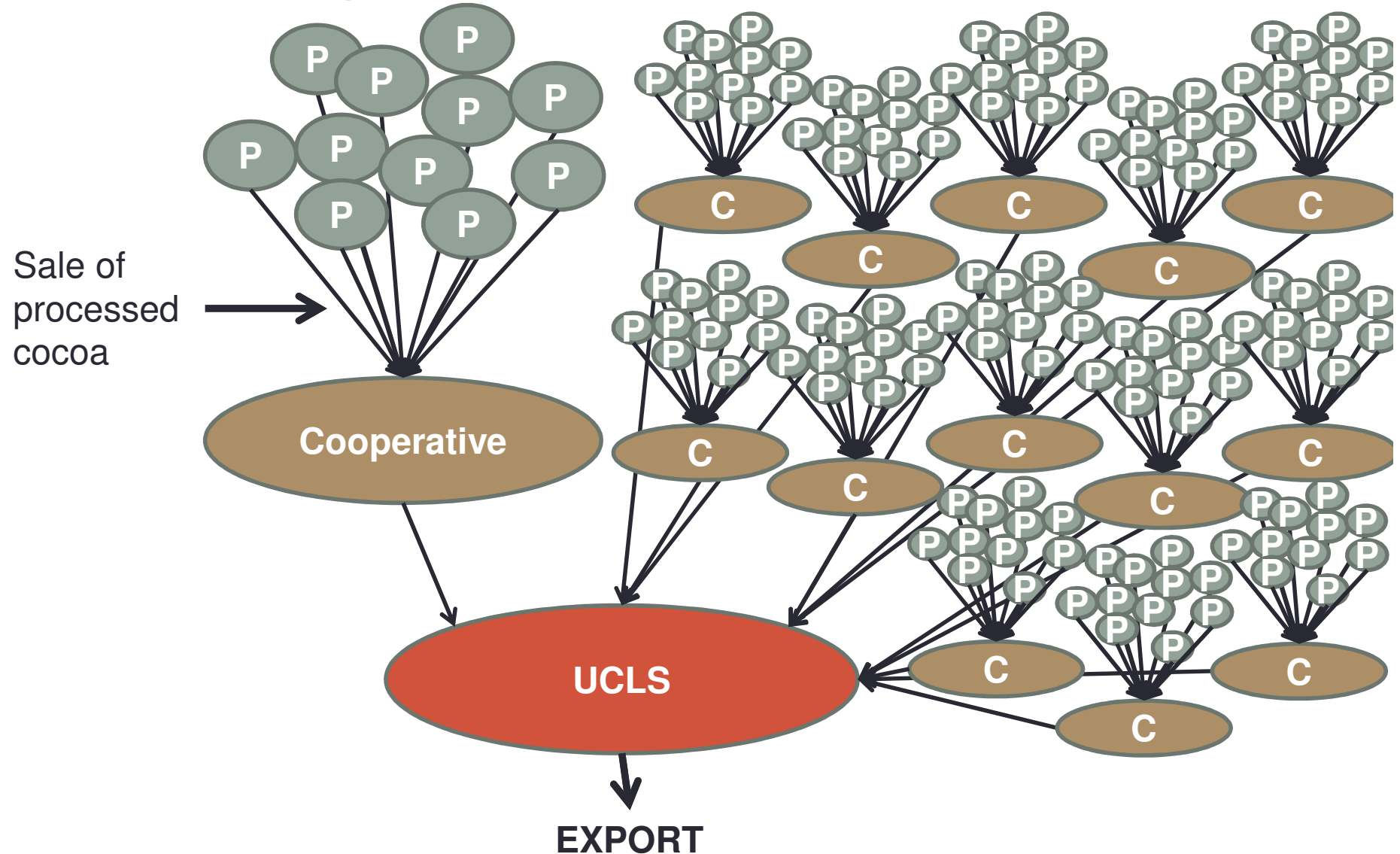
The « Union des Coopératives Lazan'ny Sambirano » (UCLS) in Madagascar

- Cocoa in Madagascar:
 - Madagascan State developed a smallholders-based cocoa supply chain from 1964
 - Difficult public management of the supply chain during 1970's and 1980's; total liberalization in the 1990's.
 - Growing market power of the supply chain downstream actors
 - 2000's : Development of cocoa (among others crops) producers' organizations
 - 2009 : creation of the UCLS, a local union of cocoa cooperatives.

UCLS : 345 members,
gathered in 15 cooperatives



UCLS organization



Cocoa processing at planters' level

- Cocoa pods breaking
- Fermentation : 3 to 6 days
- Drying : 3 to 7 days



⇒ « Dry fermented cocoa »,
a quality requested by FT.



UCLS limits face to a growing demand

- Growing demand for FT cocoa between 2009 and 2016
- First UCLS' strategy facing this growing demand: encouraging members to extend their plantations and dry fermented cocoa production
 - Some successes in plantations expansion, at the expense of rice production
 - Inability of all the members to process all their production
 - 60-70 % of the producers < 2 ha : process and sell to UCLS less than 50% of their production
 - Need for immediate cash
 - In debt with private middlemen
 - No appropriate processing equipment
- Second UCLS' strategy: integrating important local cocoa planters

DISCUSSION

Effects of this high prices' context on FT?

Positive effects

- In many cases, as in UCLS, strengthening of the fair trade supply chains thanks to volumes' increasing.
 - In a context of high prices, conventional buyers increase their demand for FT cocoa.
 - No real « income effect », but investments in social and technical infrastructures thanks to premiums
 - In some cases, maintaining of a « price effect » (and income effect)

Effects of this high prices' context on FT?

Negative effects

- Weakening of the cooperatives
 - Members' sales to private middlemen: a permanent threat for cooperatives
 - A bigger problem in high prices' context
 - Cooperatives could benefit from higher buyers' demand but have uncertain volumes to sell...
- Weakening of the mid-term / long-term development opportunities for the most vulnerable producers
 - In a high prices' context, weaker incentives for smallest and poorest producers to invest in processing equipment and quality improvement

Effects of this high prices' context on FT?

- Weakening of the inter-cooperatives relations
 - Increase of the demand for FT cocoa, and increase of the number of certified cooperatives
 - Côte d'Ivoire : quasi-multiplied by 7 in 5 years (18 FT coops in 2013, 113 in 2017)
 - Increase of the competition between themselves to get FT markets.

Conclusion

- Importance of cooperatives in FT and of support programs aiming at members' cohesion
- Within FT system, discussion and analysis should be carried out about
 - the levels of minimum prices
 - the uses of premium
- How to fight against opportunistic strategies developed by conventional buyers in high prices' context?
 - Push towards mid term commitments
- A need to maintain (or develop) social policies and micro-credit programs alongside fair trade