

# Fair trade and the FLO premium

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## Introduction

In the summer of 2007 we went to South Africa and Namibia on a field study trip to learn more about Fair Trade and the FLO premium. We wanted to see how Fair Trade can influence the lives of producers and workers, as well as the broader society in developing countries. The Fair Trade premium seemed to lead to concrete improvements in the lives of many people, so we decided to look closer into the processes and projects that the premium has given rise to. Our aim was to give an answer to the question: *how does the social premium influence peoples lives and the development of the local community?*

We chose to visit four different types of producers with different conditions in our ambition to get a broader picture about the matter. The length of the producers' involvement in Fair Trade differs, as well as the possibility of workers ownership and the economic conditions. For this purpose we visited four producers. Three of the farms, Stellar Winery & Farming, Komsberg Farming and Eksteenskuil are involved in the FLO-system and they all produce grapes in different kinds.

Stellar Winery & Farming is a big family owned company which produces wine. Stellar has been involved in Fair Trade for quite a long time, is one of South Africa's largest producers of wine and has received premiums during several years. Komsberg Farming is a relatively new company which produces table grapes. The farm is situated in the middle of the Kalahari desert, by the Orange river in Namibia. Komsberg has only been producing for the Fair Trade market during a couple of years and received its first premium in 2006. Eksteenskuil is a cooperative which produces grapes to make raisins. Eksteenskuil is one out of three Fair Trade cooperatives in South Africa and has been involved in the Fair Trade movement for a long time.

The fourth producer, Khoisan Salt, is a producer that is not a member of the FLO-system. It produces for Fair Trade through contacts with the movement in Europe and other parts of the world. This means that Khoisan Salt does not get a premium. Still Khoisan Salt has started lots of social projects, and we wanted to visit the company to be able to compare its system with that of the FLO premium.

## FLO and the premium

Fairtrade Labelling Organizations International (FLO) was created 1997 as an umbrella organization for the different national labelling initiatives in Fair trade. The purpose of FLO is to develop standards for how Fair Trade should be organized, to give advice to producers in their work, and to control that the producers live up to the standards.

The producers who are involved in the FLO-system get a social premium that is based on the company's sale of Fair Trade products. The producers receive this premium money once every year, and the money goes to the company's joint body. The joint body plays an important role in the FLO-system and is the body which takes the decisions about the use of the premium money and its projects. The joint body consists of representatives from both the labour force and the management of the company. The thought behind this representation is that both the managers and the workers should take their responsibility for the social

development in their surroundings. The joint body is chosen democratically through voting and has to be approved by the whole labour force, which is the general assembly. The joint body should represent all the different groupings on the farm, for example considering sex, labour unions or other workers unions and labour contracts (temporary and permanent).

There are some criteria for the use of the premium money. Firstly, the projects should benefit the society as a whole rather than some individuals. The projects should respond to the workers most pressing needs. The project should be as sustainable as possible in all aspects, socially, economically and environmentally. The premium should contribute to new projects, and not things that the state and the company are required by law to provide. The criteria for cooperatives are somewhat different, and cooperatively owned company's can use the premium money more freely.

### **What has the premium money been used for?**

During our studies we saw several different examples of what the premium has been used for. The most popular projects were to start preschools and to buy computers and give computer lessons. We will in the following text give some more examples of projects started by joint body's.

At Stellar Winery the premium money has also been used to invest in a large grape farm. The grapes are sold to Stellar Winery, and the profit goes back to the joint body. The children on the farm also learn how to grow good grapes so that they can get a job on the farm when they grow up. The joint body has also created a vegetable garden, and the incomes from this garden will go to education for the children. Those employed on the farm also get courses in wine tasting to learn how to appreciate a good wine in a healthy way, as there are big problems with alcoholism on many farms in South Africa. In the future Stellar plans to buy one or two busses for the seasonal workers so that they can easily get to the farm.

Komsberg farming recieved its first premium money in 2006. Because they has gotten this money so recently they haven't really implemented their projects yet, but they have very ambitious plans for future projects. Besides giving computer classes Komsberg has also started a project to teach women to knit. The idea behind this project is to give these women a chance to get an income during a longer part of the year, because many women are seasonal workers. Komsbergs joint body also provides cash loans as a way of helping families in times of need, for example if a relative gets sick and the family has to buy expensive medicines. The joint body also provides loans for education. These loans are provided with an interest of 10 percent, which means that the premium money will grow.

At Eksteenskuil the money has been used to buy tractors and other farming equipments. They have also given the producers education about farming techniques. In the future they wants to start a soup kitchen and some kind of women's project.

### **How does the premium affect individuals?**

We met lots of individuals whose lives had been affected by Fair Trade and the premium. For example we saw how Fair Trade and the premium can lead to personal empowerment and power to change the own situation, as well as changing others lives. One example of this is Monday Shiimi who is one of the members of the joint body at Komsberg farming. According to her she would not have the same opportunity to influence her situation without Fair Trade. Thanks to the premium money the joint body has been able to buy computers and start

computer classes. Monday teaches at these computer classes and in that way she is able to give something back to the people, as she puts it.

The premium has also given people the opportunity to offer their children better conditions than they have had themselves, as well as to improve their own living standards. The preschool also means that both of the parents can work, and thereby combine work with family life.

In conclusion we noticed that many workers had a positive view about of? the future for their family. Lots of individuals get empowered by the responsibility that the joint body gives rise to. To be chosen into the joint body often gives rise to a pride for the job that you are doing.

### **How does the premium affect the community?**

For the community the premium often leads to an increased level of knowledge for the population. We saw that many joint bodys choose to spend some of the money on different types of education. This is very important in a country like South Africa, where the apartheid system prevented many people from getting proper educations in the past.

The premium money also gives the possibilities to provide new material resources, which leads to long term successes for the community. One example of this is Eksteenskuil where modern farming equipments facilitates the production and gives better opportunities for a good income. We have also seen that new fences (on Stellar Winery) can increase the pride and self respect.

One of the premium's most important contributions to the community is, as we see it, a sense of solidarity between the habitants in the community. We believe that the process and participation that the joint body gives rise to has a greater impact than the actual money. Seen in a historical perspective it is a huge progress for the population to go from no political representation at all to be able to take important decisions. To be able to take part in important decisions concerning working conditions and the environment leads to collective and individual empowerment and hope for the future.

### **One alternative to the premium**

As stated in the introduction, we also visited one Fair Trade producer which is not a member of FLO. This producer, Khoisan Salt, is though very engaged in social projects. The workers at Khoisan Salt can apply for money from "The Fair Trade Trust". This system started through cooperation between the Fair Trade exporter Turqle Trading and the Fair Trade Organizatie in Holland. Through this trust the workers have gotten different kinds of education, for example in driving, gender issues, economics and computer knowledge.

These initiatives improve the lives of the workers in many ways. Yet we feel that the FLO premium has some advantages compared to this kind of system. The biggest difference between these systems is, as we see it, that the most important part, that of empowerment, is missing (in the system) at Khoisan Salt. It is the managers that decides which courses are provided, and the employed does not have as much power to influence as in the FLO-system. We still think that the courses at Khoisan are important and make a difference for the lives of the workers.

## **Discussion**

During our field study we saw lots of positive examples of what Fair trade and the premium can do. Individuals get empowered by the responsibility that the administration of the premium money leads to. People have gotten increased access to collective possessions such as preschools, computer centres and education. The feeling of solidarity rises when you work for something together. In this part we would though like to discuss some of the more problematic aspects of the premium.

One such problem is that some producers feel frustrated about not being able to use the money as they want to. According to Nellie Kok, the manager at Eksteenskuil, the workers and producers at the farm are so poor that they can't afford food every day. Therefore he thinks that the receivers of the premium money should be able to use it more freely to be able to provide the money individually. In spite of Nellie's important point of view we still think that there is a value in solving common problems together. In that way the premium can lead to lasting results for the community as a whole, for example by building a preschool.

To demand that the money should be used in a certain way can be understood as a way of guardianship by the local people. Why shouldn't people be able to decide for themselves what they want to spend the money on? Would we in Europe think that would be a good system for our selves? Yet we claim that the big problem for Nellie Kok and others in the same situation is rather that they should be able to get a fair price for their products. If they get a good price for the raisins, each farmer would be able to get enough food every day. This problem is a very complex one though, and Fair Trade and the premium can only make small steps to improve this situation. The state has to correct for past injustices by providing social service and giving small scale producers access to land through land reform.

The distribution of the premium money is also a difficult question. It is especially hard to find ways to benefit the seasonal workers by the premium money, because they only work on the farm during some periods, and they often live in different villages. One way to benefit the seasonal workers could be to provide education. Another way is to provide busses that can make it easier for the seasonal workers to get to work, as Stellar plans to do.

During our field study we also found it hard to distinguish between projects financed by the premium money and projects financed by the farm or even by the state. That meant that it was hard to see what the premium actually had contributed to. We could also notice that many of the workers did not know which organization provides what, and therefore it was hard to know what is actually provided by Fair trade. To educate the workers about Fair trade is therefore an important task ahead.

Also, we could not really see that the thought about the premium benefitting the whole community works in all places. The farms that we visited are all situated far away from cities and they had few or none larger communities nearby. This means that the premium only benefits the workers (and in some cases their family members). That also means that the workers lose their advantages from the premium when they move away from the farm. We were hoping that the premium would contribute positively to a larger part of the society than the farm workers, but this is hard to do when the farms are so remotely situated.

## **Conclusion**

Some people think that the premium is a lengthy and unnecessary procedure. Instead the workers should be provided with good salaries, education and a decent working environment.

One could see the premium as an obsolete form of aid, because the money is clearly there for already stated purposes. In spite of these arguments we still feel that the premium is an important part of the FLO-system. In fact, we got the impression that in South Africa it was the premium that made the biggest difference between being a Fair trade producer and being a conventional producer.

In a country such as South Africa, where the labour laws are quite extensive and where the wages, even though they are low, mostly are enough for the daily survival, Fair trade does not stand out with much higher wages or much better working hours. That does not seem to be the most pressing need in the society today. What is badly needed after decenniums of oppression through apartheid is the power to change and to improve you own life, to make your own decisions and to be able to organize for a better future. Fair trade has a long way to go before we can visit the producers in Southern Africa and say that we are pleased with what we see. But FLO has not been operating in the region for a very long time, and we think that there are spaces left for improvements in the system. We also think that people through the joint body's will be able to solve the problems ahead and together create a brighter future.