

CHAPTER 5

CONCLUSION: ALTERNATIVE STRATEGIES TO CURRENT GLOBAL FOOD SUPPLY

As we've seen from previous chapters the majority of the world's poor depend on agriculture for their livelihood. Today however, there is little incentive for global agricultural corporations to take advantage of the social and environmental potentials of small scale farmers. The public sector has been involved in agriculture through development assistance which lacks sustainability. However, well informed consumers are making choices about food, health and environmental protection that can provide opportunities for small scale producers within global food chains designed to take advantage of and support fair trade and organic marketing. The global market for organic food products doubled between 2006 and 2007 to 40 billion dollars¹ while fair trade grew an estimated 47% to 14 million dollars². The rapid growth of fair trade and organic markets supplies new income generating revenue streams for small scale farmers in developing countries.

A. Opportunities for smallholders

Within the realm of poverty reduction small scale agricultural production has gained favor as an alternative to global food supply systems dominated by giant multinational corporations. At the center of the movement is community. Food is produced marketed, and shipped by local producers. The challenge for smallholders is bridging the gap between farmer's production capabilities and their ability to be competitive within global supply chains. Further, farmers may pursue alternative structures or exist outside of global food supply. Alternative forms of agriculture have emerged in an attempt to regain value within the agricultural chain. The following chapter will give a cursory overview of these production methods.

¹ United States Department of Agriculture, USDA Factoids.
<http://www.usda.gov/wps/portal/usdahome>.

² Ibid

1. Fair Trade

It is commonly held that the fair trade movement began in America, an outcropping of the missionary system doing charitable work in the developing world. ³Ten Thousand Villages (formerly, Self Help Crafts) began in 1946 selling handicrafts from Puerto Rico, and SERRV, who also began selling products from the south in the late 1940s. The earliest record of fair trade in Europe comes from OXFAM, who began selling products made by Chinese refugees in the 1950s. Simultaneously European fair trade foundations formed in the 1960s; in the Netherlands, Fair Trade Organisatie was established in 1967. At about the same time “Third World Shops” opened in Europe, called fair trade shops in other parts of the world. During the 1960s and 1970s fair trade movements began to evolve in Africa, Latin America and in Asia. At the same time the United Nations’ UNCTAD (United Nations Conference on Trade and Development) espoused the idea of “trade not aid”. Fair trade began selling handicrafts but in ⁴1973 Fair Trade Organisatie started to sell fair trade coffee from Guatemala. Since then fair trade has grown to cover not only coffee, but also cocoa, spice, tea, nuts, juice, fruit juice, rice and of course still includes fair trade handicraft items. Another important event in the history of fair trade came in the late 1980s when a priest and Dutch based NGO collaborated to form the first fair trade label. Goods produced and marketed in an “ethical way” would be eligible for a label and traded internationally. The “Max Havelaar label was founded in 1992 and was probably the beginning of the modern fair trade labeling scheme.⁵ In the Following years other organizations ensued such as Fair Labeling International (FLO) an international organization given the weighty task of setting international fair trade standards. ⁶The International Fair Trade Association (IFAT) is a collection of more than 270 organizations in over 60 countries. IFAT stands on three pillars of action, market

³ Marlike Kocken, “Fifty Years of Fair Trade: A Brief History of the FAIR TRADE Movement,” working paper (IFTA: International Fair Trade Association, December 2003), pp. 1-5, http://www.worldshops.org/downloadc/86190_2004_FinalHistory_of_FairTrade.doc.

⁴ IFAT, “*FIFTY YEARS OF FAIR TRADE: A brief history of the FAIR TRADE*” movement” http://www.fair-trade-hub.com/support-files/brief_history_of_fair_trade.pdf

⁵ Fair Labeling International, <http://www.fairtrade.net/>

⁶ IFAT, <http://openentry.com/ifat/EN/100000076.html>.

development, fair trade monitoring and advocacy. Market development is a cooperative effort in which IFAT encourages development of fair trade through existing member exchange. Regional cooperation has also recently been touted as an effective catalyst for the expansion of fair trade. For example the Asian fair trade forum's regional conference, the Bangkok International Gift Fair, was seen as an effective forum for the exploration of fair trade as well as a venue for shared ideas. The second IFAT pillar, fair trade monitoring, is devoted to aspects of good governance, transparency, openness and accountability.⁷ The IFAT network supplies a set of standards. The⁸ IFAT Standards for Fair Trade Organizations, developed in agreement by IFAT members, are enforced through self assessment. Self assessment is further subject to peer review whereby self assessments are shared with trading partners. Lastly, random inspections are made by outside auditors as a form of external verification. The final pillar on which IFAT stands is advocacy. Advocacy is devoted to the global dissemination of information for capacity building of its members as well as political action, policy recommendation and assessment of international legal protocols.

Fair Trade, philosophically, is a socially responsible movement that seeks to provide agricultural producers with basic standards and rights and to ensure equitable development through, fair price, fair labor standards and conditions, the facilitation of direct trade to eliminate middleman when possible, the promotion of "best practices" in business with transparency and democratic decision making processes in a cooperative framework. Community development in the form of education and healthcare and small business development projects, university scholarships, environmental sustainability, removing hazardous pesticides and prohibition of genetically engineered organisms, the promotion of organic agriculture and green fertilizers also falls within the IFAT domain. Functionally, fair trade encompasses a

⁷ Standards apply to all Fair Trade Organizations whether they are importers or retailers, exporters, producer societies or support organizations. The ten standards are concerned with reaching the economically disadvantaged, transparency and accountability, capacity building, promoting Fair Trade, and improving the situation of women, child labor, working conditions, the environment and the payment of a fair price. From the IFAT website, http://www.ifat.org/index.php?option=com_content&task=view&id=21&Itemid=68

⁸ For a list of the IFAT standards visit their website' http://www.ifat.org/index.php?option=com_content&task=view&id=39&Itemid=125

larger more practical area. Fair trade in a practical sense has two strands. One operates like a business, trying to extend its reach while expanding in member's influence and market. The second is more akin to a grass roots organization, where the exchange of ideas and dissemination of information is paramount to a successful campaign. To these ends many international organizations have been spawned to facilitate the fair trade philosophy and business. Other important players in the fair trade movement are the certification and labeling entities. These organizations as the tasks suggest are concerned with setting standards and ensuring that producers deliver a consistent high quality product. Moreover that producers and distributors of fair trade products adhere to the philosophies of fair trade.

2. Civic agriculture

Another proactive form of alternative agriculture is⁹Civic agriculture. The movement can be viewed in the same light as fair trade and philosophically becomes a companion in strengthening the rights of farmers. The term coined by Thomas A. Lyson, is a method designed to facilitate problem solving at the community level .Civic agriculture is an ecologically based movement that dismisses the global food chain for locally produced goods. As it is an eco-based movement [it] does not lend itself to the practices of commercial husbandry, chemical pesticides, fertilizers and GMOs. It is safe to assume that community based agriculture in the U.S.A. evolved in response to commercial practices from industrialized farms. Since the post-war era, more and more family farms have failed to produce the kinds of yields expected after the green revolution. Moreover changes in agricultural practices encourage the use of greater amounts of chemical inputs, synthetic fertilizer and pesticides. These, along with animal wastes, come at great expense to the environment, while degrading rural habitats and communities. On the other hand, community based agriculture aims at strengthening the local economy in environmentally and socially sustainable ways. Definitions of sustainable agriculture vary but generally include protection of the

⁹ Thomas A. Lyson, "Civic Agriculture and Community Problem Solving," *Culture & Agriculture* 27, no. 2 (September 2005): 92-98.

environment, economic viability¹⁰ and a concern for quality of life and social and civic issues. ¹¹The U.S. agriculture Department Farm Bill definition of sustainable agriculture states that farming practices must "enhance environmental quality and the natural resource base upon which the agriculture economy depends" and "make the most efficient use of non-renewable resources and integrate, where appropriate, natural biological cycles and controls".

3) Organic

Organic farming is the fastest growing segment in the agriculture sector. ¹²Global sales of organic agriculture have doubled since 2001 with sales reaching 40 billion in 2007. ¹³Asia has experienced triple digit growth in organic farming from 2000 to 2006¹⁴.IFOAM, the International Federation of Organic Agriculture Movements, has become the international coordinating body for organic production. Like most agricultural regulations, organic cultivation is convoluted and not easily understood. However it is commonly understood that organic production excludes synthetic inputs. Organic production also employs the use of scientific and traditional farming techniques such as biological and mechanical ecological management. ¹⁵Organic standards most often include social issues for farmers and farm labor but sadly these mechanisms are not present within the language of most

¹⁰ Sustainable Agriculture and Rural Development,
<http://www.iisd.org/ic/info/ss9507.htm>.

¹¹United States Department of Agriculture, USDA Factoids.
<http://www.usda.gov/wps/portal/usdahome>.

¹² Daniel Giovannucci and Timothy Purcell, Standards and Agricultural Trade in Asia, (2008)

¹³ Ibid.

¹⁴ Standards and Agricultural Trade in Asia; Author: Daniele Giovannucci, Timothy Purcell; Discussion Paper No: 107; Published: 22 May 2008,
<http://www.adbi.org/discussion-paper/2008/05/22/2542.standards.agricultural.trade.asia/>
 (accessed on 10/6/08)

¹⁵ Standards and Agricultural Trade in Asia; Author: Daniele Giovannucci, Timothy Purcell; Discussion Paper No: 107; Published: 22 May 2008,
<http://www.adbi.org/discussion-paper/2008/05/22/2542.standards.agricultural.trade.asia/>
 (accessed on 10/6/08)

certification agreements. For the purpose of trade, organic production is generally third party certified in the area of local production, and standards are less clear.

Organic and fair trade process standards verify the validity of claims made by processors to ensure consumers receive quality and consistent healthy foods. Certification is carried out by third-party certification groups that monitor the practices of producers to guarantee that process standards are met. Process standards while providing a value added service for farmers and a valuable service to consumers come at a hefty price for small farmers, in some cases to their exclusion. Research shows that producer cooperative or producer groups working with corporations can help to avoid exclusion of small farmers.

Alternative agricultural movements provide an interesting critique of the global food supply chain. Further, small producers may benefit from the alternate marketing strategies of fair trade, capturing added value within the supply chains. However to achieve a universally fair global trading system will necessitate a change in domestic and international agricultural policy.

B. Small farmer participation in global markets

Agriculture can facilitate poverty reduction for the poor. Liberalization of markets may harm small scale producers without the protection provided by policy. Weak and inadequate institutions throughout the developing world will have to be re-tooled before widespread liberalization is beneficial for the all. Institutional mismanagement and an inadequate understanding of economics allows for a high level of dissatisfaction within trade agreements. However, liberalization may benefit developing countries in areas where they exhibit comparative advantage.¹⁶ However there is little agreement on the existence of empirical data proving liberalization to be beneficial across the board, especially for the least advantaged. Rapid trade liberalization that precedes strong institutions and transparent government apparatus may have long-term detrimental consequences to developing agriculture. Further it is fundamental that small scale producers (stakeholders) participate in policy decisions.

¹⁶ Joseph E. Stiglitz and Andrew Charlton, *Fair Trade For All: How Trade Can Promote Development* (New York: Oxford University Press, 2005).

Trade policy reforms from the WTO should continue special and differential treatment (SD) for the development of agricultural sectors in developing countries, especially LDCs, in order to enable access to global markets. Developing countries opening their agricultural sectors to international market competition prior to the development of strong institutions may suffer long term negative effects that further undermine food security while having negative effects on small scale farmers and rural communities. The notion of non-reciprocal trade policy can allow development of agricultural sectors in developing countries. These policies in turn should be reduced over time and with advances in development. Moreover policy should be tailor made to reflect national interests and concerns depending on particular stages of development. In order to protect farmers while encouraging sustainable development agriculture policy should balance the benefits of opening sectors to international markets for welfare gains with the possibility of losing market share. Moreover policy should consider the ability of small scale farmers to compete in such markets. Further giving preferential treatment to the poorest of developing countries in non-reciprocal agricultural agreements will be important in trade policy negotiations allowing LDC economies to attract foreign investment and acquire much needed capital. Currently the ¹⁷WTO includes 32 of the 50 least developed countries. Poverty eradication is especially complex in these regions¹⁸ where limited human capital exists. Moreover geographical challenges hamper infrastructural advancements, flooding and other natural disasters, poor soil quality weakens agriculture and market access, weak institutions, fragmented and inefficient industries, and little access to healthcare and education. Further an extreme lack of technologies especially information technology needs redress. The list of deficiencies becomes a compelling force behind the rationale for specialized treatment in the beginning phases of liberalization.¹⁹ Currently the poorest developing countries are net losers in most trade agreements. Moreover agricultural and environmental ²⁰externalities can be avoided by the inclusion of these

¹⁷ Stiglitz and Charlton, p. 87.

¹⁸ For a list of the 32 LDCs, *see* Ibid.

¹⁹ Green Facts (2008), <http://www.greenfacts.org/en/agriculture-iaastd/l-3/7-small-farmers-trade.htm#Op0>.

¹⁴¹ The concept of externality refers to market failure (Maier and Shobayashi, 2001) in this sense the distinction between an increase in benefits or a reduction of benefits makes

issues as market variables within the language of trade agreements. The failure to recognize the social and environmental impacts of large scale agriculture production and marketing within the language of trade agreements further debases small scale farmers and rural communities. For many developing countries local food production forms the basis of food security; sustainable agricultural practices are necessary to achieve these ends. Policy must ensure local agriculture is not undermined by international practices. While food subsidies from the west may contribute to higher food prices due to domestic protections, equal access by western companies to food markets in developing countries may be devastating to small scale farmers.

Trade in agriculture is consolidating into global chains dominated by a few large transnational corporations; including buyers' processors and commodity producers. Traditional producers capture a small portion of the international trade commodity price. This would seem to make linking developing agricultural countries with global food supply chains incompatible. While food has a role to play in poverty reduction, without small-scale farmer participation in policy formation poverty reduction will be negligible. The possibility of farming cooperatives in developing countries to counter the power of global food suppliers is something that should be further explored. Cooperatives should become a mechanism for poor and resource poor farmers to capture a greater share of added value within global food chains.²¹

C. Multifunctionality

sense. For positive externalities (which affect in a positive way social welfare), the absence of a market involves a sub-optimal offer. As positive externalities are consumed by their beneficiaries without paying a price, farmers do not have incentives to take into account in their decision-making process the impact of their actions on the social welfare. It is a matter of incongruence between private and public interests. There is then a need for arrangements (public or private) to correct this failure of the market to coordinate the offer of positive externalities. By contrast, for negative externalities, an overproduction of another output is probable because the private producer is interested in maximizing his private profit whereas a lower level of production would be necessary to respect the socially acceptable level of the non-commodity output. Here, public intervention can be necessary to avoid a skewed output bundle. Environmental externalities associated with agricultural chemicals have been widely recognized (Blackmer, Meisinger, Menkhaus, Mueller et al., Nielsen and Lee). Neither agricultural producers nor agricultural chemical firms, however, have incentives to fully account for these externalities in making their production decisions.

²¹ Green Facts (2008), <http://www.greenfacts.org/en/agriculture-iaastd/1-3/7-small-farmers-trade.htm#Op0>

Many of the challenges of global food supply are rooted in the division of human rights concerns and economic needs into two distinctive and often opposing regimes. Multifunctionality, strives to marry social and economic goods.

“Beyond its primary function of producing food and fiber, agricultural activity can also shape the landscape, provide environmental benefits such as land conservation, the sustainable management of renewable natural resources and the preservation of biodiversity, and contribute to the socio-economic viability of many rural areas”.

“Agriculture is multifunctional when it has one or several functions addition to its primary role of producing food and fiber.” (OECD Declaration of Agricultural Ministers Committee)

Multifunctionality expresses the desire to maintain agricultural benefits in a holistic way, to use externalities as meaningful attributes of production. The measurement of externalities under a framework of multifunctionality helps to maintain a balance between the needs of producers, society, and global business. Practically the concept is based on the ability to view externalities as a fundamental portion of an economic experience and then balance the effects that externalities, either positive or negative, have on a society. While multifunctionality in agriculture consists of a host of definitions from different authors, two strands of approaches concentrate on food supply and are used to illustrate possibilities of multifunctionality to develop a more inclusive food chain model. (See table 4.1) Multifunctionality can be seen as a means to promote positive non-commodity outputs. As farming has inherent social and environmental impacts, non-commodity outputs can be viewed as agricultural externalities such as environmental protection, food security and resource management, like watershed and wildlife protection. Multifunctionality measures the influence of externalities on the agricultural experience, the degree to which it can protect communities, ensure a safe and adequate food supply while protecting rural livelihoods and preserving cultural heritage. Moreover multifunctionality has become a topic in trade related discussions at the WTO. States may use the language of multifunctionality as a means to support rural farmers and communities.²²

²² Brad DeVries, “Multifunctional Agriculture in the International Context: A Review,” The Land Stewardship Project, (October, 2000), pp. 1-15, <http://www.landstewardshipproject.org/mba/MFARReview.pdf>.

D. Globalizing Fair Trade

The way forward in the development of fair global trade begins with a careful examination of current global food trading protocols to assess their strengths and weaknesses and determine when and where global food trading becomes detrimental to producers within the food supply chain.

Fair trade from a human rights perspective and as commonly held within the NGO community has been outlined above. The following outlines a concept of international trade rules that incorporate fairness for actors operating within global supply chains. The plan calls for a major rethinking of liberalized trade and trade agreements. This form of fair trade takes an economist's perspective and binds global food traders within WTO protocols and in doing so may become a more realistic means by which trade can flourish with the least detriment to developing countries. The biggest challenge in trade analysis may be the overlapping and often confusing trading protocols between states and within regional trading blocks. Joseph E. Stiglitz suggests the general equilibrium model for standardized testing to be carried out by the WTO in order to unify global trading policy. Further a general analysis of trade agreements should be made to assess the relative impacts on individual states as well as specific groups within each state. Information should then be made available to public scrutiny. In turn these reports must be made available to consumers concerned about socially responsible investment as well as companies to further the cause of corporate social responsibility. Moreover, the lack of existing social safety nets coupled with the rise in unemployment from liberalization policies should be addressed within trade agreements. Notably, developing countries with weak institutions in finance and credit often lack the social safety nets that would protect displaced workers, allow for re-training and education. The WTO Doha ministerial meeting was dedicated to poverty reduction through development brought on by liberalization via conformed global trade rules. These Trade rules are meant to facilitate trade and development for developing nations. The degree to which trade has been influential in poverty reduction for the most vulnerable is arguable.

Proponents of liberalized trade, such as the OECD claim that development through liberal trade regimes has benefited even the most impoverished²³ However, imports may impinge on local production tying up capital and forcing layoffs as trade liberalization causes shifts in resources from sector to sector. The unemployed will need social safety nets which are weakened by existing austerity programs. Therefore responsive governments will need to react with expenditures in social services. Studies show that 90 %²⁴ of the burden of liberalization policies is shouldered by labor. These are displayed by cutbacks in capital stocks and though lay-offs of workers. Empirical evidence is lacking in developing countries on the subject although it is expected that the costs to labor in developing countries will be significant. Developing nations are noted for high concentration in single or few industries where liberalization policy can be devastating as in the case of groundnuts in West Africa where import competition from the U.S. peanut business has led to unserviceable World Bank and IMF debt. In other parts of Africa cities have disappeared completely due to their inability to compete with outside competition as in the case of Ghana's cashew producers.²⁵ Other problems exacerbated by liberalization policy arise from lack of access to credit and weak financial institutions resulting in a lack of competitiveness. Non existent and poor infrastructures add costs to producers as well. In countries where significant portions of revenues are generated from tariffs, the tax system will have to undergo restructuring. Moreover developing countries will need to restructure many of their institutions to facilitate laws and regulations. These changes will all come at a cost.

Food supply is consolidating into fewer channels and fewer actors. These transnational companies are wielding enormous power. The control of the food chains by a relative few actors makes exploitation of small farmers probable through exclusion from the marketplace and by driving down farm gate prices. The influence of globalization and market liberalization are not inherently negative. However the

²³ Masahio Kawi, "Financing for Development: A Message from Asia: Ownership, Institutions and Markets", Fuelling the Future: Security, Stability, Development, 2-3 May 2005, pp. 1-8, <http://www.oecd.org/dataoecd/23/5/34827704.pdf>.

²⁴ Ibid.

²⁵ Joseph E. Stiglitz and Andrew Charlton, *Fair Trade For All: How Trade Can Promote Development* (New York: Oxford University Press, 2005).

processes and organizations tasked with regulating global business, to use a quote from President Bill Clinton, (which appears in *Fair Trade for All*, Joseph E. Stiglitz (2005), have failed half the world's population.

Today agriculture liberalization is a hotly debated topic; while agriculture remains the “most distorted sector in the world economy”²⁶. The question of who gains and who loses in agricultural liberalization, and what can be done to provide a more level playing field, lies at the center of this debate²⁷ While Corporate Social Responsibility can improve local economies, through partnerships between TNCs and SMEs, allowing for technology transfer, business management training and access to capital, the chance for a universal legal mandate remains elusive due to weak institutions such as law enforcement in developing countries.

Recent years have seen large growth in international markets. The drivers of globalization are technology, communications and a concerted effort by the international community to lower trade barriers. Many actors, within non-governmental organizations²⁸ feel that opening the economies of developing countries too soon will have long-lasting detrimental effects to these economies. Liberalization programs from the WTO and Breton Woods Institution preach the benefits of market liberalization and market access as a means to access foreign capital (foreign direct investment) pursue development and poverty reduction. ²⁹Global supply chains, the vast web of interactions and global connections is bringing commerce together like never before. These connections have the ability to include a vast number of people and makes possible better development outcomes. The benefits of liberalization, the opening of economies to trade and foreign direct investment are compelling. No economies in recent years have experienced growth without embracing liberal

²⁶ Arvind Panagariya, “Agricultural Liberalization and the Developing Countries: Debunking the Fallacies,” (policy papers of Columbia University, USA), pp. 1-40.

²⁷ Ibid.

²⁸ Cairns Group, “Export Subsidies: Detrimental to Developing Country Exports,” http://www.cairnsgroup.org/factsheets/export_subsidies.pdf.

²⁹ IMF Staff, “Global Trade Liberalization and Developing Countries” *IMF Issues Briefs*, November 8, 2001.

economic policies. Trade liberalization in South Asia alone has seen a reduction in tariffs from 10- 30% over a 20 year period.³⁰

We have seen that agricultural liberalization is a multi-faceted endeavor. While anti-globalization rhetoric tends to exemplify the negative gains of liberalization, further studies prove that gains and losses in agriculture are spread across regions, states and individual actors as well as products. While developed countries may gain from liberalization one can not empirically state that developing countries are significant net losers. Developing countries may gain from protectionism within their own agricultural sectors while LDCs may benefit from special dispensation and realize gains on products for which they have a comparative advantage; at the same time small scale producers within LDC's may suffer from market liberalization and reduced market share from dumping. Further it has become a popular notion to place the blame for the evils of globalization solely on the global north. However, developing countries opted out of earlier (1960s and 1970s) rounds of market liberalization as they pursued inward looking policies such as import substitution industrialization. Not surprisingly, developed countries negotiated GATT (WTO) protocols to their benefit as developing countries were absent up to the Kennedy and Tokyo rounds of negotiations. Further while subsidies from the west allow for grain dumping and price distortion they also make grains available for use in extreme food shortages and during market shocks as emergency food aid. Moreover, LDCs, because of current dispensation at the WTO and regional trading regimes may benefit from greater market access if given enough time to jump-start their economies and ascend to global trading protocols. There is an inherent danger in a one-size-fits-all mentality when building a critique of liberalization policy. While market dominance by a few in the global north may be detrimental to small scale producers in developing countries the impacts on the LDCs is less clear. Therefore impacts of global trading regimes should be looked at case by case, state by state and trade agreement, as well as sector by sector. Each trade agreement should be analyzed for economic and social gains, whether global or regional. These impact assessments should include an examination of impacts to all groups within a society to determine

³⁰ Ibid at 92.

who loses and who gains as a means to produce important social safety nets for those who are most vulnerable. A catch all policy lacking inclusion may put groups most vulnerable to the demands of market liberalization at greater risk. National policy should prescribe social safety nets to vulnerable populations as means to facilitate liberal market policy. Further austerity measures from international monetary funds should allow states the social safety nets needed to transform vulnerable groups through training and educational programs. Developed countries must assist developing countries and the LDCs by relaxing trading protocols until a time when these states are at a level playing field and able to reap the benefits of trade and become functional members within global trading regimes.

As Martin Wolf wrote, “To defend a liberal world economy is not to defend the International Monetary fund, the World Bank or the World Trade Organization...” His argument is compelling. Though liberalization has detrimental effects on many in the developing world the number of workers in the world trading system has doubled in a small period of time.³¹ While this population may seem to be winners in the global arena, many are subjected to sub-standard wages as well as living conditions. As we hurry to engage in global markets and pen regional/international trade agreements at break-neck speed we must be cautious and aware of the trading institutions in place. Perhaps a re-tooling of existing institutions (and the protocols that live within them) would be a better starting point for eliminating the inequities of global trade.

E. Agriculture and Poverty Reduction: Possibilities

Corporate farming consists of the agriculture business as it pertains to the production of food. Inclusive within this description are the components stretching from the farm to the retailer’s shelf including processing, shipping, farm inputs such as fertilizers and seeds, storage facilities and even marketing strategies, advertising and distribution. Large agricultural conglomerates in many cases, through lobbying, have the power to influence policy, research and development priorities and even research agendas in agriculturally focused universities. Corporate farming is viewed by many as being detrimental to small scale farmers. The “end game” in corporate

³¹ Mervyn King, “Institutions in an age of globalization,” *The Globalist*, February 1, 2007.

farming is to achieve integration. Agri-giants such as ADM and Cargill showed combined revenues of \$62.9 billion dollars.³²

Arguments in support of corporate farming claim that corporate farms are an essential means to keep-up with global demands, drive markets lower, decreasing the price of foodstuffs to the consumer, raise standards in hygiene and food safety as well as adding availability and variety. Technological advances in production methodology, distribution networks and global alliances along with supply chain management have made food abundant. Wide varieties of food formally available only in season can now be sold and consumed year-round while modern mega-supermarkets are filled to the brim with highly processed convenience foods. Today in America an average of 10% of income is spent on food,³³ which would appear to defend corporate food practices.

Technological advances are connecting the world like never before. With these connections come critique of global supply activities and enterprise of change. While CSR is seen by many as a philanthropic endeavor, in fact it may be nothing more than a tool for growth levied through stakeholder perceptions of seemingly benevolent actions by corporations. However, few industries have the ability to affect poverty reduction to the degree that agriculture can. Moreover agriculture is a multi-layered endeavor, controlled by a relatively small number of corporate entities, with the ability to infuse value in many linkages in the food chain. Food supply stretches across borders, cuts across socio-economic stratus and effects millions of the world's population. Nevertheless CSR, employed altruistically or with the intention of profiteering, has the ability to directly affect poverty reduction. Increasingly corporations operating globally are being called to task. Media, civil society and governments are forcing more accountability in social and environmental areas. The notion of shared value has become a buzzword in the private sector where benefits are most often generated through the creation of long-term strategic partnerships and relationships that provide value to stakeholders through ethical codes of conduct. Human resources as a social issue can be addressed through strong relationships with

³² Shiela M., Lenny T. Mendonca and Jeremy Oppenheim, "When social Issues Become Strategic", *The Mckinsey Quarterly*, 2006 (2)

³³ *Ibid*

agricultural producers. Moreover poverty reduction can be realized through a re-direction of value towards producers through fairer contractual agreements between producers and buyers. Standards could be used as an incentive, rather than a tool of exclusion where for example, a producer may receive a price premium for higher standards rather than face exclusion from the market entirely. Current market standards, while benefiting consumers through improved food safety, ensuring a steady cheap supply of food, lacks research and empirical data and assessment studies concerning environmental and social improvements. Moreover there is no cohesive protocol as the many existing standards have become a “noodle bowl” of measures. Many of the standards recognized by upstream procurement actors may not be recognized by other agents. Moreover ascending to process standards is a costly endeavor which amounts to a heavy burden on small scale producers. Process standards are more easily obtained by large food conglomerates as evidence shows that the high implementation costs of standards has led to grater integration of the food chain. Research shows that implementation of Global Gap standards can amount to 160 percent of the profit margin annually of small scale Sub-Saharan-African producers.³⁴ As we have seen standards while beneficial to the maintenance of the supply chain often become obstacles for small scale producers and may lead to marginalization of many. Therefore it will be necessary for forward thinking agriculture conglomerates to infuse voluntary measures within the supply chain to provide added value at different intersections of the chain. However to date most of the changes within the supply chain are demand driven. Therefore supply chain modification is taking place in areas beneficial to the agriculture conglomerates and portions of the chain that supply, not detract value. To date benefits are seen by SMEs in pilot projects, technology transfer and economic and standards development. While these projects may influence social concerns, providing jobs at the lower social-economic tier and represent progress in “pockets” of development, their impacts on small scale producers are marginal, may even be negative and do not provide a solution to poverty.

³⁴ Graffham, A. & B. Vorley, Standards Compliance: Experience of EU Private & Public Sector Standards on Fresh Produce growers and Exporters in Sub-Saharan-Africa, NR/IIED 2005.

In food supply CSR objectives are led by the agricultural companies. This truth necessitates that governments and civil society play a role in the development scheme. Multilateral and development agencies, multi-stakeholder bodies are taking an interest in sustainable agriculture. CSR, governments' local authorities, and civil society will have to work together to ensure the value within the food chain is distributed equitably throughout the food chain. Governments must provide an environment conducive to poverty reduction through the implementation of legislation, investments in infrastructure, direct participation with CSR in pilot projects, provide access to production goods such as seeds and agricultural inputs, actively engage in capacity building, finance and provide industry platforms for continued growth and eventual self-sufficiency for local producers. Moreover as developing countries have seen a reduction in the workforce devoted to agricultural production as efficiency increases, governments must develop policy that provides social safety nets for off farm jobs such as education to aid in the transition out of agriculture. Further small-scale producers will need help from civil society and governments in order to diversify from mono-cropping to diverse revenue schemes.

Unilever is the biggest buyer of tea in the world with 12% of total black tea production, selling their product in 130 countries. Due to overproduction the black tea crop value has declined in price steadily over the past 25 years³⁵ (by 35%) and prices continue to drop every year. This economic fact has wreaked havoc on many small producers. To combat this problem Unilever has introduced standards for sustainable production for their suppliers. Unilever's certified tea is expected to yield a 10-15% price rise at the farm gate which will directly impact tea farmers. This is a case where certified products combined with process standards have the ability to positively effect poverty reduction at the local level while developing a better corporate image. Certification through fair trade branding has shown a positive impact within the communities where certification is realized with stakeholder participation.

³⁵ Karen Attwood "Unilever stirs pot with sustainable tea programme" New Zealand Herald, December 08, 2007, http://www.nzherald.co.nz/section/3/story.cfm?c_id=3&objectid=10481090&pnum=0

Fair Trade direct impact assessments surveyed literature from the 1990s up to the present, a time of expanded market liberalization and export diversification. Studies show that producer groups realize social as well as economic benefits from pricing premiums and pre-payment plans.³⁶ Where state policy compliments fair trade producer groups have been provided with agricultural inputs such as seeds and fertilizers.

Moreover a global “ethical revolution”, made possible by the internet is leading to profound growth in fair trade. While fair trade poses no immediate threat to conventional forms of food supply the growth of the fair trade/organic movements is substantial.

Although small scale agricultural producers have often been excluded through process standards,³⁷ studies show that companies can apply process standards in ways which do not lead to consolidation. While positive in nature these practices are voluntary and need further anchoring in national policy. To date most of the innovations within supply chain management have been driven by processors. Process standards should be realized through the imposition of policy initiatives embedded within national policy. These policies should include a multi-stakeholder design including farmers and farmer’s organizations,(producer organizations) CSR (corporations), small and medium enterprises, producer industry associations, civil society and include transparency in both private and public sectors. It is of vital importance that any imposition of process standards be linked to national agriculture policy frameworks working to support producer organizations. Further policy

³⁶ See Loraine Ronchi, “THE IMPACT OF FAIR TRADE ON PRODUCERS AND THEIR ORGANIZATIONS: A Case Study with CooCafe’ in Costa Rica. Prus Working Paper (11) 2002

³⁷ Unilever, Lipton tea procurement. Unilever is currently working with Rain Forest Alliance Rainforest Alliance certifies coffee, chocolate and bananas in products worth over US\$1 billion annually, including such brands as Starbucks, McDonald’s, Chiquita, Innocent and Kenco. Unilever is the world’s largest purchaser of black tea, currently buying around 12% of the world’s black tea supply. “Unilever commits to sourcing all its tea from sustainable ethical sources”. <http://www.unilever.com/ourcompany/newsandmedia/pressreleases/2007/sustainable-tea-sourcing.asp>

adaptations must be made to include agricultural products that currently exist outside of fair trade networks as these products provide the bulk of global agricultural production. (Soya, cassava, wheat, mungbean and sweet potato, rice to some degree is being traded in fair trade markets). National policy, governments, civil society, law enforcement agencies must work within organizational frameworks to support progressive innovations and income distribution within agricultural value chains by creating a supportive environment including the adaptation of legislation, infrastructural investment for rural producers, facilitating access to vital agricultural inputs like seeds, participations in “pilot projects” like the ³⁸Unilever tea project, capacity building, and education.

Studies show that market access (trade liberalization) has little effect on poverty reduction for people involved in small production and subsistence agriculture. Evidence of prosperity over time from market access is equally fragile. ³⁹

“Ethical consumerism” is on the rise in developing countries. This is due in large part to the availability of information and its ensuing backlash forcing corporate accountability. Organic food is one of the fastest growing sectors in this “ethical trade” boom. Ethical consumerism in turn has the ability to build networks between poor farmers in developing countries and ethical shoppers in the west, where there are deficits in many foodstuffs. To date however these networks have been facilitated by NGOs, their donors and government programs making sustainability questionable. The fair trade movement as it pertains to processing standards also has the ability to positively effect poverty reduction when coupled with large buyers. Corporations working with consumer groups and civil society can help small scale farmers exploit their comparative advantages through fair trade and organic marketing while seeing advantages such as low-cost labor and exploiting chemical input free land.

³⁸ Unilever Tanzania Limited, CEPF Small Grant Final Project Completion Report (2007)http://www.cepf.net/ImageCache/cepf/content/pdfs/final_5funilevertanzania_5fmufindi_2epdf/v1/final_5funilevertanzania_5fmufindi.pdf

³⁹ Based on Ravallion, Martin, Looking beyond Averages in the Trade and Poverty Debate, Development Research Group, World Bank, (2004) <http://econ.worldbank.org/>.