



THE RELATION BETWEEN FAIR TRADE AND SUPERMARKETS: SPATIAL IMPLICATIONS FOR THE GLOBAL ECONOMY

Viorel MIONEL¹, Oana MIONEL², Alexandra MORARU³

¹Bucharest University of Economic Studies, Department of Tourism and Geography, Romania, E-mail: viorel.mionel@rei.ase.ro

^{2,3}"Dimitrie Cantemir" Christian University, Department of International Business and Economics, ²E-mail: panaoana2005@yahoo.com,

³E-mail: alexandramoraru2002@yahoo.com

Abstract

Even if its importance present increases, selling fair trade products has consisted, for a long time, in handmade crafts and a narrow set of food items. Fair trade, this alternative approach to commercial partnerships, focuses on sustainable development of marginalized and disadvantaged producers. Given the current global economic context and new trends in the production, distribution and consumption behavior, this study critically examines the spatial relationships between fair trade and supermarkets. The results of our analysis show that few consumers fully understand the importance of fair trade, despite the current global dimensions of this type of trade and the penetration of certified products on supermarket shelves. Also, our observations of the phenomenon lead us to believe that the geographical and economic aspects of fair trade portray best North-South economic disparities.

Key words:

Global economy,
fair trade,
supermarket

JEL Codes:

F10, F66, Q1

1. Introduction

Fair trade increases more and more within the developed societies, although even the other less developed are beginning to flourish. For many years, sales of products labeled fair trade were limited to traditional crafts and a fairly limited range of food products, especially tea and coffee. Products were sold in the early 90s of the last century in a small number of shops which were geographically limited. In the meantime, however, *the institutionalization* (Gendron, Bisailon and Rance, 2009) movement fair trade certified products as such have begun to give way to large chains of supermarkets.

For the developed companies the standard seems to be the European market in general and the UK in particular, where, from 2006 to 2009, the practice of buying products certified fair trade has tripled (Dickinson, 2010). The United Kingdom - as well as Switzerland - tops the charts as supermarkets chains have adopted quite early products bearing the fair trade mark (Wilkinson 2007).

Even in the context of visible gain notoriety at the beginning of the third millennium, fair trade is far from the hopes of the farmers related to it. The fair trade market share, however, remains modest (Gendron, Bisailon and Rance, 2009; Moore, 2004).

Fair trade could not stay too long away from political discourse (Wilkinson, 2007), at least not from the point of view of politicians. For instance, says Elizabeth

Dickinson (2010), an official candidate in 2008 for President of the United States of America, Barack Obama has given guarantees to voters and the international community in full, he will a fair trade ally for all and criticized the existing trade agreements such as NAFTA (North American Free trade agreement). The American President (Obama won the election in 2008, and is currently on his second term) has said he will put pressure on certain international players, such as China, to end unfair trade practices.

Given the current global economic context and new trends in production, distribution and consumption behavior, our analysis aims to critically examine and respond to three questions of a geographical nature. First, which is the contribution of the development of societies to the Third World by the presence in supermarket of fair trade products? Then, how diversified is certified fair trade? And, finally, how many countries do take part in the economic and spatial flow of products? The purpose of this study was to create an overview of the spatial relationship between fair trade and supermarkets.

2. Literature Analysis

2.1. Fair Trade

The term fair trade lasted for more than 130 years. Geoff Moore (2004), a specialist in corporate responsibility, identifies the origins of this type of movement with those of the cooperative movement in

the late nineteenth century. Today, fair trade has acquired a new meaning, characterized by a certain way of life that requires some moral virtue.

According to De Pelsmacker *et al.* (2006), Fair trade can be defined as an alternative approach to commercial partnerships, which aims at sustainable development of marginalized producers (Smith and Barrientos, 2005) and/or disadvantaged (Redfern and Snedker, 2002), derived mainly from the Third World. Except the main aspect of fair trade, in this case, paying fair wages for agricultural workers in the local context and providing jobs, this type of trade has to do with sustainable business development, empowerment of producers (especially small farmers and workers) encouraging social justice (Redfern and Snedker, 2002) and the development of fair trade (Littrell and Dickson, 1999).

From the historical point of view, the first to warn on the inequities of international trade was Eduard Douwes Dekker, a Dutch writer. His writings, based on his own experience, satirize injustices in the East Indies government in Batavia (now the state of Indonesia).

In the novel *Max Havelaar*, the author evokes the story of a colony manager in the Indonesian island of Java, who is very affected by the abuses against workers within the Asian colony. The name of the novel (*Max Havelaar*) is the one that will give the first name of fair trade certified coffees (Smith and Barrientos, 2005).

During the early twentieth century the first signs of movement campaigning for fair trade began to appear in England. The movement had a covert reason which was less hiding cited, namely that the British Empire began its decline and the need for products from within the colonies and their loss of markets, were a challenge to the largest imperial construct ever known to mankind. An experience similar to that experienced by Eduard Dekker gave an impetus to Edna Ruth Byler to sell poor artisan craft from Puerto Rico to the United States (Witkowski, 2005). From his approach a strong movement to support free trade arises. Later, the British market in the years which have followed the Second World War began selling products made by Chinese refugees of the civil war, with the help of NGOs. In historical terms, the forces behind fair trade practiced in Britain have perhaps been best represented by the work of the Oxfam NGO (Nicholls, 2002).

A downright decisive moment will be November of 1988. Then, the price of coffee spectacularly decreases, thus marking the birth of the Fair Trade Certification Initiative. The purpose of this work is to provide a fair price for coffee farmers, those who were most affected by market volatility. Coffee trade is one of the largest and most dynamic in the world. Consequently, the first coffee sold under the label of fair trade was distributed only in the United Kingdom in

1992. Across the Atlantic, the United States, begin certification of fair trade tea, coffee and cocoa. The timing coincides with the year 1998, when the global sales of these products almost exploded. Certification generated an additional income of \$60 million to growers of coffee, tea and cocoa (Dickinson 2010: 15). Regarded exhaustively, the fair trade product market increased notably in recent years due to political, academic, cultural and informational factors identified by Nicholls (2002: 8).

2.2. Supermarkets

From Beijing (China) to Porto (Portugal) and Quito (Ecuador), billions of people can no longer imagine life without supermarkets. Traditionally, in his opinion Reardon *et al.* (2003), supermarkets are perceived by economists, policy makers and practitioners as stores of the rich world. However, there is a rich literature now demonstrating that supermarkets have seen a tremendous growth in developing countries, middle income and there are still growth forecasts (Traill, 2006). In addition, Africa was also beset by the spread of supermarkets in recent years, despite being one of the poorest continents, (Weatherspoon and Reardon, 2003).

What is actually the geo-economy of supermarkets? What causes us to push carts in a frenzy of shopping in these temples of consumerism? Raj Patel (2007), a wellknown author of this field, who has written *Stuffed and Starved: The Hidden Battle for the World Food System*, makes us better understand the phenomenon of consumerism, shopping and generally the spread of supermarkets.

Therefore, the author argues that (1) the food chain supermarkets are on top. These trading giants control almost all global food system, from the farm to the final food consumption. Walmart, for example, is the largest supermarket chain in the world with over 8,400 stores in the United States and it spread to China. The large number of Walmart employees places it among the largest employers in the world. The company sales are equivalent to 2% of the US GDP, while in Latin America Walmart reaches half of all food sales (Patel, 2010).

Despite the apparent abundance, supermarkets are selling many delusions, including the fact that, although we do all our shopping in these stores (2) it does not mean that we all eat the same products or the same quality. Unlike other chain stores, supermarkets do not require other nations to submit to the cultural prejudices of their countries of origin. Patel (2010) exemplifies this by the case of China, where Walmart has a permanent stock of turtles. The third point of Patel's analysis highlights a grim aspect (3) supermarkets do not like the poor, despite the fact that such stores have begun to impose themselves since the mid-90s, including in

Africa (Weatherspoon and Reardon, 2003). This is explained by the placement of supermarket stores in a new location first. Rather, supermarkets open their first branch in the most exclusive locations in cities. Carrefour chain is one of the cases that has chosen the best locations in major cities of South East Asia (Bangkok), Latin America (Buenos Aires) and, of course, Eastern Europe (Bucharest). The basic argument is that supermarkets have high costs and low trade margins. Therefore, profit arises from the large volume of sales.

3. Products That Represent Fair Trade

The section dedicated to products sold in the fair trade economic cycle is justified by the fact that, almost without exception, they can all be found on supermarket shelves. Let's remember what we have said above when we quoted Patel (2010) that supermarkets are in the food chain. And here is the primary justification: most of the products covered are part of food fair trade. In addition to coffee, cocoa, tea and chocolate that we have mentioned as food products (which are sold very well in supermarkets worldwide) that come from farms and affiliates, International Fairtrade also includes bananas, honey, rice, fresh fruit, juices, spices, sugar, wine and various foods derived or composite (e.g. chocolate).

The fact is that fair trade has expanded greatly. Cotton, flowers, gold and even sports balls are sold under the Fair Trade label. So far, fair trade covers a much wider range of products which explains the heterogeneity and diversity of a large number of producing countries. What would be another justification for this study listing the products sold under fair trade? Here are some examples: more than half of the bananas sold in Switzerland, over 40% of the bags of sugar sold in the UK and every fifth bouquet of roses bought in Germany bearing the fair trade mark (Fairtrade International 2013: 14).

4. Comments: Where is it produced and where is it Consumed?

The answer to this question is closely related to the answer to one of the survey questions: How many countries take part in the economic and spatial flow of products certified fair trade? The answer will be given by consulting more studies (Garibay and Richter, 2005; De Pelsmacker *et al.* 2006; Smith and Barrientos, 2005; Wilkinson, 2007; Moberg, 2005; Nicholls, 2002). Some of the most important are the findings of Alexander James Nicholls (2002), who said after more than ten years, the sale of fair trade products already has an international dimension.

Unlocking the *Power report (Annual report 2012-13)* conducted by a group of three researchers from

Fairtrade International there is a series of technical data showing the size of the phenomenon. Thus, during 2012-2013 there were 1149 (of which over 80% are small farmers) and more than 1.3 million farmers and workers in over 70 countries who were globally active in fair trade producer organizations. Also, the market for products labeled fair trade covers a geographical area of not more than 125 countries (Fairtrade International 2013). The article "Strategic options in fair trade retailing" conducted by Nicolls (2002) refers, above all, to the European market, also emphasizing the economic role played by the United States, Canada and Japan. And Garibay and Richter (2005) complete the list of the most important markets for Australia, New Zealand and Mexico.

As for Europe, the major markets for fair trade are Germany, Britain, France, Italy and Switzerland which include organic products, as shown in the study *The European Market for Organic Fairtrade Products*. According to the same study, the consumption per capita places Switzerland, Denmark, Austria and Sweden (largest market on the continent) on top of the list. And in countries such as Italy, the Netherlands, Belgium, Norway, Portugal and Finland the consumption of fair trade products is on an upward trend. Increased consumption of certified fair trade has grown due to their placing on supermarket shelves (Fairtrade International 2013). For example, supermarkets in the UK have a fairly consistent range of fair trade goods. Some retailers have begun to expand even labeling their product brands, as they have their own ethical principles. This was possible because the supermarkets exert dominance over the food retail sector (Smith and Barrientos, 2005). Consequently, the British supermarkets are currently selling at least one product certified as fair trade. Meanwhile, countries like Australia and New Zealand, Belgium, France, Italy, Japan, Norway, Sweden, Switzerland and even South Africa have also registered significant revenues from the sale of certified fair trade products in supermarkets (Fairtrade International, 2013).

Table 1. Estimated retail sales by country

Country	2011 (euro)	2012 (euro)	Growth rate
Aus/NZ	150,660,362	188,045,618	25%
Austria	100,000,000	107,000,000	7%
Belgium	70,998,459	85,837,221	21%
Canada	199,768,996	197,277,194	-1%
Czech Republic	2,859,432	2,744,524	n/a**
Denmark	74,908,637	71,836,714	-4%
Estonia	496,640	1,061,938	114%
Finland	102,673,112	152,263,629	48%
France	315,416,709	345,829,378	10%

Country	2011 (euro)	2012 (euro)	Growth rate
Germany	400,544,747	533,062,796	33%
Hong Kong	–	422,803	n/a
Ireland	158,864,349	174,954,927	10%
Italy	57,542,552	65,435,059	14%
Japan	59,327,333	71,419,147	17%*
Latvia	492,031	938,975	91%
Lithuania	624,091	846,027	36%
Luxembourg	7,491,910	10,320,006	38%
Netherlands	147,308,908	186,100,623	26%
Norway	53,617,544	64,413,576	20%
South Africa	7,273,254	22,263,619	220%*
South Korea	17,106,828	1,989,631	n/a**
Spain	20,026,046	22,274,635	11%
Sweden	134,335,702	178,951,375	28%*
Switzerland	264,754,487	311,590,237	15%*
UK	1,531,539,170	1,904,891,092	16%*
USA	–	53,116,711	n/a
Rest of world	74,741,866	47,487,290	n/a**
Sub Total	3,953,373,166	4,802,374,746	21%

* Growth rate is based on the percentage increase reported in the local currency, not the value converted into euros.

** Out of home sales data for these territories in 2012 was incomplete, therefore it was not possible to generate an accurate growth rate.

Source: Fairtrade International, 2013: 13

As it can be seen in Table 1, the total sale of fair trade goods at the end of 2012, not only those carried by supermarkets, amounted to 4.8 billion euros (Fairtrade International, 2013), which is a considerable value not to be neglected. Germany continues to rise among the most significant sales growth of 33 % in 2012 over the previous year. In absolute terms, the UK recorded the highest volume of sales. Money from the fair trade products reaches the amount of about 2 billion euros, approaching half of total sales worldwide.

In what Africa is concerned, we have to mention the study of Weatherspoon and Reardon (2003), which shows that the rapid spread of supermarkets in eastern and southern Africa was achieved not only in big cities but also in smaller ones, in poor areas respectively. The market penetration of supermarkets has challenged the African small producers who register a greater risk of exclusion. Nevertheless, these conflicts with the trend recorded in developed societies where the promotion of fair trade products in supermarkets just aims to support producers in poor societies.

The largest volume of sales is recorded in the supermarkets, the same stores in poor countries, where products certified fair trade come from – perhaps with the exception of South Africa – do not have any certified product on their shelves considering the purchasing power of residents, as well as their degree of education. Our argument is also supported by the study by Pelsmacker, Driesen and Rayp (2005)

showing that, in general, buyers of fair trade products are highly qualified (teachers, medical personnel, social workers in the field) and have a high income level. In other words, the fair trade products, including those sold in supermarkets, address a niche segment. This segment is extremely limited in terms of people who are willing to pay a higher price for a product, which rests an ethical dimension human behavior. It is true that such products find buyers in Western countries and very little in the world. But even in the Western world few consumers fully understand the importance of fair trade. According to Nicholls (2002: 13), the average is only 16% of buyers, of which only 14 % would actively seek to buy these products.

The Third World, or generically said, the poor countries, are the origin of the geographical flow of fair trade products to the developed countries. Our observations of the phenomenon lead us to believe that the geographic and economic aspects of fair trade are those that best portray all economic disparities and the political map of the world divided between the *Developed North* (they consume products certified fair trade) and the *Developing South* (who produce the goods consumed in the North). The generic notion of North also includes Australia and New Zealand, in fact, the only developed countries geographically located in the southern hemisphere.

As for the Third World (the poor countries), they are the origin of numerous producers, among which Africa, Asia and Latin America. With the exception of French Guiana, all other countries in Latin America are involved in the fair trade program (at varying degrees and intensities) – thanks to various organizations. The same happens with Africa, the only exception being Western Sahara. In Asia, the fair trade program covers – from the point of view of producers – the whole area of Central Asia, some countries in the Middle East, South and Southeast Asia, the Far East (without the two Korea, Taiwan and Japan, last two and Korea being more consuming). Farmers and workers in these geographical areas perform their work in this sector, while world trade communities support their endeavor to strengthen democracy, promote the best environmental practices and, for example, contribute to local economic and national growth.

5. Conclusions

More than in any other case, fair trade brings together economic and geographical aspects in order to better explain the present relations that are established between states and also existing economic interdependencies. The results of this study show that today (and maybe for a long time prior), fair trade is far from being fully an international dimension. The so-called real internationalization of fair trade will occur

only when product sales run under the label of fairness, will not depend on training, education and income, and will not depend on the geographic limitation regarding the sales in the *Developed North*. Unfortunately, at the present, only South Africa is the only African country where fair trade products are available, according to data in Table 1.

The upward trend of fair trade is due largely to supermarkets in general and European ones in particular (with an overwhelming contribution of those working on the British market). As a viable global market in the best economic sense, it cannot be based on the sales of products in only 40% of the territory of a single state, namely the United Kingdom. Therefore, any economic imbalances within it can cause major damage to an entire sector. Thus, of the 1.3 million farmers and workers in the event of internal disturbances or even cynical interests (e.g. stopping the sale to obtain discounts), many will lose. It is no less true that, by confronting a few spatial records identified in our analysis, such as fair trade goods production prevalent in countries of the South, sweeping sales in the Developed North (led by UK), the low percentage (16%) of those who understand the importance of this kind of trade and, not least, consumer behavior is – regardless of geo-cultural space to which we refer – inflexible. Thus, the prospect of a global relation between fair trade and supermarkets has shown quite limited increases that will prove not to be very spectacular.

References

1. De Pelsmacker, P. Driesen, L. and Rayp, G. (2005) „Do Consumers Care about Ethics? Willingness to Pay for Fair-Trade Coffee” *The Journal of Consumer Affairs*, vol. 39, no. 2: 363-385.
2. Dickinson E. (2010) „Comerț echitabil”, *Foreign Policy*, Ianuarie/Februarie: 15.
3. Fairtrade International (2013), *Unlocking the Power. Annual report 2012-13*, Bonn, Germany.
4. Garibay, S., and Richter, T. (2005). *The European Market for organic Fairtrade Products*.
5. Gendron, C., Bisailon, V., and Rance, A.I.O. (2009) „The institutionalization of fair trade: More than just a degraded form of social action” *Journal of Business Ethics*, Vol. 86: 63-79.
6. Littrell, M.A., and Dickson, M.A. (1999) *Social responsibility in the global market: Fair trade of cultural products*. Thousand Oaks, Calif: Sage Publications.
7. Moberg M., (2005) „Fair trade and Eastern Caribbean banana farmers: rhetoric and reality in the anti-globalization movement” *Human organization: journal of the Society for applied anthropology*, vol. 64, no 4: 4-15.
8. Moore, G. (2004) „The Fair Trade Movement: Parameters, Issues and Future Research” *Journal of Business Ethics*, Vol. 53: 73-86.
9. Nicholls, A.J. (2002) „Strategic options in fair trade retailing” *International Journal of Retail & Distribution Management*; vol. 30, no. 1: 6-17.
10. Patel R. (2010) „Supermarketuri”, *Foreign Policy*, Noiembrie/Decembrie: 96.
11. Patel, R. (2007) *Stuffed and starved: Markets, power and the hidden battle for the world food system*, London: Portobello.
12. Pelsmacker, P.D., Janssens, W., Sterckx, E., and Mielants, C. (2006) „Fair-trade beliefs, attitudes and buying behaviour of Belgian consumers” *International Journal of Nonprofit and Voluntary Sector Marketing*, vol. 11, no. 2: 125-138.
13. Redfern, A., and Snedker P. (2002) *Creating Market Opportunities for Small Enterprises Experiences of the Fair Trade Movement*. Geneva: International Labour Office.
14. Smith, S., and Barrientos, S. (2005) „Fair trade and ethical trade: are there moves towards convergence?” *Sustainable Development*, vol. 13, no. 3: 190-198.
15. Traill B. (2006) „The rapid rise of Supermarkets?” *Development Policy Review*, vol. 24, no. 2: 163-174.
16. Weatherspoon, D.D. and Reardon, T. (2003) „The rise of supermarkets in Africa: implications for agrifood systems and the rural poor” *Development Policy Review*, vol. 21, no. 3: 333-355.
17. Wilkinson, J. (2007) "Fair Trade: Dynamic and Dilemmas of a Market Oriented Global Social Movement" *Journal of Consumer Policy*. Vol. 30 no. 3: 219-239.
18. Witkowski, T.H. (2005) "Fair Trade Marketing: an Alternative System for Globalization and Development" *Journal of Marketing Theory and Practice* vol. 13, no. 4: 22-33.