

# Characteristics and organization of the Fairtrade market in Brazil

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# Characteristics and organization of the Fairtrade market in Brazil

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*Abstract*—Fair Trade is defined as a set of socio-economic activities which are alternative to traditional and international trade. It began from the belief that the principal market's laws tend to cause serious damage to the South, and especially to the many workers devoted to 'agriculture'.

The concept of Fair Trade is very important and powerful because it states that all trades should follow right principles; this statement highlights the importance of the movement as a regulatory model for all the incorporation models of trade regulations[1].

In this paper, with both historical and analytical approaches, we will try to analyze the economic paradigms which are taking place in the South and to highlight the importance, sometimes forgotten by stakeholders in the North, of Fair Trade as a new way to change market rules and turn them to the service of those who are excluded from the economic system.

We have taken as a case study Brazil, which since 2001 has undertaken a very attractive challenge: to become not just a supplier, but producer and consumer of Fair Trade food and hand-made products too.

Various social actors in Brazil have formed a discussion platform named the Forum de Articulação do Comércio Ético e Solidário(FACES), in order to discuss and suggest the construction of a favourable and necessary environment for the implementation of a cohesive national market.

With the promotion and the construction of a Brazilian Fair Trade system it will be possible to ensure a national identity for the concept and to create a cohesive national market, promoting the diffusion of products and producers as part of the system.

This works for the South-South economy but also for the North-North version, thanks to the construction of "networks of solidarity economy" in which the relationship between producers and consumers is measured by social and human "indicators" too, not only by monetary and financial ones.

*Keywords*— fair trade – solidarity economy – local development

## I. INTRODUCTION

The Fair Trade movement was created in the late 1950's in Europe to overcome the inequalities of contemporary international trade.

Fair trade is an organized social movement and market-based approach that aims to help producers in developing countries obtain better trading conditions and promote sustainability.

It separates itself from the economic logic of pure rationality and profit and proposes trade as an opportunity for exchange and encounter. Without falling into pure altruism, it puts the value of the human being in front of the value of products, proposing a market in which relationships between participants are based on the principles of social justice, equity, equality, respect for human rights and the environment.

The actors in Fair Trade provide consumers with transparent information about products and producers[2]. In so doing they promote a collective awareness about the injustices that the current system creates with the aim of raising awareness of the ethical implications of economic growth in our society.

The conscious consumer may direct their purchasing power to create an "ethical demand" helping to change the rules from the bottom of the market.

So the traditional stakeholders must offer the most appropriate product to remain in the market.

The consumers, through the simple act of buying, might reduce the production of goods that go against the principles of Fair Trade and support the creation of new Fair Trade products. adding value in this way to companies that participate in Solidarity Economic.

As most people probably already know, over the last decades the Fair Trade movement has grown considerably in the northern countries of the world, promoting the payment of a "fair" price to producers, transparency and fairness in North-South trade relations, social justice and respect for the environment.

A lesser-known phenomenon is the recent expansion of South-South trade. This is an attempt, still in an embryonic stage, to build a trade model that could generate significant

economic synergies starting from a predominantly local circuit.

Fair Trade is not just a strategy for resolving the "bad" mechanisms of contemporary North-South trade. Its practices can and must take local and regional routes because it is important to strengthen solidarity between urban consumers and rural producers.

## II. SOUTH-SOUTH TRADE: THE CASE OF BRAZIL

During the recent years Brazil, the fifth largest country in the world, has experienced a rapid economic growth, but this growth hasn't involved all sections of the population, therefore this country now has high rates of inequality, because 85% of the national wealth is "in the hands" of only 5% of the Brazilian population.

In this context FACES was founded in 2001 to propose the creation of a market different from that proposed by the international movement. Oriented to the national level, Brazilian actors give priority to the domestic market and local development, thereby converging Fair Trade with the solidarity economy.

According to Faces, Fair Trade is "... an innovative strategy for sustainable and local development, especially when it is combined with other strategies and policies, searching for a construction area, an organized production and the environment protection and management " therefore it is a real alternative for the local development.[3]

The focus on the domestic market recognizes that, given cultural differences, geography and territorial extent of the country, and considering its high profile producer and consumer food products, the development of a Fair Trade initiative in the domestic market could first increase the number of small producers in the network and reduce dependence on other North-South trade.

So it's possible to give the Brazilian population access to quality products offered by an ecologically sustainable and socially just production system promoting local development and protecting rural producers, especially the most marginalized.

The main idea of the actors of Brazilian Fair Trade is to promote and create a National System of Fair Trade, a set of parameters (concepts, principles, policies, actors, type of supervision and management) organized under one strategy to promote fair trade in the country.

With the promotion and the construction of a Brazilian Fair Trade system it will be possible to give a national identity to the concept and to create a cohesive national market, promoting the diffusion of products and producers as part of the system.

The case study leads us to the analysis of an experimental solidarity economic network, Justa Trama, which involves

the whole agro-ecological cotton textile chain, from farm to finished product, promoting and raising awareness among workers and consumers to the principles of fair trade and Solidarity Economy.

## III. THE SOLIDARITY ECONOMY NETWORK JUSTA TRAMA

The network Justa Trama has been chosen to answer a group of research questions concerning the expansion of South-South Fair Trade.

The solidarity economy promotes democratically organized economic activity, linked by relationships of solidarity among participants, with the objective of stimulating and expanding initiatives for socially responsible and sustainable local development to recover the value of ethics and social economy and to address inequity, poverty and exclusion.

Justa Trama is a young Brazilian solidarity economy network attentive to local development, ecological conservation and social justice. It is an experimental project created in 2005 when some associations and cooperatives located in various parts of Brazil, joined forces to make 60,000 bags of agro-ecological cotton for distribution during the Social Forum in Porto Alegre.

Justa Trama is an example of a solidarity economy supply chain in which every stage of production is done by a collectively managed enterprise. Justa Trama is a network of cooperatives that employs 700 workers to produce beautifully printed t-shirts and bags.

Table 1. Participants in the solidarity network Justa Trama

<b>Stages</b>	<b>Direct Beneficiaries</b>	<b>Indirect Beneficiaries</b>
Agro-ecological cotton production	340 workers	1.020 family
Textile production	320 workers	960 family
Transformation of textiles	23 workers	69 family
Packaged final product	46 workers	138 family
Decoration and natural dyeing of product	70 workers	210 family
<i>Sub-Total</i>	799	2.397
<b>Total Beneficiaries in the</b>	<b>3.196 people</b>	

<i>Justa Trama</i>	
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Justa Trama links up organic cotton farmers, designers, dye-makers, cloth manufacturers, and garment workers. This is the kind of economic integration that we need to be supporting on a much larger scale.

The brand Justa Trama launched at a "fashion" event in Rio de Janeiro in October 2005 and there, in the presence of all participants of the network, a steering committee was created, composed of one representative from each of the sectors involved, to define strategies; organizational, logistical and work methods; and to choose partners with whom to work.

Justa Trama is composed of 5 stages of production:

1. agro-ecological cotton production
2. textile production
3. transformation of textiles
4. decoration and natural dyeing of product
5. packaged final product

The chain begins in the small town of Taua in the state of Ceara, with the production of ecological cotton. Here the ADEC, an association of 240 farmers, distributes seeds and, after harvesting, buys, transforms and markets raw organic cotton.

The seeds and natural dyes come from the work of different groups of farmers in the Amazon states, coordinated by the Cooperative Açai state of Rondônia. The fruit of their labor is used during the final packaging of products to include seeds and dyes in clothing and accessories.

The cotton yarn is produced in Coopertextil Cooperative located in Pará de Minas, Minas Gerais State, consisting of 290 members.

The process then moves in Santo Andre in the state of Sao Paulo, home to Stylus Coop, where the fabric is packed in its various types.

The process of this innovative joint production chain ends in the south, in the states of Santa Catarina and Rio Grande do Sul, where the final packaging takes place.

The small self-managed business Fio Nobre, in Itajaí, Santa Catarina, consists of a group of 20 weavers who make the more difficult handmade products, while the Cooperative UNIVENS (Unidas Venceremos) Porto Alegre provides the final packaging of shirts, pants, and shorts, and manages orders across the entire Justa Trama network, for both domestic and international markets[4].



Fig.1 Dislocation network Justa Trama

Justa Trama products are created by processing an agro-ecological cotton, grown using a method based on dynamics that promote agricultural recovery and fertilization of the soil without using chemicals.

As of three years ago, the cotton and the plantations are certified as organic by IBD (Biodynamic Institute). They have also started the process for certification by the Fair Trade FLO-Cert, which has already begun inspections in all municipalities in which agro-ecological cotton is grown. The certification is important because it ensures the quality of the product and the double certification, organic and fair trade, gives the Justa Trama products accessibility to the organic market and solidarity market nationally and internationally.

With the development of Fair Trade in the Brazilian domestic market, even the stakeholders of the Solidarity Economy movement began to discuss and practice fair pricing within the productive chain, and so now prices for Justa Trama products can be considered fair.

Giving priority to South-South market, fair pricing is structured considering the purchasing power of Brazilian consumers, certainly different from consumers of the North. These prices of course are being discussed between representatives of various stakeholders, representing a different characteristic chain of solidarity from the traditional one.

This process, carried out with transparency, should give the chance for everyone to know the prices of the entire chain and, knowing the earnings of each, will decrease the possibility of injustice in return at all stages.

Table 2. The composition price of the t-shirt Justa Trama

<i>Composition price t-shirt Justa Trama</i>	<b>Kg Value</b>	<b>% Value</b>
Agro-ecological cotton production	R\$ 7,38 / kg	24,29%
Textile production	R\$ 6,50 / kg	21,40%
Transformation of textiles	R\$ 4,50 / kg	14,81%
Packaged final product	R\$ 12,00 / kg	39,50%
<i>Total</i>	R\$ 30,38 / kg	100,00%

Justa Trama products are sold in the solidarity national market, in local fairs and bazaars, small shops related to cooperatives, through the website, by mail and at specific events of the fashion industry in Brazil.

For this network the main focus is the domestic market and so it also aims to develop new products and new lines to supply public agencies, schools, hospitals, sports clubs as well as to take steps to strengthen existing naturally dyed lines according to market trends.

The economics margins of Justa Trama activities are approximately double in proportion to sales on the traditional market; despite this, today's strategic focus is on self-sustainability.[5]

In fact nowadays almost all the actors in this textile industry have to maintain the traditional salesforce in addition to their own activities in order to sustain the model, thus remaining partially dependent on the traditional market.

Table 3. Production volum Justa Trama in the period 2004-2010

<b>Year</b>	<b>Cotton Production</b>	<b>T-shirt Production</b>	<b>Market Price</b>	<b>Turnover</b>
2004	1,5 ton.	-	-	-
2005	2,5 ton.	1.900	R\$ 20,00	R\$ 38.000,00
2006	3 ton.	3.836	R\$ 20,00	R\$ 76.720,00
2007	10 ton.	5.119	R\$ 20,00	R\$ 102.380,00
2008	10 ton.	7.898	R\$ 20,00	R\$ 157.960,00
<b>Total period 2004-2008</b>		<b>18.753</b>		<b>R\$ 375.060,00</b>
2009	18 ton.	40.000	R\$ 25,00	Estimated R\$ 1.000.000,00
2010	20 ton.	75.000	R\$ 25,00	Estimated R\$ 1.875.000,00

#### IV. CONCLUSIONS

By studying and analyzing this chain of solidarity it was shown that the development of South-South Trade Fair is creating significant opportunities for small disadvantaged producers in rural areas and for those who promote and implement the principles of economic solidarity. With the development of a cohesive national market, the products of these economic actors have the opportunity to enter a market which enhances their social characteristics, thus decreasing their dependency on the traditional market. Furthermore by the promotion of a relationship between Solidarity Economy actors and Fair Trade, it is possible to create a cohesive connection between production and trade, where the conscious consumers are in a central position, making possible the creation of an economic alternative to the status quo, best summarized in the slogan "another economy is possible". The Brazilian wager is the construction of an economic model that can establish new relationships between producers and consumers based on equity, partnership, trust

and shared interest. The model can create a market in which the exchange of goods and services is the result of a process which benefits all participants, a market in which the consumers can recognize those products that reflect their economic but especially their social values, that are created not only according to consumers' needs but also with full respect for the cultural traditions of a people and its natural environment.

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