Going Fair Trade – the Challenges of Setting Up Sustainable and Fair Supply Chains – and Getting Them Certified

By David Bronner, President, Dr. Bronner’s Magic Soaps

Being responsible to the people we work with has always been a pillar of Dr. Bronner’s business philosophy. In 2002, we decided to expand that philosophy to our supply chains and determined to shift our major raw materials to certified organic sources. By 2003, all our soaps were certified under the USDA’s National Organic Program (NOP), but over the next two years we realized that our supply chains were opaque to us: we bought from intermediate brokers and did not know whether the organic farmers, farm workers and factory workers in our supply chains received fair prices and wages, or whether child or exploited labor made our organic oils. While the organic movement initially had social criteria regarding pricing, wages and working conditions, those had been completely dropped from the final NOP regulations. Inspired by fair trade brands such as Equal Exchange and Guayaki, in 2005 we decided to commit our company’s full financial and staff resources to converting all major raw materials and supply chains to certified fair trade status. These materials include organic coconut, palm, olive and mint oils, and they collectively constitute over 95% by weight of our agricultural volume – everything except water and the alkali needed to saponify our soaps. In effect, this switch would allow us to produce “fair trade” soaps.

First, we researched the basic tenets of fair trade and resolved to follow them: cut out intermediaries in the purchasing chain and know the farmers and their communities from whom you are buying; build long-term trading relationships; make sure prices for crops and wages are fair and paid promptly; help finance farm inputs such as organic compost; set a floor price that guarantees to cover farmers’ cost of production (COP) plus a fair profit should market prices crash below COP; ensure that working conditions in processing operations are safe; follow rules set by the International Labor Organization regarding working hours, gender equity and the right to collective organization; contribute a fair trade premium for community development, such as for medical equipment, health clinics, school books, water sanitation – whatever the local needs might be; and achieve the participation of all stakeholders.

We then searched for existing producer projects for our main raw materials that would meet these criteria. The fair trade movement had initially emerged around coffee, cocoa and tea, major export commodities whose producers around the world routinely suffered from major price fluctuations and exploitative trading practices. Only recently had the fair trade concept begun expanding into other commodities, and the only fair trade supplier of the raw materials we required was the olive oil producer Canaan Fair Trade in Palestine. The company had organized more than 1,000 small olive farmers in the West Bank into village groups in cooperation with the Palestine Fair Trade Association (PFTA) – and was able to supply the volumes we required. However, there were no credible fair trade sources for our other main raw materials, so we decided to set up organic and fair trade projects for coconut oil in post-tsunami Sri Lanka, for palm oil in Ghana and for mint oil in India.

Canaan Fair Trade was already a member of the Fair Trade Federation (FTF), a North American fair trade group that accepts only dedicated 100% fair trade organizations as members. However, FTF does not certify operations by conducting “on the ground” inspections of farms and factories; rather, like many membership organizations, it uses an audit process. Having witnessed the lack of integrity concerning professed organic claims on personal care products, we knew that we needed to have credible third-party inspection and certification of Canaan Fair Trade and the other projects we intended to set up.

Thus, we met with TransFair USA, the U.S. arm of the international Fair Labeling Organization (FLO), who had set product specific standards for several basic commodities. TransFair told us there were no FLO standards for the materials we needed. They therefore could not certify those materials, whatever the source, and suggested that we ask FLO to set such standards. We visited FLO’s headquarters in Bonn, Germany and met with their standards group at the 2006 Biofach trade show. They liked our intentions but said they would not have standards in place for our commodities for at least another five years, so we should wait and talk to them then. We soon realized that the key hurdle was FLO’s approach to setting global minimum prices for each new commodity, which was a rather time-consuming process.

We asked ourselves: what was wrong with the fair trade movement and its main

continued on page 18
organizations, on a case-by-case basis. Their approach to fair pricing was to ensure that a transparent, market-based price was negotiated in good faith between parties, but with the requirement that it had to cover, at a minimum, the cost of production and a fair return. IMO also paid much more attention to other parties in the supply chain, including the main company/brand that sold a given fair trade certified product.

IMO released its “Fair for Life” program in 2006, and in 2007 Canaan Fair Trade was one of the first groups certified under the new program. A video portrait of the project can be seen on our Web site (http://www.drbronner.com/olive_oil_from_the_holyland.html). Since then, Dr. Bronner’s has purchased almost all of its olive oil from Canaan, more than 100 metric tons per year and growing. We pre-finance deliveries and support Canaan in its expansion where we can, as ultimately fair trade is about long-term relationships and mutual benefit.

In the Spring of 2007, after organizing fair trade organic coconut farmers and investing close to $2 million in setting up a modern factory for virgin coconut oil, Dr. Bronner’s Sri Lankan subsidiary Serendipol began operation as the world’s first major fair trade-certified producer of coconut oil. Serendipol now produces over 1,300 metric tons of coconut oil for Dr. Bronner’s and 300 metric tons for other companies, employs close to 200 workers, administrative staff and field officers, and buys from more than 400 farmers. Serendipol supports its growers through education in organic methods and the supply of compost to improve productivity of their land. Compensation and working conditions at Serendipol are far superior to comparable operations in the area. Dr. Bronner’s contributions to the project’s fair trade fund, over $250,000 in 2010 so far, are used for a range of projects in health care, education and staff welfare. A 2009 video provides a good overview of the project (see http://www.youtube.com/watch?v=-A45lj4ydAs).

Our sister project for palm oil in Ghana, under the auspices of our subsidiary Serendipalm, has taken longer to emerge. We converted about 250 smallholders in Ghana’s Eastern Region to organic farming, and we process their palm fruits in a small oil mill which now employs 100 workers. The output currently meets Dr. Bronner’s demand, but, since fair and sustainable palm oil for use in natural foods is in high demand, we expect to grow the project in the years to come, providing jobs and attractive returns to farmers in an area left behind by development. Also, in partnership with Earth Oil India, Dr. Bronner’s developed a mint project in Uttar Pradesh, India to supply our mint oil needs and to meet the demand for fair trade menthol by other companies. Finally, Dr. Bronner’s purchases domestic fair trade hemp oil from the Farmer Direct Co-operative in Canada, as well as Fair for Life-certified avocado oil from Kenya.

There are other fair trade projects on our horizon. We are planning a project for the collection of wild jojoba seeds by Seri Indians in the Sonoran desert. The Seri are not farmers, but IMO’s Fair Wild program offers fair trade certification of such non-farming projects, ensuring that wild collection is also done in an ecologically-sustainable manner (see http://www.imo.ch/imo_services_wildcollection_fairwild_en.html).

So far, we have been very happy with our four-year partnership with IMO. They have proven to be an experienced and sincere certifier dedicated to making global production and trade of agricultural products fair and sustainable. Unlike TransFair/FLO, they combine rigor with consideration of the local setting. Their program allows comprehensive certification of diverse projects and products as fair trade along the entire value chain, which consumers can trust.