Article

Seeking Markets in Production Fields: An Assessment of the Potential for Fair Trade in India

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Abstract

Fair trade is one of the important alternative sustainable production and trade movements which has been able to sustain and spread across regions over time. After making a large presence in developed country markets for the products of developing world producers, more recently, it has begun marketing and selling its products in emerging economies such as Brazil, South Africa, Kenya and India, which were hitherto only producers, and sales are reported to be growing at very high rates annually though from a small base. This strategy is meant to target a segment of consumers with high disposable incomes in developing world. However, these markets could turn out to be very different from the developed country markets of fair trade in terms of market size and growth, consumer attitudes and preferences, and regulatory environment. This paper attempts to understand the evolution of fair trade, drivers of, supply of and demand for fair trade products at the global level and examines how different or similar India could be as a fair trade market. Inferences drawn from global experiences are used to assess the potential of India as a fair trade market and suggest ways to realize the potential. It examines how fair trade is placed in a market like India and the actions that might be required to develop India as an alternative market for Fairtrade-labelled products sourced from Indian producers. The overlap between organic and fair trade is one of the major aspects of the Indian market from supply side which is crucial to resolve to realize the fair trade market potential besides promotion and distribution strategies.

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1. Introduction

The fair trade movement began in the 1940s and became more prominent in the 1960s and 1970s (Moore, 2004). The objective of the movement was to ensure better returns to producers in the global South for their products marketed in the global North by creating an alternative marketing channel and selling the products at a premium compared with conventionally traded products. Over the years, fair trade has been able to create markets for handicrafts and agricultural products in several European and the North American countries (FLO International, e. V., 2011e), the products have become more commonplace (Raynolds, 2009), and have also gained substantial market share in a few product categories in a few countries (FLO International, e. V., 2011d). More recently, fair trade has begun selling its products in emerging economies such as Brazil, South Africa, Kenya and India, which were hitherto only producers and sales are reported to be growing at very high rates annually though from a small base (Hughes, 2015). This strategy is presumably meant to target a segment of consumers with greater disposable incomes. However, these markets could turn out to be very different from the usual developed country markets of fair trade in terms of market size and growth, consumer attitudes and preferences, and regulatory environment. This paper attempts to understand the evolution of fair trade, its drivers of supply and demand at the global level and examines how different or similar India could be as a market. Lessons drawn from global experiences are used to assess the potential of India as a fair trade market and suggest ways to realize the potential.

The paper is based on a critical review of literature and secondary evidence drawn from various sources. The second section looks at evolution of fair trade as a movement and its organizational structure. The third section attempts to understand fair trade from a business perspective by analyzing its markets, products, pricing and standards. In the fourth section, an attempt has been made to understand what benefits producers perceive by associating with fair trade value chain. The fifth section dwells on the drivers of demand for fair trade products. The sixth section deals with the present status of fair trade in India, and assesses its potential followed by managerial lessons that could be drawn from global studies to develop strategies for the Indian market. The seventh section concludes the paper with scope for future research.

2. Fair Trade: Evolution and Structure

Alternative trade organizations (ATOs) emerged as a substitute to the conventional trade channels which were based on the free markets concept. ATOs perceived conventional trade as an unjust practice for producers, especially those in the developing world. These organizations emphasized on ‘fair trade’ as one of the sustainability standards with the others being ethical trade, organic trade and the like. The ATO movement gained traction in the 1980s and 1990s, and was influenced to a great extent by the activities of NGOs operating at the very ground level with poor farmers and artisans. The ATOs typically dealt with products like handicrafts, coffee, tea and clothing sourced from producers in developing countries at a price that enabled better living standards to producers, and sold these products in developed country markets at a price higher than the conventional trade price (LeClaire, 2002). The modern fair trade movement can be traced to the 1960s, when the British NGO-Oxfam started selling handicrafts imported from developing countries in the Oxfam stores in the United Kingdom. In 1988, Max Havelaar was launched as the first fair trade label, as an initiative of Solidaridad, a Dutch ATO, to sell Mexican coffee in Dutch supermarkets (Odegard, 2014). The fair trade practice was replicated in different countries under different labels such as Fairtrade Mark, Transfair and so on in the 1980s and 1990s. Since the ATOs were fighting for the same cause, they all felt a need to formally come together as a federation, which led to the formation of the International Federation of Alternative Trade (IFTA) in 1989 (WFTO, 2014a). To bring uniformity of standards and brand consistency among the different labels promoting fair trade, Fairtrade Labelling Organization (FLO) was formed in Germany in 1997. FLO is also known as Fairtrade International (Harvey, 2013). Fairtrade International is composed of two separate entities—FLO e.V., which sets production standards and the products that are produced using these standards can be branded with the Fairtrade seal, and FLO-CERT, which looks after monitoring and compliance (Claar & Haight, 2015). As the membership of IFTA grew, the federation joined hands with other networks such as Network of European Workshops (NEWS) and European Fair Trade Association (EFTA) to collaborate on common issues and develop an integrated and harmonized monitoring system for fair trade (WFTO, 2014d).

In 2008, at the IFTA Annual General Meeting held in Sri Lanka, IFTA was renamed as the World Fair Trade Organization (WFTO). Thus, WFTO became an umbrella organization representing over 350 ATOs that were committed to fair trade principles. WFTO had 308 fair trade trading organizations, 24 fair trade support organizations, 26 national fair trade networks and one associate organization by the end of 2014 (WFTO, 2014b). By, 2011, there were 991 FLO registered producer organizations which were in majority located in Latin America and the Caribbean and 35 per cent of all were coffee producers’ organizations (Dammert & Mohan, 2014). Today, there are three types of participants in fair trade-mission-driven enterprises keen to really help small producers, quality-driven firms and market-driven corporations which have divergent objectives. The first type is fully committed to fair trade, the quality-driven only selectively support fair trade principles as these products fit their high-quality agenda, and the market-driven ones do fair trade as a strategy to enhance traceability in their sourcing arrangements to only increase their reputational and image effects to reap its benefits in mainstream markets (Kharel & Middendorf, 2015; Raynolds & Greenfield, 2015).

'Fair Trade' refers to a '*trading partnership based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers—especially in the South*' (WFTO, 2014c). This definition emphasizes on equity leading to sustainable development, and addressing issues related to the rights of marginalized producers and workers in developing countries. The term 'Fairtrade', formed by joining the two words 'fair' and 'trade' represents the brand and stands for the certification system of Fairtrade International. The constitution of FLO describes the ultimate aim of the organization as achieving

> sustained improvements of the living and working conditions and the social and economic situation of small-scale farmers, workers and other producers, to ensure food security by their own means, to support their organization and self-reliance, and to promote environmental sustainability in the communities where they live and work. (FLO International e.V., 2014)

These objectives were to be achieved by adhering to the core principles of WFTO that include (1) creating opportunities for economically disadvantaged producers; (2) transparency and accountability; (3) fair trading practices; (4) payment of a fair price; (5) ensuring no child labour and forced labour; (6) commitment to non-discrimination, gender equity and women's economic empowerment, and freedom of association; (7) ensuring good working conditions; (8) providing capacity building; (9) promoting fair trade and (10) respect for the environment (WFTO, 2014a).

Fair trade operates in two ways—one as an integrated supply chain where products from producers and workers are traded internationally through fair trade organizations; two, by certifying the process of production, processing, packaging and trading in accordance with international standards of FLO. Fair trade works with small producer organizations (SPOs), hired labour organizations (HLOs), contract production (CP) and traders, to whom different FLO standards apply. SPOs are associations where most of the members are small landholders who work on their farms using their own family labour and rarely depend on hired labour. Organizations such as tea estates that use hired labour come under the ambit of HLOs and have to comply with standards for workers' rights and working conditions. CP refers to standards for small producers who join Fairtrade by partnering with an organization like an NGO or an exporter, who would eventually help the small farmers to get organized in a democratic set-up (FLO International e.V., 2011b; Sambrani & Ellman, 2008).

3. The Global Fair Trade Market

Geographies and Products

Fairtrade products are 'based', that is, produced or grown in 74 countries, while there are over 125 countries where such certified products are sold. Traditionally,

Table 1. Fairtrade Sales, Growth and Percentage Contribution of Top 9 Markets

Year	Sales in Million Euros	Per Cent Growth Over Previous Year	Per Cent Contribution by Top Nine Markets
2010	4,319	–	84
2011	4,984	15	81
2012	4,787	–4	77
2013	5,500	15	78

Source: Annual Reports, Fairtrade International.

Fairtrade products were sourced from countries in the global South, that too mainly from Latin America and sold in countries of the global North. Fifty-four per cent of all fair trade-certified enterprises were in the Latin American region, 32 per cent in the African and the Middle East region and 14 per cent in Asia and Oceania (Raynolds & Greenfield, 2015; Sylla, 2014). Brazil, India, Kenya and South Africa are the only countries where Fairtrade products are sourced as well as sold (Fairtrade International, 2014).

Sales of Fairtrade International were analyzed from the organization's annual reports from 2010 through 2013, as shown in Table 1. There was a negative growth in 2012 over 2011 because of the withdrawal of the USA from Fairtrade International, but the trend reversed in 2013 as Fairtrade USA was formed which now operates independently setting standards and certifying products for sale within the country (Raynolds & Bennett, 2015) and focuses on supply expansion by certifying individual producers, plantations and northern producers unlike other global fair trade agencies (Raynolds & Greenfield, 2015). The top nine markets—UK, USA, Germany, France, Switzerland, the Netherlands, Sweden, Australia/New Zealand and Canada accounted for 85 per cent of Fairtrade sales in 2012 (Raynolds & Greenfield, 2015). The UK retained its dominant position accounting for 20 per cent to 33 per cent of the global retail sales of Fairtrade products which can be traced to the origins of the fair trade movement in the UK, colonial history, consumption patterns, cultural aspects and evolution of retail trade (Wilkinson, 2007). However, as Table 1 shows, over time, the market share of the top nine country markets is decreasing, as new markets are being added and growing. Further, awareness of fair trade remains highly varied within Europe ranging from 96 per cent in the UK to as low as 28 per cent in Italy (Doherty, Bezencon, & Balineau, 2015).

The product portfolio of Fairtrade includes cereals, cocoa, coffee, fibre crops, flowers and plants, fresh fruit, gold and other precious metals, herbs, herbal teas and spices, honey, nuts, oilseeds and oleaginous fruit, prepared and preserved fruit and vegetables, sports balls, sugar, tea, timber and vegetables (FLO International e.V., 2011c). Despite such a wide product portfolio, three commodities—coffee, cocoa and banana—contribute 75–85 per cent of the sales value of Fairtrade products by SPOs and HLOs, and over time, the share of these commodities in total sales is increasing (Table 2). In volume terms, banana, sugar, coffee and cocoa accounted for 93 per cent of fair trade-labelled commodities in 2012 (Raynolds & Greenfield, 2015).

Table 2. Sales of Top 3 Commodities by SPOs and HLOs (in Million Euros) and their Contribution to Total Sales

Year	Banana	Cocoa	Coffee	Total	Contribution of Top Three Commodities (in %)
2009–10	103.8	60.5	242.8	549.8	74
2010–11	96.6	51.1	391.4	664.5	81
2011–12	116.3	122.3	533.5	913.1	85

Source: Monitoring and Evaluation Reports, Fairtrade International.

The dominance of a few products in Fairtrade seems to be a result of geographical, political and cultural factors. Traditionally, developing countries, particularly those in the tropical zones, depended on agriculture for livelihood as well as exports. Although their export baskets diversified over the decades, commodities like coffee continued to remain a major export and also a source of income for producers in remote areas with little scope for diversification. Further, these commodities were traded internationally, especially in the developed world (Neilson & Pritchard, 2009). Similarly, bananas were grown extensively in Latin American countries by large corporations and traded all over the world. Issues of poverty, social justice, workers' rights and environmental degradation were common in such developing countries (Murray & Raynolds, 2000). Since these issues could be linked to certain specific agricultural commodities that were tradable between the affected countries and the developed world, attempts to intervene in the value chains of such commodities were presumably the best way to address social and environmental issues. This could have led to the predominance of coffee, cocoa and banana in the Fairtrade basket.

Sales of Fairtrade products witnessed a compounded annual growth rate of about 8 per cent between 2010 and 2013. In fact, by 2006, Fairtrade had 47 per cent market share in banana, 28 per cent of flower market and 9 per cent of sugar market in Switzerland, 33 per cent of banana markets in the UK and 44 per cent of bagged sugar market and 20 per cent of the coffee market in the UK (FLO International e.V., 2011d). Further, in the UK, 70 per cent consumers recognize Fairtrade mark and 9 out of 10 of those who recognize it also trust it (Anderson, Booth, & Mohan, 2014).

Though fair trade had more than 990 producer organizations representing more than a million small holders and workers in 2012 (Raynolds & Greenfield, 2015) globally, fair trade sales is only about 0.01 per cent of total food and beverage sales (Anderson et al., 2014) and, out of the total production under Fairtrade standards, the volume sold under Fairtrade label by SPOs/CP ranged from 9 per cent in case of tea to 61 per cent for banana; it was 46 per cent for cocoa and 35 per cent for coffee in 2011–2012. In other words, supply seems to far outstrip demand (Fairtrade International, 2013b). In 2011, percentage of Fairtrade-certified sales in total co-operative sales ranged between 13 and 100 per cent across commodities with an average of 30 per cent (Dammert & Mohan, 2014). Further, in terms of organization of Fairtrade production, whereas SPOs are more common in Africa and the Middle East (65 per cent of all), HLOs in terms of number of hired labour workers are mostly in Asia and Oceania and Africa and the Middle East (52 per cent and 41 per cent of total respectively). CP takes place only in Asia and the Oceania (Raynolds & Greenfield, 2015). For example, in India, most of the Fairtrade cotton and Basmati rice exports were organized and certified under CP category permitted since 2005 (Sambrani & Ellman, 2008).

Standards and Pricing

Fairtrade standards apply to SPOs, HLOs and CP. In case of SPOs, standards apply for certification of the SPO, production processes covering environmental development, labour conditions including child labour, and adherence to democratic principles in business development. Product standards apply to certification, labelling, traceability, product composition, pricing etc. Standards for HLOs encompass commitment of the organization to fair trade, capacity building, labour conditions including freedom for the workers to associate, and employment conditions besides absence of child labour and gender discrimination and stipulations for environmental development and trade. Standards similar to those applicable to SPOs are prescribed for CP. Standards are again separately mentioned for each of the products. The SPO and CP objectives are similar with the purpose being setting up and promoting a producer organization though CP process is more long drawn so far as producer organization creation is concerned as the promoting body does it alongside working with producers to get the fair trade produce produced and buying it and also generally it is a commercial entity (exporter or processor or trader) (Sambrani & Ellman, 2008). Dragusanu, Giovannucci and Nunn (2014) summarized the different standards for certification requirements as:

1. Guaranteeing of a minimum price for the product to the producer, along with a Fairtrade premium.
2. Provision of safe working conditions to workers, payment of legal minimum wages, prohibition of child labour (children below 15 years of age) and freedom of association to workers.
3. Association of farmers as cooperatives following democratic procedures and joint committees of workers and managers in case of HLOs, again adopting democratic structures and processes.
4. Environmental protection through reduced use or elimination of harmful chemicals, use of organic and natural methods, prohibition of genetically modified organisms.
5. Stable and long-term trade contracts and access to credit.

Fairtrade pricing is somewhat complex. A minimum price is specified for the products, which is the floor or Fairtrade minimum price (FMP) that is aimed to cover the average costs of sustainable production and a margin for the producer and also ensure that the price finds acceptance in the market. The cost of sustainable production varies depending on the reference market, type of product, yield and the exchange rate w.r.t. the US dollar. The cost of establishment, production cost, harvest and post-harvest losses, processing costs, if any, packaging costs and cost of umbrella organization go into calculating costs of sustainable production to which is added a business margin. Further, export costs, if applicable, are added. This is the FMP paid to farmers or producers, particularly when the market price for their produce falls below the floor price. The FLO provides three options for calculating FMP that are full research method which is long drawn and requires plenty of data, easy entry procedure for minor products like fruits and vegetables or herbs and spices, where price is decided by adding some percentage to the conventional market price of the product and price extension procedure, where already existing prices based on comprehensive research in one geography and product are extended to other geographies and products and market outlets with some adjustments (Sylla, 2014). In addition to the FMP, there exists a Fairtrade premium, and a price differential. Even the premium is prescribed differently for different products. It could be a percentage of the conventional price, as in case of herbs and spices or a flat but explicitly mentioned amount that is worked out elaborately involving relevant stakeholders, as detailed in the pricing process. Generally, the premium is mandated to be invested on the business of producers, community development or socio-economic development of the SPO or for hired labour in HLOs. Since organically grown products are also sold under the Fairtrade brand, an ‘organic differential’ is also paid, over and above the FMP and the Fairtrade premium combined (FLO International e.V., 2011b).

The aggregate sales value indicated in the annual reports of Fairtrade is the estimated retail sales value, an amount at which consumers buy the products. Therefore, it does not represent the amount actually received by the producers. The monitoring and evaluation reports provide information on sales income earned by producer organizations, which seems to be a more appropriate figure to consider. Analysis shows that the premium works out to about 10 per cent of the sales income earned by SPOs and HLOs (Table 3). A premium of 10 per cent for a small producer does indicate significant gain. However, other aspects like the time taken for the payments and costs incurred in adopting Fairtrade standards also have to be understood before drawing conclusions.

The other major issues in fair trade domain include, besides prices and income of producers, limited market access, impact on labour markets and human capital investments though generally Fairtrade producers to begin with are more disadvantaged than their counterparts, and fair trade wages lead to more competitive wage rates and better working conditions in the area as a competitive benchmark (Dammert & Mohan, 2014). It is also argued that the attempt to mainstream fair

Table 3. Sales Income by SPOs/HLOs, and Fairtrade Premium

Year	Sales Income by SPOs/ HLOs in Million €	Fairtrade Premium in Million €	Fairtrade Premium as Per Cent of Sales
2009–10	549.8	52	9
2010–11	664.5	65	10
2011–12	913.1	80	9

Source: Annual Reports, Fairtrade International.

trade has reduced its utility though it is still more participatory than other standards (Bacon, 2010). Some recent studies document the impact of fair trade in Africa (Nelson & Martin, 2015) and across countries globally (Becchetti, Castriota, & Conzo, 2015) and find mixed evidence depending on the country and crop or commodity context, and find that studies have neglected its impacts on gender and rural institutions and transitions. The unequal spread of fair trade impact is also an issue as 40 per cent of the fair trade groups were in just six countries which accounted for only 10 per cent of all fair trade countries in 2009 (Sylla, 2014).

4. Benefits to Producers

As observed in the earlier section, supply of Fairtrade products has shown a healthy increase over the years. Suppliers, that is farmers, producers, growers or their organizations, would tend to supply more if they find value in doing so, which in simple terms could be called supplier value. Ramsay and Wagner (2009) discuss the idea of supplier value, by drawing a parallel to customer value. Supplier value is denoted as the difference between the perceived benefits and perceived costs for an organization supplying to a particular customer. Sources of supplier value could be classified into financial (such as profit, sales volume, revenue, sales potential, costs), efficiency related (such as learning opportunities and staff training), trading relations and communication oriented (including inter-organizational relations, long-term interaction and receptiveness to supplier ideas), ethical behaviour related (trustworthiness and fairness), risk and uncertainty reducing (risk sharing, demand stability, forecast reliability and supplier independence), technology related (innovation support) and linkages to markets and corporate image or reputation of the customer organization. According to Brown (cf. Nicholls, 2002), fair trade aims at enhancing returns to producers along with an in-built development structure, besides direct purchase from growers and producers, long-term trading relationships, technical assistance to producers and market information and linkages. FLO claims that the benefits that it passes on to producers include stable prices, price premium, partnership in decision making and empowerment of farmers and workers (FLO International e.V., 2011a). These objectives are met through the social impact of trade on poor farmers and workers and promotion of 'equitable social relations', by connecting the global North and the global South through routes alternative to the oligopolistic transnational companies (Raynolds, 2000). Since these objectives are supplier oriented and are similar to the sources of supplier value discussed by Ramsay and Wagner (2009), we construe these objectives as supplier value being offered by the Fairtrade value chain.

Research indicates that Fairtrade has been able to deliver supplier value in monetary and non-monetary terms. Economic benefit through improved income, economic stability, access to credit at lower interest rates, diversification of income sources, moving up the value chain, access to export markets, have been reported in the literature, especially for producers of Fairtrade coffee (Nelson &

Pound, 2009). This benefit was observed in studies across countries of Africa, Latin America and Asia, and more commonly in commodities such as coffee, banana and cocoa. Coffee growers have been able to access multiple value chains such as fair trade, organic coffee and shade-grown coffee simultaneously by adopting near-identical standards enabling them to fetch better prices and target multiple consumer segments (Méndez, 2002). Economic benefits also accrued to coffee growers in fair trade due to higher prices, especially when open market coffee prices registered a decline (Méndez, 2002; Valkila & Nygren, 2009).

Economic benefits were obtained indirectly due to better productivity, which was a result of availability of other production inputs, and not entirely due to better prices. Producers could get the benefits of technical and financial inputs by engaging with Fairtrade value chain. Such households producing Fairtrade labelled and organic coffee had higher land and labour returns than conventional growers, more due to higher yield than price premium (Barham, Callenes, Gitter, Lewis, & Weber, 2011). Studies on Fairtrade banana growers in Peru and Ecuador found that technical assistance and credit resulted in higher productivity of crops and higher returns to labour, and in turn higher household incomes (Ruben & Fort, 2008; Ruben et al., 2008). Despite the lack of sufficient knowledge of fair trade, affiliation with Fairtrade helped producers and workers improve sales and improve their socio-economic conditions (Kharel & Middendorf, 2015).

The benefits of organization were also realized and farmers/growers of banana and coffee indicated identity, sense of belonging and greater general well-being when associated with a cooperative over the years. Organizational performance was also considered better when associated with fair trade (Ruben & Fort, 2008; Zuniga-Arias & Saenze-Segura, 2008).

Although Fairtrade premium was an important factor leading to numerically higher incomes, households either perceived the premium as ‘not significant’ (Reuben, 2008) or producers did not perceive any benefit from Fairtrade certification and about a third of them were not aware of the premium, leading to such a perception (Saenze-Segura & Zuniga-Arias, 2008). This highlights the insufficiency or insignificance of the premium and also the importance being given to economic benefit by farmers.

Fairtrade standards are difficult to adopt for the more deserving small and marginal growers because of governance issues and involvement of international NGOs and audit firms, leading to their exclusion and continued dependence on traditional institutions like government departments as was the case in India’ s tea and coffee sector (Neilson & Pritchard, 2009). Producers faced a major problem of meeting rigorous social and environmental standards and hence preferred to work with regular corporate channels with flexible standards, thereby defeating the primary objective of fair trade, that is, providing an alternative trade channel (Murray & Raynolds, 2000). Exclusion also led to social tensions in Guatemala in the form of network separation in the community of coffee growers and market exclusion of farmers and their groups who were not a part of the value chain (Arce, 2009). In case of HLOs like plantations in India, government regulations were sometimes more conducive to local conditions of workers and delivered social justice more effectively than the standards imposed by Fairtrade. In fact, tea plantations in Darjeeling, India used Fairtrade regulations to subvert the more effective government rules aimed at providing better working conditions to plantation workers (Besky, 2008). Issues like delayed payments, limited market size, equal treatment of all kinds of cooperatives and lack of sufficient knowledge to integrate with fair trade have also been reported in the context of coffee cooperatives of El Salvador (Méndez, 2002).

The above discussion shows that fair trade has seemingly been able to deliver on the benefits it claims to offer producers. However, producers value economic benefits the most and that is their main driver to associate with fair trade organizations. The most effective supplier value seems to be increased incomes or higher returns, which could be a direct outcome of price premium, or an indirect effect of technical assistance, credit facility and market linkages.

5. Drivers of Demand for Fairtrade Products

Demand for any product depends on multiple factors like price, product quality, substitutes, distribution, promotion and a host of competitor activities (Allen, Weight, Doherty, & Mansfield, 2013). Consumer behaviour also plays a significant role in influencing demand for various goods and services. Similarly, demand for Fairtrade products could be influenced by a host of market forces and behavioural parameters.

Growth of the fair trade movement can be attributed to 'fair trade consumerism' in the 1990s, which was driven by media coverage of fair trade issues, and was further supported by growing corporate responsibility and power of suppliers in the markets, which led to evolution of the 'caring consumer' (Strong, 1997). The coverage in media influenced consumer behaviour, leading to development of positive individual attitudes, beliefs and values towards fair trade. Fairtrade claims that consumers and traders can contribute to the fair trade cause as their purchases would help producers in improving their lives, lead to social development and promote environmental sustainability (FLO International e.V., 2011a). Values of equality, social justice (Ladhari & Tchetgna, 2015), universalism, benevolence, self-direction and stimulation were found to positively influence beliefs, attitudes and intentions of purchase for Fairtrade products by consumers. It was also observed that Fairtrade consumers were likely to be older, with higher incomes and more educated than their counterparts (Ma & Lee, 2012). Fairtrade has used testimonials, quality, branding and co-branding with MNCs in the past in the Western markets to improve sales (Goodman & Herman, 2015).

A sense of ethical responsibility could be promoted in consumers by enabling them to experience products of the Fairtrade kind so that their purchase decisions can be shifted to ethical concerns rather than being driven by conventional aspects like style and trends (Lee, Jackson, Miller-Spillman, & Ferrell, 2015). Even in countries such as China, where consumers are not very familiar with fair trade, information about the role of fair trade in environmental sustainability and social implications enhanced the willingness to pay additional amount for Fairtrade coffee (Yang, Qing, Hu, & Liu, 2014). Therefore, what information about fair trade is communicated becomes crucial. Low and Davenport (2006) emphasized that complex information of fair trade, encompassing social justice, long-term relationships between growers and consumers, elimination of middlemen, concern for environment and workers and a high-quality product, ought to be communicated very simply since consumers do not spend much time reading all this information on labels in supermarkets. On the other hand, customization of messages for consumer segments with different value perceptions of Fairtrade and organic products has also been suggested (Didier & Lucie, 2008; McDonagh, 2002).

Ensuring availability of products is as important as influencing consumer attitudes and consumer awareness. The phenomenal growth of sales of Fairtrade products during the first half of last decade could be attributed to more widespread distribution and availability through supermarket retail chains (Low & Davenport, 2006). Kirezli and Kuşcu (2012) found that in new markets like Turkey, increasing access by means of wider distribution was essential to bring about a positive attitude towards Fairtrade products. Thus, it may be inferred that wider availability of Fairtrade products has also been instrumental in raising their demand.

Pricing, another important component of marketing mix, ought to be in line with the acceptability to consumers, especially because Fairtrade products are, on an average, priced at least 10 per cent higher than conventional products (Kirezli & Kuşcu, 2012). There was a general willingness of consumers to pay premium for Fairtrade coffees, besides organic coffees (Didier & Lucie, 2008). The average consumer was willing to pay a 10 per cent premium for Fairtrade coffee, and only about 10 per cent of the respondents were willing to pay the then prevailing premium of 27 per cent (De Pelsmacker, Driesen, & Rayp, 2005). Willingness to pay (WTP) for Fairtrade products in USA and Germany was found to depend on the information on performance of fair trade, or label performance. The WTP increased to a certain threshold level as revenues increased for the producers, and then started to decline (Basu & Hicks, 2008).

While fair trade claims that purchase of its products leads to social development and environmental sustainability, studies have also disputed such claims. It was found that the efficiency of redistribution through fair trade institutions was low compared to regular relief organizations (Steinrücken & Jaenichen, 2007). It was estimated that out of every dollar spent by an American consumer on a Fairtrade product, only three cents reached as additional income to growers with the rest cornered by intermediaries and labelling initiatives (Sylla, 2014).

The above discussion indicates that a favourable disposition of consumers towards fair trade products can be created and this awareness generation was an important factor that prompted consumers' willingness to pay a higher price for Fairtrade and helped grow its sales. However, this may not be as linear in real, because consumers were not entirely confident that their purchase of Fairtrade labels helped in fighting poverty (Yamoah, 2014). While consumers were inclined towards Fairtrade coffee labels for ethical and environmental concerns (Loureiro & Lotade, 2005), research on consumer preference for sustainably grown foods underscored that taste, health, brand, price and safety were primary variables considered by consumers while purchasing foods, and social and environmental attributes were largely secondary (Annunziata & Scarpato, 2014; Didier & Lucie, 2008). Hence, distribution and pricing were also important in driving sales of Fairtrade (Yamoah, 2014). Thus, fair trade may have to be more careful in drafting and delivering consumer value.

6. Fair Trade Market in India: Potential and Implications

FLO has been operating in India for over 20 years and has helped connect small producers with the European and other markets on better terms of trade. India had been an important origin for Fairtrade having the second largest number of FLO-certified SPOs (77 in 2012) (Fairtrade International, 2013a), and the third largest number of farmers and workers—139,400 in 2012–2013. The organization worked with 0.12 million farmers, nearly 10 per cent of the 1.3 million farmers that Fairtrade works with worldwide. Indian farmers earned €2.4 million in 2012 as Fairtrade premium (Fairtrade India, n.d.-a). Major export commodities under the Fairtrade label from India have been tea, coffee, cotton, spices and nuts.

India became a market for Fairtrade products in 2013, with the launch of its marketing organization in India. Many of these products are also certified organic. A study of one such product (black pepper) showed that it did not increase current income of growers, but it did contribute to permanent income of organic growers by increasing real wealth in terms of assets which were created at the level of co-operative or NGO and at the community level (Parvathi & Waibel, 2016). The marketing organization arm of Fairtrade in India identifies two sets of products—wholesale and retail. Products under wholesale include cocoa, coffee, herbs, dried fruits, fruits and vegetables, sugar, rice, spices, tea, cotton and edible oil. The retail category covers organic cotton t-shirts, organic Basmati rice, organic coffee and teas, organic spices and vanilla tea (Fairtrade India, n.d.-b). It may be noted that a large number of products on offer in the Indian market are also organic.

Fairtrade's marketing foray in India may come up with its own challenges of production, distribution, labelling and marketing. In this section, we make an attempt to draw inferences about what potential India offers as a market for Fairtrade products and what steps the organization would have to strategize to develop this market.

Marketing operations of Fairtrade in India are a part of the organization's strategy to shift focus from south–north model of trade, similar to the marketing operations started in Brazil, South Africa and Kenya. This was expected to provide an alternative market for producers as supply of Fairtrade products typically outstrips demand, besides providing price stability arising due to foreign exchange fluctuations in the global market (Roy & Nath, 2010). Fairtrade markets cotton and cotton garments, rice, coffee, tea, spices, cocoa, herbs, dried fruits, sugar, fruits and vegetables and edible oil in the Indian market (Fairtrade India, n.d.-b).

However, a good sourcing base need not necessarily translate into an equally strong market. As the literature survey shows, 'fair trade consumerism' in the West was a result of awareness created by a vibrant media and corporate interest that eventually led to a positive change in the attitude of consumers towards social and environmental causes. A survey by Globes can in 2011 found that almost 80 per cent urban Indians believed that business could help in poverty alleviation and environmental protection and that young Indians were more aware with an interest in sustainable and ethical business (cited in Doane, 2013). Yet, consumer behaviour being as complex as it can be, translating belief into desire and purchase action could be difficult. A study on attitudes of consumers towards social and ethical issues in six countries—Germany, India, Korea, Spain, Turkey and USA—found that the respondents across the six countries rated human rights, employing child labour, safe and good working conditions, and to some extent minimum wage payments higher than average (Auger, Devinney, & Louviere 2007). When it came to consumer motives for purchasing organic products, parameters such as health and nutrition, taste, environmental concern, safe food, support to local economy were rated high (Hughner, McDonagh, Prothero, Shultz, & Stanton, 2007). Thus, while there may be a segment of consumers in India who are concerned about ethical, social and environmental issues, shifting them favourably towards Fairtrade label would be a different ballgame. Drawing from global experiences of demand drivers, a beginning would have to be made from spreading awareness, which calls for an effective communication strategy. Complex activities of fair trade would have to be communicated concisely. This could be a little more challenging in India because a major portfolio of Fairtrade in India is organic and developing a differentiation of Fairtrade from organic in such a context becomes critical. There is a possibility that new consumers may confuse Fairtrade as another organic foods brand which can potentially harm the Fairtrade label in the medium to long term. The overlap between organic and Fairtrade can also be problematic in terms of making the product unaffordable for many potential buyers in a market like India.

Product awareness has to be simultaneously aided by availability, that is, distribution. Experience suggests that the distribution strategy should focus on mainstreaming through assimilation. In other words, Fairtrade products may ideally be integrated in mainstream commercial channels like supermarkets but as a niche category, instead of selling through exclusive retail outlets (Low & Davenport, 2006). Fairtrade India has planned that its products would be sold through supermarket retail chains like Auchan, Big Bazar, Food World; and specialized retail chains like Godrej's Nature Basket, besides online sellers like bigbasket.com. This strategy indicates a mix of both mainstream as well as specialized commercial channels.

Pricing is more of a balancing act since the premium should be attractive to the producer and acceptable to the consumer. Growers selling to the Fairtrade value chain typically seem to have earned a 10 per cent premium compared to the market prices. There has been little research on WTP for Fairtrade in India and one study on WTP for organic products indicated that 27 per cent of the respondents were willing to pay up to 30 per cent more for organic products (Shashikiran & Madhavaiah, 2014). This may not be a gold standard, but it serves as a benchmark.

It is necessary for Fairtrade to retain its positioning as the provider of an alternative channel and a value chain that delivers a price premium compared to market price for a Fairtrade labelled commodity, particularly for small farmers. It is necessary to develop a market for Fairtrade in India, since even within India supply may exceed demand. For instance, Chetna Organic Farmers' Association—an FLO-certified producer co-operative company in India could only sell about half of the certified (organic and Fairtrade) cotton produce at a premium in Europe, and the remaining was sold in the domestic market at conventional market prices (Roy & Nath, 2010).

We now briefly investigate the supply side. Fairtrade typically works with small and marginal growers, who constitute the largest segment among the farming households in India. Linking small producers to modern value chains in agriculture needs to address three essential aspects—training, organizing and empowerment of farmers to help them grow the desired quality of produce; a favourable public sector that provides helpful business environment including physical, financial and legal infrastructure and systems; and, a well-disposed corporate sector (Sharma et al., 2013). Fair trade organizations have the experience of organizing farmer groups and working with them. They have to focus on imparting training to producers and growers through NGOs and other local governmental and quasi-governmental bodies to act as facilitators and aim to include more small and marginal farmers in the value chain (Singh, 2012). Further, there is an overlap between organic and Fairtrade production in India (Makita, 2011) which has worked well for foreign markets but may lead to problems in the supply side. The small farmers in different or even similar contexts are driven by different orientations as seen in south India where only one (commercial) farmer (of the total of 13 case study farmers) was able to operate in both organic and fair trade and the rest of the case study farmers were active only in one of the two channels depending on whether they were small subsistence farmers or wealthier part time farmers or were inactive on both channels being landless tenants. Fair trade also received less buy in because of its focus on a single crop unlike organic which covers any crop grown on the organic-certified farm (Makita, 2011). However, now Fairtrade does accommodate more products or crops with affordable additional certification cost.

So far as policy environment for fair trade is concerned, the Indian government has been making attempts to provide physical infrastructure in the form of irrigation, rural connectivity etc. and has also tried to involve the private sector in such activities. The government has also been taking steps to enhance credit to agriculture through formal sources, and the Reserve Bank of India (RBI) had recently directed the banks to lend 8 per cent of the adjusted net bank credit to small and marginal farmers in particular (RBI, 2015). A buy-back arrangement that FLOs have with grower organizations acts as an incentive for the lending agency to be more inclined to lend to farmers. An important point to be highlighted here is the food quality standards, which could be considered a part of the legal framework. As the consumption of packaged and processed foods in the country is rising, the regulatory processes related to food safety are becoming more rigorous. Standards for food products in India are set by Food Safety and Standards Authority of India (FSSAI). Organic food labelling under FSSAI is of three types—'100 per cent organic', 'organic' and 'made with organic ingredients'. Hundred per cent organic labelling is for foods that have organically raised ingredients, with the exception of salt and water. Foods containing not less than 95 per cent of organic ingredients are allowed to be labelled 'organic'. Foods with at least 70 per cent organic ingredients are allowed the label of 'made with organic ingredients'. If Fairtrade were to market organic foods in India, conformance with FSSAI standards becomes a necessity, even if these standards might be different from those of FLO. The government has also made attempts to encourage contract farming and direct procurement from farmers, which might prove beneficial for fair trade activities.

Arrangements of FLOs with commercial entities are a debatable issue, but certain associations seem to have aided furtherance of objectives of all the entities involved. Nestle's Kit Kat, Starbuck's espresso coffee beans, Cadbury's Dairy Milk and Tate & Lyle's retail sugar are some prominent examples where the business sector has furthered the cause of fair trade in the UK. Proctor & Gamble, Second Cup and Dunkin Donuts have also been involved with Fairtrade products, while Wal-Mart has sold Starbucks' blended Fairtrade coffees in the North American and the European markets (Hickman, 2009; Pemberton, 2011). These instances may be viewed as distribution strategies as long as the fair trade principles are being propagated. Fairtrade India may also opt to remain open for such associations to help spread awareness and sales.

Drawing from global experiences, fair trade needs to tailor its strategy in India. To start with, supply does not seem to be a constraint. Generating awareness, developing distribution and pricing strategies is more critical. Co-branding which has not been tried even in organic market in India could be another possible strategy in fair trade market promotion in India if suitable agencies for it are identified. Since Fairtrade India has a heavy orientation towards organic products in its portfolio, communicating the unique nature of fair trade and a clear differentiation between organic and Fairtrade labels is very important. Aligning Fairtrade standards with the FSSAI standards is another step towards developing the market. On the supply side, the institutional and legal structure is largely conducive. Translating this into development for farmers is the bigger challenge.

Learning from the experience of organic produce market in India which has been around for more than a decade now though it was also export driven to begin with, and is now more domestically driven, could be quite useful as both standards are all about sustainability and production takes place locally. There are more than 2,000 outlets for organic food in India, mostly in metro cities and large towns, which include traditional store, exclusive organic stores (like 24 Letter Mantra, Down to Earth and FabIndia), and supermarkets which altogether retail more than 1,000 different organic products. Some of the metros like Mumbai, Hyderabad and Bangalore have more than 100 organic outlets each. There are even organic food restaurants run by some players and other stakeholders in the organic sector though they are not 100 per cent organic as all ingredients used are not organic, especially perishable produce which is the least organic certified in India (Osswald & Menon, 2013). Various channels used in organic food market include exclusive organic retail outlets, online retail and delivery, home delivery, wholesale delivery to institutions and retailers, health food stores, mobile sales points and farmers' markets. Most of the corporate organic supplies for export and domestic market are co-ordinated through contract farming as certification and traceability are important for effective market participation (Singh, 2009). But, due to poor marketing, 84 per cent of the organic produce supplies were sold at conventional produce prices (Osswald & Menon, 2013). Major issues faced by organic players in the market included lack of complete range of certified organic products, lack of consistent supply, high prices for most potential segments and lack of credibility (Osswald & Menon, 2013; Singh, 2009). The lack of complete range in organic can still be attended to some extent with alternative standards like in-conversion, natural, chemical free, but the fair trade would not have that option as there is only one standard.

7. Conclusions

Fair trade has traditionally connected farmers in developing countries with the value chains in developed countries. In the recent past, fair trade began marketing its products in countries like Brazil, South Africa, India and Kenya, which were hitherto only producers or suppliers of Fairtrade products. This happens to be a strategic shift in the Fairtrade organization. This paper has drawn from global experiences, through literature review, and tried to analyze the supply and demand drivers and the corresponding lessons for the Indian market. It was found that the most prominent and highly perceived supplier value was the price premium that accrued to the farmers from the Fairtrade value chain. Other advantages such as improved cultivation practices, social justice and so on were not very highly rated. On the demand side, awareness of fair trade activities was the most critical factor as it shaped consumer beliefs and attitudes towards Fairtrade products. Besides awareness, availability or distribution through mainstream channels and acceptable price premium were also instrumental in inculcating a positive attitude towards Fairtrade products.

In the Indian context, Fairtrade's two-decade association with Indian growers and producers gives it the required head start. However, there is a need to promote awareness among consumers in the form of a positive attitude towards ethical, social and environmental issues, which form the cornerstone of Fairtrade's agenda. A well-designed distribution strategy that ensures widespread availability of products, especially through mainstream channels is also necessary. Given India's opening up of the food retail sector to FDI and the presence of a large number of home grown food supermarkets, it is also possible to leverage such channels to create and reach markets on scale. Many of the Indian supermarkets are localizing their store formats and sales strategies to tap the Indian market. This kind of market expansion and mainstreaming of Fairtrade through supermarkets has already happened in the West where top 10 supermarkets (wholesale and retail) carry Fairtrade products and in some markets like the UK account for a major share of Fairtrade sales. This kind of mainstreaming is happening in South Africa as well (Hughes, 2015). Further, organic product marketers in India have used this supermarket channel strategy besides exclusive outlets for organic (Singh, 2009). Further, institutional markets need to be tapped as they can appreciate the larger concerns much sooner and also offer larger volumes.

Appropriate communication and acceptable pricing needs to be worked out for the Indian Fairtrade market to not only promote Fairtrade brands but also for generic promotion of Fairtrade as a category as unlike organic which was perceived more quickly as being healthier option, the Fairtrade needs to highlight the larger concerns of social and environmental equity and raise the level of personal consciousness of potential buyers and consumers. Finally, adherence to government specified standards of contract farming, product grading and labelling ought to be adopted, even if they are different from Fairtrade's own standards. A vibrant Fairtrade presence in India would at least enable farmers and growers to tap an alternative channel. Though this might be a very small segment, it offers scope for some micro-level development-oriented opportunities, driven by Fairtrade premium.

This research, based on literature review and some argumentation is exploratory and has its limitations. Yet, given the absence of any significant qualitative or quantitative research on Fairtrade in India, that too from a marketing perspective, we believe this paper sets a starting point for further research on related fields. Scope for future research includes understanding consumer attitudes towards Fairtrade products in India, values and beliefs that influence consumer intention to purchase Fairtrade products, their willingness to pay Fairtrade premium, and designing appropriate messages and communication strategy and the effectiveness of different distribution channels.

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