

Is “Fair Trade” the Solution to Food Insecurity?

Omi Ongge

Universitas Muhammadiyah
Yogyakarta, Indonesia

Abstract

The idea of the liberal market in this globalization era somehow creates a dilemma within most of the third-world countries. Market competition worldwide unfortunately creates unfair trade between the developed, developing, and underdeveloped countries. Consequently, food prices are increasing every day and so is the poverty level. Countries where the majority of agricultural products are made are causing the developing and underdeveloped countries to become even poorer; this is the ironic situation in the global unfair trade. International organizations such as the World Trade Organization (WTO) were not able to provide any significant solution for the enhancement of trade liberalization or the fair free trade because the free trade that WTO promotes is somehow not fair. Therefore, this paper will analyze the relations between food security and trade, investigate the fair trade role in international trades and agreements, and discuss how fair trade can be a solution for food insecurity.

Keywords: Fair-trade, food, insecurity

Introduction

International trade in agricultural products plays a critical role in international development. Every country, irrespective of whether it is first-world or third-world, has a role to ensure that third-world countries enjoy the benefits of international trade and food security because every human being is entitled to the right to eat. Through various international initiatives aiming to achieve food security for all, it has become apparent that the proper regulation of international trade and multilateral trade agreements is necessary to attain this goal. About sixty percent of the people in third-world countries engage in food production and therefore ensuring good prices for food commodities in the international market is necessary for their development (Philips, 2000).

According to Fair Trade Foundation (2011), there is more to fair trade than just doing business differently. It is a special international movement with a noble and fearless mission: transforming the manner in which international trade is conducted. It aims at achieving better bargains for people in third-world countries whose efforts are essential in meeting people's daily needs. It continuously grows and utilizes the powers of businesses, producers, shoppers, and campaigners (Fair Trade Foundation, 2011). According to the World Fair Trade Organization (WFTO), millions of people in different parts of the world are victims of high and volatile food and fuel prices resulting in food crises in different parts of the world. Among these are about 450 million small-scale farming households constituting two billion people, or, one-third of the world population that cultivates two hectares of land or less (Curtis, 2009). In addition, about half of the world population suffers from hunger in these farms. This is ironic because these are the people who contribute to the world food basket. Such an unfair situation is the direct consequence of the unfair international practices tolerated by the World Trade Organization. Thus, this study seeks to provide a solution for the current food insecurity through the promotion of fair trade practices. To begin with, the link between trade and food security will be discussed to provide an understanding of the role of trade in food security. Then, a discussion on how fair trade practices can be used to overcome the challenges of food insecurity will follow. Finally, a discussion on how fair trade will result in stability in food security and a fairer world in the long-term will follow.

Food Security and Trade

The year 2008 was characterized by extremely high food prices in the international market. This was mainly caused by production shortfalls, volatile oil prices, changing consumption trends, and the production of biofuels on agricultural land. Robert Zoellick, the World Bank head, warned that the increasing food prices in the international market could push over 100 million people living in poor countries into extreme poverty. Between February 2005 and February 2008, the world food prices, particularly those of wheat, rice, maize, and oilseeds, increased by 83% ("Soaring Food Prices", 2008). This was a big challenge for not only small-scale farmers but also poor urban residents and the landless people in different parts of the world. This is because high international prices are not reflected in the prices paid to the farmers. In most instances, the prices offered to the farmers triple by the time the food enters the international market. Thus, the benefits and the high profits from the high international prices are mostly enjoyed by the businessmen and the food companies as opposed to the farmers.

International food prices have been dropping recently. For instance, the October 2008 global food prices were 28% higher than prices in October 2006.

According to Curtis (2009), the actual global food prices, mainly of cereals, rice, and oilseeds, will be 10%-35% higher in the next ten years compared to the past ten years. This increase is attributed to various structural shifts such as different consumption patterns, rural-urban migration, climatic changes, and inappropriate trade policies that may result in negative patterns, and recession in the financial markets. The long-term global market condition of food commodities like coffee, sugar, tea, and cocoa, which are traded in the global markets but are not part of staple foods for people in the South, is not certain. Another recent forecast suggests that sugar prices will drop by 3% in the next decade although the prices of maize, rice, and wheat will rise by 27%, 9%, and 2%, respectively, over the same period. However, as Curtis (2009) asserts, the future drop in food prices might not be of importance to all because the international food crisis has subjected over 119 million more people to poverty and such a level exposure to the poor and the vulnerable is unacceptable. Such a situation reveals the results of food crises caused by unfair trade practices on poor world populations.

According to FAO (1996), food security is said to exist when there is universal access to healthy and nutritious food to all. In other words, a situation where some people, especially farmers who are engaged in food production, cannot afford a decent living would mean that there is no food security. This is according to the United Nations Food and Agriculture Organization (FAO). Food security can be looked at from three perspectives, namely accessibility, availability, and utilization. Each of these aspects should be looked at for individuals, households, countries, as well as internationally, while assessing the level of food security. The right to suitable food is a fundamental one for every human being. This right is supported by several United Nations conventions, among which are the Universal Declaration on the Eradication of Hunger and Malnutrition adopted on 16 November 1974 by the World Food Conference (United Nations, 1974), article 11 of the International Covenant on Economic, Social and Cultural Rights (United Nations, 1976), and article 25 of the Universal Declaration of Human Rights (United Nations, 1948). However, the impacts of such recognitions are yet to be felt especially among the poor and developing nations. Achieving food security for everyone would call for the cooperation and participation of all the parties in all the sectors in both developing and developed countries to enable the implementation of appropriate policies that will make it a reality. Despite it being a challenge, this is a realistic, achievable goal.

The government has the critical responsibility of handling the trade partners from other countries by engaging in beneficial trade negotiations that will ensure trade with other countries is conducted in a manner that embraces fair trade practices. For instance, agricultural commodities such as oranges and watermelons from China may enter the Indonesian market without any restriction or regulation on the quantities under the free trade agreement enforced by the World Trade Organization (WTO). Since the Indonesian farmers also engage in the production of these fruits, they will be subject to unfair competition in the local market because the Chinese agricultural products are always priced cheaply. Actually, the Indonesian farmers will not be able to compete with the Chinese exporters because China produces in large scale, enabling it to price their commodities cheaply due to the economies of scale. As a result, the Indonesian farmers will suffer from poor sales. Unfortunately, the government may not be able to intervene to remedy this situation because it is a party in the free trade agreement under the WTO.

Fair Trade Role in International Trade and Agreement

The WTO Agreement on Agriculture (AoA) hardly mentions food security. Trade has both adverse and beneficial impacts on food security and therefore a proper understanding of the relationship between the two is essential for the achievement of food security. The relationship between trade and food security can be properly understood by evaluating various principles, policies, and consequences of international conventions and agreements by some parties who treat food security as a very critical issue. For instance, Sri Lanka has, in recent days, witnessed a decrease in the employment of farmers, who are the bulk of the population, as a result of increased import due to the implementation of the Agreement on Agriculture. Consequently, farmers have to rely on imported food, which in turn requires them to look for adequate employment to earn a living. It is therefore important that the implementation of these international agreements takes into consideration the domestic impacts in importing countries to ensure that the food security of the citizens of such countries is not threatened.

A reduction in import duties and tariffs would result in more imports and thus reduced food prices for consumers. Those who believe in trade liberalization presume that this would translate into enhanced food security. However, this is not necessarily so, and such an assumption reveals the prejudice of developed countries in such agreements. To begin with, they make an assumption that the majority of the population is comprised of consumers as opposed to producers whereas most of the people in developing countries are food producers and increased importation of food products would adversely affect them. The country's national economy as well as its food security will be threatened when the farmers' production diminishes. Another presumption that is made is that increased imports will result in stiffer competition and thus better efficiency and increased production. However, it is apparent that farmers should get substantial returns from the current production to be able to adopt better and more efficient production approaches. Thus, too many imports would overshadow the farmers, resulting in lower production and thus increased poverty as opposed to increased efficiency. For instance, in Senegal, about three-quarters of the population earn their livelihoods from agriculture. The country's agriculture economy, including the production of dairy products, onions, rice, and sugar, was adversely affected by increased imports (FAO, 1999). Therefore, competition alone is not enough. The introduction of appropriate technology and fair pricing is necessary to achieve food security in the developing countries both in the short term and in the long term. In other words, local producers should be supported to enhance their production capability without being isolated from the international market.

In its report on a comprehensive four-year international consultation which involved more than 400 scientists in 2008, the International Assessment of Agricultural Science and Technology (IAASTD) recommended a complete transformation of agriculture which incorporates unfair trade practices and dominance by various multinational organizations. In addition, the reports cautioned against the reliance on genetically-developed solutions for increasing food production and stressed the need for using locally-based, agro-ecological techniques in agriculture (Giménez, 2008). Such techniques are beneficial because of their positive effects on the environment. In addition, they ensure that the poor world population has access to food and a means of livelihood by creating a market surplus. According to Curtis (2009), agro-ecological farms which are found in different parts of the world are very productive. In addition, the University of Michigan, through their path-breaking study, noted that these approaches can easily provide adequate food (Curtis, 2009).

This is in contrast with conventional knowledge. Such approaches will be critical in the reconstruction of the dysfunctional world food production systems following the failure of free trade regimes and mechanized agriculture. As a result of unfair trade practices, farmers still get only a small fraction of the price paid for the food by the final consumers. This calls for immediate action in developing fairer and more sustainable global food systems that will guarantee food security for all.

The poor farmers can be greatly relieved during periods of high food prices. However, only the realization and stability of fair international trade can help the farmers come up with long-term plans. Initiatives should be developed at different levels within the Agreement on Agriculture and the multilateral trading system to resolve the food security challenges of third-world countries. To begin with, capacity should be enhanced in the developing countries to enable them to take part in the initiatives of the World Trade Organization. In fact, presently, the developed countries control and dominate the WTO, especially when it comes to decisions over free trade agreements, which hinders fair trade agreements. Although there is a Special and Differential (S&D) treatment program under the WTO, it still does not guarantee the least developed countries and the developing ones express access to markets in the developed countries. In addition, it provides investors in developed countries with a leeway, making direct investments in the developing countries through which they exploit their natural resources and sell them later to the local consumers at inflated prices. Secondly, the manner in which WTO relates with other international bodies should be looked at to ensure that there is cooperation and accountability. An example of such a body is the Fairtrade Foundation, which is an independent non-profit making institution concerned with the licensing of the FAIRTRADE Mark for use on items in the United Kingdom, and which is enforced in line with the globally-accepted fair trade standards. Finally, food security can be incorporated in the Agreement on Agriculture in different ways. Therefore, the developing countries in different parts of the world should join hands now and enter into agreements with developed countries dominating the international market, as well as evaluate the WTO principles to ensure there is free and fair trade throughout the world.

How Does Fair Trade Become a Solution for Food Insecurity?

To resolve the food insecurity challenges in the world today, the global food system should be reviewed. This will involve the minimization of the oligopolistic nature of agro-food organizations, market re-regulation, and the development of agro-ecologically robust family agriculture. The affordability of and accessibility to food for all should be ensured by converting the current food system into an effective tool for economic development in both rural areas and towns. These tasks do not have to be undertaken in isolation. An overhaul of the current food system does not have to be done before market fairness, the viability of farming, and food affordability can be achieved. Actually, the most critical thing is to ensure that trade partnerships are characterized by fair trade practices.

The initial and most important step is to review the Free Trade Agreements and dissociate agriculture from the WTO. The World Food Program needs to be involved in the purchase of food products from local suppliers at fair prices and the distribution of these foods to those people who are in need of them. In this way, dumping cheap grains can be avoided and accessibility to and affordability of food by more people can be ensured. The food policy council in the United States can be involved in the rationalization and localization of the local food systems (Curtis, 2009). To facilitate better access to fresh and healthy food, protection measures for

people in the low-income segment should be reviewed. Programs should be developed at the state level to ensure that food banks are supplied with fresh and healthy food products from local farmers. In addition, independent food businesses should be developed at the community level, both locally and abroad.

According to *The Economist* (“The New Face of Hunger”, 2008), the solution to the current food crisis lies with the farmers. The article further notes that, by empowering small-scale farmers, it would be possible to improve the poverty level of the poorest people in the world, become more environmentally sensitive, and become effective in investment, thus achieving better production. The findings of many researchers reveal that small-scale farmers are mainly more efficient than their large-scale counterparts and this is contrary to the belief of many (Giovanni, 1985). In addition, most small-scale farmers, unlike their large-scale counterparts, produce a variety of crops for home consumption, the local market, regional market, and for export. A global summit on the food crisis and climate change held in Rome in June 2008 identified the empowerment of small farmers as an important step towards resolving the food crisis. The summit called on the government and other concerned organizations to support farmers, especially small-scale farmers, to enhance their production and access local, regional, and international markets.

An effective overhaul of the international food systems calls for the participation of all. For this reason, it is recommended that the government, sponsors, and businesses alike ensure that any new investments and initiatives in agriculture recognize small-scale farmers. In addition, the international trade that is mainly controlled by a few multinational companies should be transformed to prevent the marginalization of small-scale farmers, which usually results in poor returns on their work. The governments should intervene to increase transparency in the global supply chains and ensure a fair competition for small-scale farmers to obtain better and steady prices for their produce. According to the Fairtrade Foundation (2014), setting a minimum price and providing pre-financing facilities can play a big role in increasing the bargaining powers of the farmers and enabling them to develop effective business partnerships, and this will consequently result in better prices for their products. A minimum price that caters for production costs shields farmers against price fluctuations and also makes it possible for these farmers to invest in their societies and farms.

The solution to food insecurity may look very obvious, that increase in food production will translate to increased food security. However, a Senior Fellow at the Center for Global Development, Kimberly Ann Elliot, observes that this is not as simple as it looks. However, Elliot believes that food security will depend on increased production in the long term. She asserts that the major obstacle to food security is income because food is always available but people lack the means of buying it (Gale, 2013). She further asserts that trade will also play a key role in providing the solution to food insecurity because most countries cannot satisfy all their food requirements, especially with the climatic changes that are taking place. The various projects that have been initiated to enhance food production and guarantee better returns for the poor farmers, especially in Africa, have not been effective due to their unsuitability for the market conditions. Indeed, farmers will stop the commercial production of agricultural products that do not have a good market.

Conclusion

Most third-world countries did not offer any domestic support to their agricultural industries to participate in the international markets in the year under consideration mainly because there were no resources. Consequently, the prices of food products are increasing day in day out, and so is the poverty level. It is ironic that the producers of these food products are the poor members of the community. As it stands now, WTO does not offer any solution for the enhancement of trade liberalization or free trade, which would in turn be beneficial to the economies of the least-developed countries as well as the developing ones. Instead, it is allowing the developed countries to dominate international trade and enter the markets of developing countries at will. Therefore, the implementation of a fair trade system that will involve a review of the WTO system to increase affordability of food for all is the best solution. In addition, the government should review international trade agreements with a view to shielding local farmers and preventing food crises.

References

- BBC News. (2008). World Bank tackles food emergency. Retrieved, from <http://news.bbc.co.uk/1/hi/7344892.stm>
- Curtis, M. (2009). The global food crises and fair trade-small farmers, big solutions? A fair trade foundation report. *Fairtrade Foundation*, London.
- Fairtrade Foundation. (2011). Fair Trade Explained-Changing the World Together. 3rd Floor Ibex House 42-47 Minories London EC3N 1DY. Retrieved from http://www.fairtrade.org.uk/includes/documents/cm_docs/2012/F/F14_Fairtrade%20explained_2011_DOWNLOAD_sml.pdf
- FAO. (1996). Socio-political and economic environment for food security, food and agriculture organization of the United Nations. *World Food Summit, 1, 1.4*.
- FAO. (1999). The state of food insecurity in the world 1999, Food and Agriculture Organization of the United Nations, Rome, 75-77.
- FAO. (2008). Soaring food prices: Facts, perspectives, impacts and actions required. 33.
- FAO. (2011). High Level Panel of Experts on Food Security and Nutrition, Land Tenure and International Investment in Agriculture, p.33.
- FAO Committee on Agriculture. (2010). Policies and Institutions to Support Smallholder Agriculture.
- Foundation, F. (2013). *Powering up smallholder farmers to make food fair: A five point agenda*. London, UK: Fairtrade Foundation.
- Foundation, F. (2014). *Why do we need to make food fair?* Retrieved from http://www.fairtrade.org.uk/get_involved/campaigns/make_food_fair/what_is_the_solution.aspx
- Gale, A. (2013). Going to market: trade and food security. *The Guardian*. Retrieved, from <http://www.theguardian.com/global-development-professionals-network/2013/jun/06/trade-food-security>
- Giménez, H. E. (2008). The world food crisis: what is behind it and what we can do. *Hunger Notes*. Retrieved from <http://www.worldhunger.org/articles/09/editorials/holt-gimenez.html>
- Giovanni, C. (1985). Farm size, land yields and the agricultural production function: An analysis for fifteen developing countries. *World Development*. 13, 513-34.
- Peter Hazell et al. (2007). The future of small farms for poverty reduction and growth. *IFPRI Discussion Paper 42*, (pp. 10-12).
- Philips, W. (2000). Food security: A first step toward more fair trade: Discussion paper on food security and agricultural trade under the World Trade Organization. *Advocacy and Government Relations World Vision Canada*. p. 2-3.
- The New Face of Hunger. Global food shortages have taken everyone by surprise. What is to be done? *The Economist*. (2008). Retrieved from <http://www.economist.com/node/11049284>
- United Nations. (1948). The Universal Declaration of Human Right. Retrieved from: <http://www.un.org/en/documents/udhr/index.shtml#a25>
- United Nations. (1974). Universal Declaration on the Eradication of Hunger and Malnutrition Adopted on 16th November 1974 by the Global Food Conference under General Assembly resolution 3180 of 17th December 1973; and endorsed by General Assembly resolution 3348. Retrieved from: <http://www.ohchr.org/EN/ProfessionalInterest/Pages/EradicationOfHungerAndMalnutrition.aspx>
- United Nations. (1976). International Covenant on Social, Economic and Cultural Rights adopted and ratified by General Assembly resolution 2200A (XXI) of 16 December 1966 entry into force 3 January 1976, in accordance with article 27. Retrieved from <http://www.ochr.org/EN/ProfessionalInterest/Pages/CESCR.aspx>