

# What a Certificate is Worth

## The Social Impact of Fairtrade on Cacao Producers in Ecuador



Noraini Schipper  
Master thesis  
Latin American Studies  
Public Policies  
University of Leiden  
Dr. H.A.S. Solheim  
7<sup>th</sup> of June 2017

## Table of contents

<b>List of abbreviations</b>	3
<b>List of terms</b>	4
<b>Map of Ecuador in Latin America</b>	6
<b>Introduction</b>	7
<b>Chapter 1. Conceptual analysis</b>	9
1.1 Fair trade and its meaning	9
1.2 Approaches on fair trade	13
1.3 Cooperatives	17
Conclusion	18
<b>Chapter 2. The context of fair trade in Ecuador</b>	20
2.1 Fair trade in Latin America and Ecuador	20
2.2 Fair Trade in Ecuador (1980s – 2006)	25
2.3 Ecuador in a post-neoliberal context (2007 – present day)	28
Conclusion	30
<b>Chapter 3.</b>	32
3.1 The cacao business in Ecuador	32
3.2 UNOCACE and La Cruz	34
3.2.1 UNOCACE	34
3.2.2 La Cruz	38
3.3 Aromas de Yasuni	42
Conclusion	44
<b>Final conclusion</b>	46
<b>References</b>	50
Literature	50
Interviews	53

## List of abbreviations

AFN	African Fairtrade Network
ATO	Alternative Trade Organizations
CECJ	Coordinadora Ecuatoriana de Comercio Justo (English Translation: Ecuadorian Coordinator of Fair Trade)
CLAC	<i>Coordinadora Latinoamericana y del Caribe de Pequeños Productores y Trabajadores de Comercio Justo</i> (English Translation: Coordinator of Latin America and the Caribbean for Small Fair Trade Producers and Workers)
CONAIE	<i>Confederacion de Nacionalidades Indigenas del Ecuador</i> (English Translation: Confederation of the Indigenous Nationalities of Ecuador)
FLO	Fairtrade Labelling Organization
GATT	General Agreement on Tariffs and Trade
IEPS	<i>Institución de la Economía Popular y Solidaria</i> (English Translation: Institute of Popular and Solidarity Economy)
IMF	International Monetary Fund
LOEPS	<i>Ley Orgánica de la Economía Popular y Solidaria</i> (English Translation: Organic Law of Popular and Solidarity Economy)
NAPP	Network of Asia and Pacific Producers
NGO	Non-Governmental Organization
World Bank	International Bank for Reconstruction and Development
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNOCACE	<i>Unión Nacional de Organizaciones Campesinas Cacaoteras del Ecuador</i> (English Translation: National Union of Organized Cacao Producers of Ecuador)

## List of terms

<i>Buen Vivir</i>	The concept in which the human relates to nature, aiming for harmony with nature and condemning the excessive exploitation of natural sources. With <i>buen vivir</i> is referred to a culture of life based on the ancestral knowledge of the indigenous people, which foresees a return to a way of life suppressed during the colonial period.
<i>Bodega</i>	The place where the fermentation and drying process of the cacao bean takes place.
<i>Cacao nacional fino de aroma</i>	The type of cacao which is only produced in Ecuador; there it is also the only type of cacao Fairtrade certified. Cacao national also refers to this type of cacao. Beside <i>cacao nacional fino de aroma</i> , they also produce <i>Criollo</i> and <i>Trinitario</i> cacao in Ecuador.
Dependency Theory	The theory in which concerns are expressed on how developing countries are dependent on developed countries. According to the theorist, the increase in the wealth of the richer countries in the North, seemed to be at the expense of the people in the South (definition of Economics Online).
<i>Finca</i>	The rural property of producers in Latin America. On the <i>finca</i> are different crops produced and the producers are living in cottage or farming house on the property, surrounded by their crops.
Global South	The term Global South refers to the developing countries. Most of these countries are located in the Southern Hemisphere (definition given by the UN).
<i>Haciendas</i>	The large estates established during the colonial period by the Spaniards and Portuguese where different crops were produced for the domestic market.
Fairtrade	The certification and labelling system governed by Fairtrade International. With this system, consumers can recognize goods that have met the internationally agreed Fairtrade Standards by looking for the Fairtrade marks (definition given by FLO).

Fair Trade	The movement as a whole and the organizations that abide to the principles of fair trade. This does not only refer to labelled, but also to unlabelled goods and the work of ATO's, Fair Trade Federation and other networks (definition given by FLO).
Max Havelaar	First fair trade labelling organization, founded in the Netherlands by N. Roozen and F. Hof
Neoliberalism	The way of governing based on economic liberalization. These liberalizations included privatization, deregulation, free trade, and the reduction of government spending on social services. Especially during the 1980s and 1990s this form of governing was popular in Latin America, influenced by Ronald Reagan and Margaret Thatcher.
<i>Partidocracia</i>	The neologism to define the bureaucracy of the political parties.
Plantation	A large estate where only one type of crop is produced in tropical or semi-tropical climate, products like cotton, sugar cane, and bananas are often produced on plantations.
Pink-Tide	The perception of a turn towards left-wing governments in Latin America after the neoliberal period. Under the pink-tide regimes there was a shift towards more progressive economic policies, with a larger role for the state. The term post-neoliberalism refers to the same movement.
Washington Consensus	Series of policies and advices by some Institutions based in Washington to Latin America about the minimization of the expenses on primary healthcare, education, and infrastructure. Trade liberalization, privatization, and tax reforms were also part of the Consensus (definition by CID).

## Map of Ecuador in Latin America



1

---

<sup>1</sup> Adaption elaborated by the author of this thesis, based on the image of Geo Map, <http://www.conceptdraw.com/How-To-Guide/geo-map-south-america-ecuador>, visited on the 6<sup>th</sup> of June, 2017.

## Introduction

It was at the end of May, 2015, when I travelled through Peru. During one of the guided trips I took we passed by some quinoa fields; at the time, quinoa was very popular in a lot of western countries. A consequence of this was, as the guide told us, that the people producing the quinoa were not able to eat the product for themselves any more. In the past they used to live off of the food, but at that time, everything was exported to the richer, western, countries. As citizens of the United States or northern European countries, we have a lot of impact on the food chain. If there is a higher demand for a certain product, it impacts the people living in the global South; the people producing our food. Our demand for cheap food also has a large impact on the producers in the South; they are working under severe pressure to keep the production costs low, resulting in crop-prices below minimum level, child labour, and the use of chemicals. The Fairtrade Labelling Organization claims to improve the working conditions of those farmers. The main goal of this thesis is to show the impact of the certification on cacao producers and their families in Ecuador, and which role cooperatives have in the Fairtrade network. The corresponding hypothesis was that the cacao producers in Ecuador have more access to social services and education, due to the improvement of their livelihoods with the certificate, while the Fairtrade benefits are a complex process, and the role of cooperatives is crucial.

There are several reasons why I have chosen to focus on the effects of Fairtrade on cacao producers in Ecuador. The first reason is that cacao is one of the most common products to certify as Fairtrade. The second reason is that The Netherlands is the global leader in the cacao trade and has the goal to use only sustainable cacao by 2025; this makes it very interesting to see if changes have actually been made in the certification of cacao. The third reason was that in Latin America, there is a paucity of research in Fairtrade cacao. Most of the information about Fairtrade products in the continent is about coffee. The reasons to choose Ecuador as the country for my case-study had to do with the history of cacao in Ecuador. The country has a long history with cacao, and they are also proud of their special type of cacao: *cacao nacional fino de aroma* (this will be further discussed in chapter three). Even though cacao is important in Ecuador, most of the research about Fairtrade in the country is concerned with the banana and flower industry: for me, this was also a reason to choose Ecuador as my case-study. Compared to the neighbouring countries (Peru and Colombia) there are not a lot of Fairtrade certified cooperatives in Ecuador, which gives further reason to do my research there.

The information for the case-study was collected by fieldwork investigation, taken place between November 2016 and January 2017. During this fieldwork investigation, 27 interviews were collected with different people working in the fair trade industry giving their view on it, and one interview was taken with the former director of the Institute for Popular and Solidarity Economy. Most of the collected interviews are with the cacao producers of the cooperative La Cruz. Besides La Cruz, different people of the cooperatives UNOCACE and Aromas de Yasuni have given their vision. I have selected these three cooperatives for a specific reason. UNOCACE is a cooperative founded in 1999, and they obtained the Fairtrade certificate in 2008. They are one of the biggest cooperatives in Ecuador delivering Fairtrade

cacao. The cacao of UNOCACE is transported to different manufactures, on the domestic market, but also worldwide; they collect the cacao from twelve different cooperatives, some a bit smaller, some a bit bigger. The cooperative La Cruz is one of the cooperatives delivering cacao to UNOCACE; they are the largest cooperative associated.

The chocolate (and coffee) produced by Aromas de Yasuni does not have the Fairtrade certificate, but the chocolate paste they produce is sold at the fair trade store Camari in Quito; who are considered as fair trade. Aromas de Yasuni is a young cooperative working according to the Fairtrade standards and with the organic certificate. They have the ambition to obtain the Fairtrade certificate in the nearby future. Besides the fact that Aromas de Yasuni is interesting to include in this research because of their working standards and ambition to obtain the Fairtrade certificate, the cooperative also gains support from the Institute for Popular and Solidarity Economy.

In the first chapter, the concept of fair trade will be discussed. Here we will see exactly what the objectives and standards of Fairtrade are. This is important for the second part of this chapter in which the different approaches on fair trade will be discussed. Different scholars have done research about the effects of the certification on small-scale producers, and have made different conclusions. All of their findings are important in the current academic debate about the topic. In the last section of this chapter, the role of cooperatives will be explained; one of the requirements for the Fairtrade certificate is the association in cooperatives.

In the second chapter, the history about the producing culture in Latin America and Ecuador will be discussed, combined with the history of fair trade. This will be done by explaining the colonial, neoliberal, and post-neoliberal context. By explaining the history of fair trade, the main focus will be on the whole of Latin America, when explaining the political context, the main focus will be on Ecuador. This is because the certification of goods started in other Latin American countries, and came to Ecuador thereafter. The political context will make clear why Fairtrade International started there as well.

The last chapter will be about the case study done in Ecuador. First, there will be an explanation of why cacao is important for Ecuador, and how it is produced. In the second part, the experience of the people working for UNOCACE will be explained. Here we will see why it is important according to them to work with Fairtrade, but also what the complications are. After that, the information collected with the interviews of the producers associated with La Cruz will be discussed. Especially their experience with Fairtrade is very important; the main goal of the organization is to help cooperatives like them, the small-scale producers. In the last part of this chapter the case of Aromas de Yasuni will be discussed; to explore the differences between the cooperative with and the ones without the certificate.



# **Chapter 1.**

## **Conceptual analysis**

“Fair trade is 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, disadvantaged producers and workers, especially in the South” (EFTA).<sup>2</sup>

The definition of fair trade given by the EFTA is the first step in understanding the movement. This chapter will further explain what fair trade is by discussing the standards set by Fairtrade International and their main goals in the first part. In the second part the academic debate will be shown; scholars have approached Fairtrade each in their own way; due to that, there are a lot of different opinions about the effects of Fairtrade and the way Fairtrade is working. In the last part of this chapter the concept of cooperatives will be analysed.

### **1.1 Fair trade and its meaning**

The aim of fair trade is to establish a fairer and more sustainable market; producers receive a higher price for their products. The debate about fair trade began to rise in the period between 2007 and 2011. The prices of, especially, coffee were very high, while producers still did not receive a lot for their products. At the same time, the requirements for becoming Fairtrade certified became stricter; for producers it became harder to be part of the Fairtrade network. The debates mostly were, and still are, about the minimum price, the social premium for the producer organizations, the level of power cooperatives should have in the Fairtrade system, and the inclusion of plantations to the network (Bacon, 2015: 472).

To be eligible for the Fairtrade certification, organizations have to meet certain standards. There are different standards for: small producer organizations, hired labour, contract production, trade, the climate, and textiles. The most important standards for all these entities are, in the first place, that Fairtrade works without an intermediate, so they can pay a fair price directly to the producers. This minimum price must be a living wage, so the producers are able to cover the costs for the production and have a dignified life. Second, the buyers must pay a social premium which is between 5 and 15 percent of the market price. This premium should be used for the communities. Third, the merchants have to sign a contract with the producers, and they have to propose a credit till 60 percent of the wanted value. Fourth, a series of social criteria based on the human rights convention of the UN have to be followed, this includes: no discrimination of any kind, no child labour, no forced labour, gender equality, and safe and healthy working conditions (Fridell, 2004; Calisto, 2016).

These healthy working conditions also have to do with the environmental circumstances in which producers are working. The requirement for the Fairtrade label considers restrictions in the use of chemicals, a sensible policy of water-use, a sensible policy of land-use, and restrictions regarding the biodiversity and the protection of the regions with a

---

<sup>2</sup> Cited from Walton, 2010: 433

high value of conservation. According to Calisto, the conditions in which the producers are working, are as a result, healthier than before. Besides that, the farms have a larger biodiversity, and better water, air, and land quality. The only footnote that has to be placed here, is that this mostly counts for the organizations with a double certification, the ones who have the organic label together with the Fairtrade label.<sup>3</sup> Nevertheless, because FLO also has its environmental requirements, the Fairtrade benefits still help to reach a better future food world security system (Calisto 2016: 226).

With these standards, Fairtrade tries to help producers in the South in four ways. The first one is that they provide guaranteed prices which are higher than the prices of the world market. For the small-scale producers, these minimum prices are the most beneficial; this has especially been the case in coffee, where the minimum price for Fairtrade producers was considerably higher than the price at the normal market. In this way, the minimum prices help with establishing a stable economic situation for the producers (Raynolds and Long, 2007: 28). The research done by Calisto (2016) supports this. According to him, the stability that comes together with the minimum price is important for the producers, so they have the ability to save a little bit of money and invest in the long term. This minimum price can also prevent, during major agriculture crisis periods, that producers are not forced to leave their land and migrate to the more urban zones of the country (Calisto, 2016: 225). However, this minimum price does not always mean that the cooperative gets this price. Griffiths (2012: 360) points out that the companies who are buying the Fairtrade products have a lot of power; they are in the position to say to a cooperation that they only want to pay a certain price; if the cooperative does not agree, they will go to another cooperative which is willing to sell for the proposed price. If this happens, a cooperative is at risk of having to sell their product even under the world commodity price. For a cooperative it is because of this hard to refuse an offer, especially because they know that there is a lot of competition on the fair trade market.

Second, they support only the democratic groups which represent the small-scale producers and workers; the ones who are represented by cooperatives and the ones who are represented by unions. Being part of a cooperative has also benefits for the producers. One of these benefits is the strengthening of the community feeling. These cooperatives help to give producers the feeling that they have an effect on a better future, something which gives them hope. Beuchel states that this results in a better organization of the cooperatives and an increase in the social contributions of the producers. Calisto (2016: 226) supports this; the feeling of democratic power of the cooperatives is not only used in uniting the producers, but also to improve the productivity by organizing activities focused on that. Another advantage is that the cooperatives give a voice, on the national and international level, to the producers. Fairtrade helps as well in the way that they connect the different cooperatives with each other, so they can work together. Third, they encourage the participants and their families to increase their production and marketing skills.

Last, Fairtrade provides a social premium to the participating organizations with which broader community projects can be financed, such as better roads, better sanitation, health clinics, and other social services (Murray and Raynolds, 2007; Calisto, 2016). For the smallest

---

<sup>3</sup> There are different third-party certifications, Fairtrade is one of them, just as the organic label which focusses mainly on the environmental conditions in which the products are produced.

producers this social premium is important; they can lend a little bit of money from their cooperative to help them in the period between the harvests, or in the most extreme case, in the periods of crisis, so they can at least still feed their families. They can keep the same quality of life without asking for a private loan. Another benefit of the social premium, pointed out by Calisto, are the local development projects focused on education, healthcare, and sanitation services. The communities have a benefit from this for the potential empowerment of their cooperative (Calisto, 2016: 225). The research of Valkila and Nygren (2010) came with the same conclusion; the social premium can make a difference. However, they note that the social premium is more of a benefit for the cooperatives than for the producers; with the money they can improve the infrastructure of the organization. The cooperatives; which started in the 1990s at the beginning of the Fairtrade labelling, then only with a calculator, now have well-equipped offices, storehouses, cupping labs, and their own plants. This is not the purpose of the social premium; even though a good infrastructure is important for an organization, the social premium was meant for investment in the communities. On the contrary, a lot of the members of the cooperatives did not even know about the existence of the social premium. This raises serious questions about the distribution of money, and about the democracy and transparency of the organizations (Valkila and Nygren 2010: 29).

Fairtrade has six goals they hope to achieve with its policies. The first aim is to improve the livelihoods and well-being of the producers by strengthening the producer organizations, improving the market access, providing continuity in the trading relationship, and paying a better price. Second, Fairtrade supports the opportunities for disadvantaged producers, especially the opportunities for women and the indigenous people. At the same time, they try to protect children from exploitation. Third, they try to raise awareness among, mostly, Northern consumers about the negative impacts international trade can have on producers. Fourth, Fairtrade wants a partnership with the different Southern organizations based on dialogue, respect, and transparency. Fifth, they aim to change the rules and practice of conventional international trade. Last, they try to protect the human rights of the producers by addressing social justice, economic security, and environmental practices (Murray and Reynolds, 2007: 5).

With all these benefits and goals it is very clear that Fairtrade International wants to help in developing the countries in the Global South. However, their policies do also have counterparts. Being part of the Fairtrade network, for example, does not always mean for a cooperative that they no longer have problems selling their products; it is not always possible to sell the whole production into the fair trade market for the FLO guaranteed price. Valkila and Nygren found out during their study that some organizations could sell almost all of their coffee as Fairtrade certified, and there were other cooperatives which only sold between 30 and 60 percent of their coffee as Fairtrade. Even though all of these organizations had long contacts with the Fairtrade buyers, they had difficulties establishing a long-standing relationship. In the case-study of Valkila and Nygren, some organizations, which entered later into the Fairtrade network, said the market was in the hands of the organizations who were in the network from the beginning. They complained that the Fairtrade system was not fair at all (Valkila and Nygren 2010: 328).

Wilkinson and Mascarenhaus (2007: 130) add to this that for some of the Southern organizations in the fair trade system, the costs of adapting to the market are too high. Often, cooperatives who want to be part of the network have problems with the financial part of the Fairtrade certificate. The costs depend on the extent and the structure of possible cooperatives, but the prices can vary between \$1600 and \$20.000. For some cooperatives and organizations this means that they want to participate in the network, but they cannot afford it. Calisto states that even though FLO knows this, and tries to give these organizations the option to enter by offering loans and donations, a lot of the cooperatives do not know about the existence of this help. Becoming part of the Fairtrade network includes investing a lot of money, and this depends on the economic situation of a cooperation. Wilkinson points out that as a consequence, only a small group of the small-scale producers have access to the fair trade market. Calisto goes a little further in this by stating that because of the strict standards and high costs of Fairtrade, only the best organized, educated, richest cooperatives can be part of the Fairtrade network. Only they are able to fulfil all the requirements according to Calisto. This results in a growth in local inequality; the most vulnerable producers do not have access to the network. This does not mean that Fairtrade is only for the 'rich', but it certainly creates a certain level of inequality on the social and economic level between the different agricultural organizations (Calisto 2016: 228).

With this financial obstacle, an often heard critique on Fairtrade is that they do not include all the agricultural organizations, and that the organizations which are included, have to fulfil all the standards Fairtrade wants. Calisto points out that the head office of FLO is in Germany. This means that the strategic decisions are made in the North, while the producers are living in the South; this raises questions about the fair trade policies used by FLO (Calisto 2016: 228). The lack of communication and integration of the producers with the labelling group of FLO also contributes to the critique of the organization. The majority of the producers only have a basic knowledge of the structure of the Fairtrade certificate. In most cases, only the leaders of the organization understand the purpose of Fairtrade; for the producers it is more a system for better prices, or, in the worst case, a system that is imposed from the North with stricter social and environmental demands (Calisto 2016: 227). The research of Valkila and Nygren supports this vision. During their research they also saw that the producers had a poor understanding of what the fair trade market was, or even that Fairtrade is supposed to go accompanied with social benefits. In the best case, the producers knew that their cooperation was part of the Fairtrade network, but they had no idea about the rights and benefits. Valkila and Nygren see the cause of this poor understanding in the, often, multiple certifications the cooperatives have, which makes it hard for the producers to distinguish between the different ones.

The expansion of the Fairtrade network also led to changes, not always in a good way, according to Renard and Pérez (2007: 147). With the network expanding to more countries, the small producers lost their central place within the network. They even lost more influence when the administration of the producer registry, and the process of decision making of standard-setting and marketing, became more bureaucratic. With the centralization and professionalization of FLO, the meetings between the producers and FLO on local levels were changed into a consulting status; the direct contact between the top and the producers became less and less. Another important shift in the organization of FLO was that of the employees

background, argue Renard and Pérez. At the beginning of the organization, most of the staff had a background in social activism and solidarity with the South. In contrast, some current members now have a business-related background and no experience in the solidarity movement. This has resulted in more commercial related decisions, rather than political, which was the mainspring at the beginning of the fair trade movement. This stands in relation with the concerns of Valkila and Nygren about Fairtrade being mainstream in contemporary time. An increasing amount of products are Fairtrade certified and sold in the supermarkets; this raises the question if Fairtrade is able to provide an alternative market (Valkila and Nygren 2010: 322).

Another change in organization of Fairtrade is the start of certifying plantations. If small producers have to start competing with large plantations, they will get in trouble. Raynolds and Murray use the arguments of the CLAC for this.<sup>4</sup> At the beginning of Fairtrade, only the small producers were allowed to become part of the Fairtrade network. This is not the case any more; the majority of the Fairtrade products are still only produced by small-scale organizations, but for fruit, vegetables, tea, flowers, and spices, plantations also can obtain the Fairtrade certificate. This happens even though these plantations do not always complete all the Fairtrade standards. The certified plantations are still a minority, but in the banana-industry there is already a competition between the small-scale producers and the larger plantations (Calisto 2016: 224; Raynolds and Murray 2007: 229).

As seen, the positive points about fair trade for the producers are mostly the minimum prices, which gives the producers a stable economic life, and the social premium, even though the producers do not always see the advantages of this. On the contrary, a lot of the times the producers do not exactly know what the fair trade system is. Fairtrade is mostly of impact for the cooperatives. With the Fairtrade label it is easier for them to enter the international market. Besides that, the cooperatives strengthen the feeling of a community among the producers and give them the idea that they actually can reach something. The difficulties a lot of cooperatives have with the Fairtrade Labelling Organization are related to the financial part of the certification. A lot of the smaller cooperatives have difficulties paying for the certificate; this can lead to local inequalities between the different agricultural cooperatives.

## **1.2 Approaches on fair trade**

The Fairtrade network offers, for these farmers, an alternative trade network. Already since the 1980s, the labelling system of Fairtrade evolved with the aim to address inequalities in the global markets by offering ethically-produced products. Global organizations oversee the standards and principles Fairtrade has set, and they are communicated to the possible consumers. In the past ten years, Fairtrade grew rapidly. In 2005, consumers worldwide spent \$1.3 billion on the Fairtrade products; in 2007, this already was increased to \$3.3 billion, and in 2013 consumers spent over \$7 billion. These products were produced by 1.4 million farmers and workers from 74 countries in Africa, Asia, and Latin America (Dzurilla, 2016: 236).

---

<sup>4</sup> CLAC: Coordinadora Latinoamericana y del Caribe de Pequeños Productores y Trabajadores de Comercio Justo (Coordinator of Latin America and the Caribbean for small Fair Trade Producers and Workers)

During the years, different studies have been written about fair trade, the rise, and the effect of the organization on farmers in the Global South. Scholars concerned with business ethics, poverty reduction, human rights, and development have taken a look at fair trade from different disciplines like economics, political science, sociology, and anthropology. However, these scholars do not yet agree on how to approach fair trade; there still exist two debates. The first debate is on how to conceptualize fair trade. There are no clear delineations on if fair trade should be seen as a business model, a social movement, or an ethical market. This debate comes out of the different approaches in understanding the agency of consumers in the Global North within the global trade network, and of their relationship with the Global South. The second debate is about the degree in which fair trade benefits the producers. In general, scholars agree that fair trade does benefit the producers, but there is a lack of theorization about the causes of why the benefits in some Fairtrade communities are higher, or more well-seen, than in other Fairtrade communities (Dzurilla, 2016: 237). In the contemporary discussion about fair trade, four approaches are most used by scholars. The first one is seeing fair trade as an alternative food system, which works ‘in and against’ the conventional market, the second one is fair trade as an ethical consumer marketplace, the third one is seeing fair trade as a development project, and the last one is seeing fair trade as a form of global market justice (Bacon, 2015: 471).

The first approach to fair trade is the more business focused approach; fair trade as an alternative food system which challenges the conventional market economics. In this approach, there are two different visions. According to the first one, the *revolutionary thesis*, the current market dehumanizes; the persons acting in the market are degraded. To humanise the market again, an alternative economy should be found. Here there is a role for fair trade; they can establish a second, parallel economy. The second vision, the *revisionist thesis*, agrees that the market should be humanised again, but in a different way. Instead of creating a second, parallel economy, fair trade should work from within the already existing market structures. If they want to achieve this, the market structures have to be changed by fair trade. Because fair trade does not have a created parallel economy, but works from within the existing structures in a different way than the ‘normal’ market does, the concept of the *revisionist thesis* can be applied for fair trade.

What they do differently compared to other sellers is that fair trade links consumers and producers. They do this by giving multidirectional information to the consumers about the production process of their goods, and about the livelihoods of the producers. By doing this, they try to move away from the standard materialism in the existing markets; the trading relations are re-embedded. However, fair trade cannot be seen as an organization which is ‘against’ the market. The idea is to improve the livelihoods of the producers but by improving the situations in the conventional market. It is not that fair trade is ‘against’ the market and that they want to create a different one; their aim is to improve the conditions in the already existing market (Walton, 2010: 440).

A lot of times, fair trade is linked to ethical consumerism. By approaching the fair trade network as a result of ethical consumerism, there is an assumption that fair trade is the result of a consumerist mentality which demands that products be produced in an ethical way as a result of contemporary globalization trends (Walton, 2010: 435). Globalization has created a bigger consciousness among consumers in the Global North about worker health and

working conditions in the places where their products come from, mostly the Global South. In an attempt to supply the demand for more ethically produced goods, niche markets emerged. However, there is not a lot of evidence which suggests that fair trade was created because of the demand of consumers. Usually, it is assumed that globalization started in the 1970s and 1980s, while fair trade already has its roots in the post-Second World War period when non-governmental organizations were promoting this type of trade. (Walton, 2010: 436).

For the last approach, the ones that sees fair trade as a development project, the development theory was of a very big influence. In the network, fair traders were convinced that the world capital system was incapable of providing development benefits to the South due to the unequal exchange. In helping out the poor majority in the South, they wanted to create a second, parallel trading system with alternative markets for these Southern producers. In this parallel trading system, the prices the producers would earn would be negotiated between producers and costumers based on the premise of fairness (Fridell, 2004: 416). This theory started in the 1960s and 1970s when a thinking movement went further with the theory of unequal exchange. The concept of the theory of unequal exchange was created by Raúl Prebisch. He stated that the North-South trade did not advantage both parts, but only the North. The relative deterioration in the prices of primary goods produced in the South, in relation to the manufactured goods in the North, detrimented the South which caused unequal exchange (Fridell, 2004: 415). The dependency theorists took this concept to a higher level. They argued that the world capital system was divided into two; the First World, which comprised the imperialist nations in the North, and the Third World, which existed of the colonies and neo-colonies in the South.<sup>5</sup> According to them, the primary goods produced in the Global South were transferred to the Northern nations, and there these goods were consumed or invested in production. This was considered an unequal exchange, due to the legacy of colonialism in which the Global South developed a system where they were depending on the export of a few primary goods, to markets in the Northern nations. Due to this, for capital, technology, and markets, the Global South was depending on the North. The dependency theorists thought this could be resolved by state intervention in the market, or, in the most extreme way, by breaking completely with the capital world system (Fridell, 2004: 415).

The main goal of the dependency theorists was to show that the global South was depending on the countries in the North. Fair trade was established to help these developing countries. However, some scholars argue that fair trade is not helping the most underdeveloped countries. A country like Mexico, which is seen as an economic middle-class country, receives a lot of help from fair trade, while really poor countries, like Ethiopia, do not receive a lot (Sidwell, 2008; Griffiths, 2010; Stoddart, 2011). This is not what the development theorists are aiming for, nor what the Fairtrade Labelling Organization (FLO) is stating themselves in their values. But also not all the scholars agree with this; Smith (2009) states that it is true that fair trade is highly represented in Mexico, even though this is a middle-class country, but at the same time, the inequality is enormous. The farmers who are

---

<sup>5</sup> The term 'third-world' is nowadays considered a non-complete term. In the current academic literature the term 'Global South' is used, this thesis will therefore continue with this term.

part of the Fairtrade network in Mexico, belong among the poorest ones in the world (Stoddart, 2011: 132).

Although there is a clear notion of the development theory in the concept of fair trade, the approach of fair trade as a dynamic development initiative with concrete goals is lacking. Of course Fairtrade is trying to help the poorest producers in need; they are the ones the label is focussing on. But Fairtrade does more than just help to improve the economic circumstances of these farmers; they also have environmental requirements, and are aiming for children to go to school (Walton, 2010: 437). Besides that, in the development approach, fair trade is too often seen as a charity organization. However, fair trade is more focused on a way to help producers get involved in a fair and equal way to compete in the market, than it is a charity organization. They try to get everyone participating, and with that they go beyond the developing theme. Besides that, fair trade has tried to give producers new openings and changes in the already existing market, but the market economy did not change when fair trade was created. Fair trade has had a very big influence in developing communities in the Global South; they are better understood as an organization which promotes market justice in a world which can use some changes (Walton, 2010: 438).

As we have seen, fair trade can be approached from a perspective focused on the market economy, but more in the context of improving the standards of the conventional market, make it more 'fair'. This is the same with the development approach. The organization of fair trade tries to give producers a chance to participate in the conventional market, but under conditions which are more 'fair'. This brings us to the last approach of fair trade, the one in which fair trade is seen as a form of global market justice. In all of their policies, they try to do the opposite of the 'injustices'; the network tries to remove the middlemen in the trade chain and by doing this they aim for a trade chain as direct as possible, and long-term contracts with the producers should take the insecurity of their livelihoods away. Besides that, fair trade also aids in the welfare of the producers by setting the minimum price, by the human rights protections (no child labour, discrimination, etc.), and by introducing business and education projects focused on the development of the communities (Walton, 2010: 434).

The approach of fair trade as a form of global market justice also can be found in the way fair trade sees itself. The Fairtrade Labelling Organization (FLO, nowadays called Fairtrade International), describes their vision on their website, "a world in which all producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future".<sup>6</sup> FLO states that they believe that "trade can be a fundamental driver of poverty reduction and greater sustainable development, but only if it is managed for that purpose, with greater equity and transparency than is currently the norm"; besides that, they believe that "people can overcome disadvantage and marginalization if they are empowered to take more control over their work and their lives, if they are better organised, resourced and supported, and can secure access to mainstream markets under fair trading conditions". According to FLO, people, businesses and civil society institutions in the Global North (the developed world), have to be supportive in trading this way. When they understand the position and the

---

<sup>6</sup> <https://www.fairtrade.net/about-fairtrade/our-vision.html>



needs of producers in the global South, and the opportunities that Fairtrade can offer to change and improve the situation of those producers, the trade network can become ‘fairer’.<sup>7</sup>

### 1.3 Analysis Concept of Cooperatives

The definition of cooperative made by the International Cooperative Alliance as an “autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise” shows that a cooperative is especially focused on economic, social, and cultural benefits.<sup>8</sup> Besides that, there are seven principles a cooperative abides by: first, a cooperative should have an open and voluntary membership. Second, there must be a democratic member control. Third, a cooperative should be autonomous and independent. Fourth, a cooperative should provide education for its members. Fifth, a cooperative should provide training and information for its members. Sixth, different cooperatives should work together. Last, the cooperative should also concern the community, not only its members. However, the economic goals of a cooperative still are the most important; if they cannot complete their economic purpose, in the long run they also may not be able to achieve non-economic benefits for their members (Mojo, Fischer and Degefa, 2015: 389).

To improve the circumstances for the producers, the public effort must focus on improving the infrastructure, the market institutions, the advisory services, and it must include research. Normally, the private sector is unable to provide this; the producers normally cannot do all of this by themselves. In improving the circumstances, a cooperative therefore can help in several ways. A producer has to overcome different barriers; improving a farm costs money they do not have. Cooperatives can help them with the financial part so that a producer can introduce innovation. Besides that, producers have to make some technological improvements which only work if they are used in the right way. Cooperatives can also help with this by giving advice about sustainable improvements (FAO, 2014: 13). This shows that most of the producers join a cooperative for economic reasons; they hope that the farmer cooperative can help them to overcome poverty and market problems they are facing, for example by reducing the transaction costs the producers have to pay. Besides the economic help cooperatives can provide, they also can come with non-economic benefits on social or environmental levels. This is mostly because environmental problems can go hand in hand with economic problems (Mojo, *et al.*, 2015: 388).

Even though one of the standards of Fairtrade is that producers are part of a cooperative, this was not always welcomed by all. Some people who were against the participation of cooperatives in the Fairtrade system claimed that with the including of cooperatives, the original vision of Fairtrade was undermined. In this original vision the needs of the small producers were put central, just as the developing of an alternative approach in the conventional market. Cooperatives would threaten this vision (Reed, 2009: 3). However, cooperatives are nowadays one of the main factors in Fairtrade.

---

<sup>7</sup> <https://www.fairtrade.net/about-fairtrade/our-vision.html>

<sup>8</sup> Definition of ICA 2014, cited from Dagne, 2015: 389).

There are several benefits for a producer in joining a cooperative. An important one is that the cooperative gives producers the chance to bargain. Unorganized, producers are powerless to deal with companies which have larger markets, which have more diversity in the products they produce with the primary good, and they have a greater integration of operation. If a producer wants to sell his product to such a company, he has no negotiation possibilities if he is by himself. When the producers are organized in a cooperative, it is easier to achieve their goal and negotiate with the bigger companies, which can offer them something more than the regular market. Organized, the producers can bargain (Torgerson, 1977; Schmidt, Magigi, and Godfrey, 2014). Besides this, a reason to join a cooperative for producers is also the changing agricultural and commercial market. The prices on the market can fluctuate, and a cooperative can give producers a set price for their products. In this way, they are correcting the market failure, due to transaction costs and information associated with farming (Torgerson, 1977; Schmidt *et al.*, 2014) Another reason for producers to be part of a cooperative is that a cooperative can provide services which are not available in the farmer community the producers live in, or because these services are too expensive (Torgerson, 1977: 92).

One of the standards of Fairtrade is that producers must be united in a cooperative to become qualified for the certificate. The cooperatives are worker-owned and work for the best interests of their members, keeping in mind the principles and values humans need to live a decent life. Also the democratic ownership, collective-decision-making, and the ethics of solidarity are important for cooperatives. With this, they show that the members are important and that the aim is to improve their living-standards. With these values, cooperatives are significantly different from capitalist enterprises that distribute to stockholders, or the private investors for whom competition, economic efficiency, and individualism are more important. They act more out of self-interest. Because of this, for the fair trade market it is easy to work together with cooperatives; they already have the same principles (Williams, 2013: 7).

Being part of a cooperative has also benefits for the producers. One of these benefits is the strengthening of the community feeling. These cooperatives help to give producers the feeling that they have an effect on a better future, something which gives them hope. Beuchel states that this results in a better organization of the cooperatives and an increase in the social contributions of the producers. Calisto (2016: 226) supports this; the feeling of democratic power of the cooperatives is not only used in uniting the producers, but also to improve the productivity by organizing activities focused on that. Another advantage is that the cooperatives give a voice on the national and international level to the producers. Fairtrade helps as well in the way that they connect the different cooperatives with each other, so they can work together.

## **Conclusion**

The most used approaches on fair trade are the ones seeing the movement as an economic model, a form of ethical consumerism, or as a developing project. In all of these approaches different aspects of fair trade are highlighted; in the economic model the aim of fair trade for a different type of market is put central; in the ethical consumerism approach the North-South relations are put more central, and in the development approach the needs of improving the livelihoods of the producers is the central point. The approach which includes parts of all

these different approaches is the one seeing fair trade as a form of global market justice. In this approach, fair trade is conceptualized as a way of making the market 'fairer' with the help of developing projects.

The conceptualization of fair trade is not the only thing scholars cannot agree on. There is still an ongoing discussion about Fairtrade and the effect of the minimum prices, the social premium, the inclusion of plantations, and the role of cooperatives. All of the scholars agree that fair trade does have an effect on the livelihoods of producers in the Global South, but they all give their attention to different effects, and they do not agree on the level of the effects. The minimum price Fairtrade offers to the producers is mostly seen as the main effect; it gives the producers a stable economic life, even though it is not always considered high enough. The social premium is established for developing projects for the community; in theory it is a good initiative, however, producers do not always see the advantages of this aid. Producers do not even always know what fair trade exactly is.

In the Fairtrade system the cooperatives have a lot of influence; one of the requirements for producers to become part of the network is that they are part of a cooperative. In this way, they are organised, which gives them more power and possibilities at the international market. Besides that, cooperatives also strengthen the feeling of a community among the producers; it gives them the idea that they can actually reach something. However, not every cooperative can be part of the network; a lot of them are unable to fulfil all the financial requirements. Most of the smaller cooperatives have difficulties paying for the certificate; this can lead to local inequalities between the different agricultural cooperatives.

## Chapter 2.

### The context of fair trade in Ecuador

In this chapter the history of the agricultural sector in Latin America will be discussed, together with the history of fair trade. By explaining the rural structures, the necessity of fair trade will become more clear. Because Fairtrade started their projects in Ecuador after the military rule, the second part of this chapter will focus on the period between 1980 and 2006 in Ecuador. This was the period that Fairtrade started to work together with different organizations in Ecuador. The last part of this chapter will focus on the post-neoliberal period, from 2007 onwards, with a new economic law which has a lot of similarities with the Fairtrade standards.

Just as many other Latin American countries, Ecuador has had several military regimes. During the 1960s Ecuador was in an economic crisis; this was the first time the military saw a chance to take over the regime. The last period of military rule started in 1972 with a coup. After seven years of military rule in the country, Ecuador returned to an elected government in 1979 (Martz, 1997:175). In the years following, neoliberal reforms were instituted in a lot of Latin American countries, also in Ecuador. This changed only in 2007 with the election of Rafael Correa, who put the state central again in the policy making.

#### 2.1 Fair trade in Latin America

In the agricultural sector of Latin America the legacy of the colonial times are still present. During the colonial period, the communal land the indigenous knew before was taken by large estates, *haciendas*. On these large estates, different crops were produced to meet the domestic urban demand. In some countries with tropical or semi-tropical parts plantations were the dominant agricultural enterprise. Countries like Brazil, Central America, the Caribbean, and parts of Colombia, Ecuador and Peru have this tropical climate. The main difference between *haciendas* and plantations are that on the *haciendas* multiple crops are produced, and on plantations is only one crop produced. A second difference between the two types of agricultural is that the production of *haciendas* is focused on the domestic market while plantations are more focused on the export of their production. The last significant difference between the *haciendas* and plantations is that the labour on the *haciendas* was done partly by indigenous people, and partly by slaves. Plantations, on the other hand, employed almost exclusively slave labour. This was the legacy of the Portuguese; Brazil had the largest sugar production for a very long time (Kay, 2000: 124-125).<sup>9</sup>

During the first half of the nineteenth century, the export markets were growing. A lot of landlords responded to this by expanding their *haciendas*, so they could supply for the growing market. By expanding the *haciendas*, the landlords took land from peasant and indigenous communities, and they colonized new areas. As a result, a lot of local and indigenous communities were displaced. In the following second half of the nineteenth and

---

<sup>9</sup> Because there is not a lot of recent, academic information about the history of the agricultural sector in Latin America, the used information is coming from the article 'Latin America's Agrarian Transformation: Peasantization and proletarianization', written by C. Kay.

the beginning of the twentieth century, some developments were made in the agricultural sector; the *haciendas* were getting more commercially orientated, and slave plantations gave way for the capitalist plantation. For the plantations in the coastal area of Peru and Ecuador, new labour was recruited from the highland peasant communities (Kay, 2000: 125). These new developments, however, did not give the peasant and indigenous communities their land back.

In the period after the Second World War, many Latin American governments adopted strategies more focused on the industrialization of the countries than on the agricultural export. This affected mostly the small-scale producers; at the beginning of the post-war period, Latin America had one of the most unequal agrarian structures worldwide. Besides this large unequal structure, the structure was inefficient. On the plantations and *haciendas*, the productivity was larger per capita, while the productivity per hectare of land was higher on the small-scale farms. In almost all of the Latin American countries land reforms were put on the agenda (Kay, 2000: 126-127).

It was during the post-war period that the fair trade movement really took its shape. However, the movement, which had more ‘political’ influences and which emerged from progressive social movements, already started in the inter-war period, between 1918 and 1939. The fair trade network on the other hand, fair trade as we know it today with more faith-based influences, emerged in the 1940s and 1950s from organizations from the developed world with the vision for a better world (Barrientos, Conroy and Jones, 2007: 52).

During the inter-war period, the prices of primary goods, such as: tin, rubber, copper, sugar, wheat, cotton, and coffee, were declining. These goods were produced in the countries in the Global South and stood in relation with the Northern countries, where the primary goods were processed. The decline in price forced the North to take measures to control the international market. For the decline in prices were different causes; there was a global economic recession, substitutes for primary products were developed, and Southern producers started to expend their capacities for goods which already had a set market (Fridell, 2004: 413).<sup>10</sup> The prices of the primary goods rose again during the Second World War (1939-1945), as a result of the reduction of primary production. To lay the basis for international trade and for a development regime for a post-war era, the Allied powers met in 1944 in Bretton Woods. There they sought ways to create a new international economic order, based on a stable monetary system and a liberal trade system. In order to do this, the monetary and exchange rates were connected to the U.S. Dollar. To control the Bretton Wood system, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (the World Bank) were founded; if countries had difficulties with their balance of payment, they could go to the IMF for a short-term loan, while the World Bank was designed for the long-term financing of development projects. A third new institution was founded as well, the General Agreement on Tariffs and Trade (GATT). The aim of this institute was to reduce the trade barriers between the different countries (Fridell, 2004: 413).

Another important change for the fair trade movement was reached with the United Nations Conference on Trade and Development (UNCTAD) in 1964. At this conference, new

---

<sup>10</sup> The article of G. Fridell ‘The fair trade network in historical perspective’ gives the best overview of the development of the network. The academic information used for this thesis is therefore coming from his article.

plans were made in favour of a greater transfer of wealth from the North to the South by giving aid, compensation, and opening fairer trade. From the Global South there came two demands; first, they wanted the Northern countries to weaken their protectionist policies, and second, they wanted the financial aid the IMF gave them be replaced by a system of subsidies. This demand was accompanied by a slogan which later on would become the slogan for the fair trade network; 'trade, not aid'. In the end, the countries in the North did not agree with these demands, which made it impossible for the UNCTAD to establish something sustainable (Fridell, 2004; Coiscone, 2015).

As said before, there is a difference between the fair trade movement and network. The movement started already in the inter-war period, but the beginning of the fair trade network started later, in the 1940s and 1950s. The network was influenced by the solidarity movement which arose after the Second World War: the charity business. In this period, Christian NGOs started to sell southern handicrafts made by artisans. With the money raised from these sales, they financed the development projects in the South (Gendron, Bisailon and Otero Rance, 2009: 65). In Europe this movement was led by Oxfam UK and the Dutch Catholic group Fair Trade Organization. In North America, these efforts were led by the Mennonite Central Committee Refugee Rehabilitation Program of the Church of the Brethren. This organization imported the handicrafts mainly from Puerto Rico (Coiscone 2015:13). In the 1950s and the 1960s the NGO's which were part of the fair trade network, founded the Alternative Trade Organizations (ATO).

In the network, fair traders were convinced that the world capital system was incapable of providing development benefits to the South due to the unequal exchange. In helping out the poor majority in the South, they wanted to create a second, parallel trading system with alternative markets for these Southern producers. In this parallel trading system, the prices the producers would earn, would be negotiated between producers and costumers based on the premise of fairness (Fridell, 2004: 416). The negotiations started at the end of the 1960s when Christian organizations and development agencies started working on the 'development trade'. The main objective was to decrease the poverty rates, and to aid the populations who were threatened by natural catastrophes. For this they used the UNCTAD slogan 'trade, not aid', referring to the demand of the Global South to make it easier for them to trade with the Northern nations instead of giving them financial aid (Gendron *et al.*, 2009: 65).

At first, the network only sold the handicrafts, but in 1973 the Fair Trade Organization introduced coffee to the European markets. At first this was only a small amount of coffee imported from Guatemala, but when coffee producers faced a crisis in the 1980s, a significant effort was made by the fair trade network to enter the coffee market (Gendron *et al.*, 2009: 66). After the short time, the coffee was more important for the organizations than the handicrafts (Fridell, 2004: 417). After the success of coffee, the network started to introduce even more products such as tea and cacao (Murray and Raynolds, 2007: 7).

In the neoliberal period, roughly between 1980 and 2000, the popularity of fair trade grew enormously. Three reasons stand out looking to the causes of this growth. First, the producers in the South lost the support of their governments, which made it necessary for them to look for other options to stabilize their incomes. Second, with the neoliberal policies, in which free trade was supported and the influence of the state was reduced, companies

moved to the Global South, because environmental and labour requirements were less strict there. Last, the new technological improvements on transportation and communication made the circumstances in the South more viable for the Northern consumers. All of these factors elicited a greater consciousness in the North about poverty and the environmental destruction caused by globalization (Calisto Friant, 2016: 221). In response to this, fair trade is also best understood as a response to the negative effects of globalization. Communities in the South were uprooted and swept aside by the economic, political, and social forces of globalization, because in the North people aimed for ever cheaper products in a greater quantity. In some parts of the world wealth increased, but the income inequalities within and between countries increased as well. This leads a lot of times to fair trade being seen as an ‘anti-globalization’ movement. This is not what the network is aiming for. Instead of seeing fair trade as ‘anti-globalization’, it is better to approach it as a ‘new globalization’ movement, which aims to develop a new strategy of globalization from below (Murray and Reynolds, 2007: 6).

The first fair trade labelling organization was founded in 1988 in the Netherlands. After Southern producers argued that they needed access to the ‘real markets’; in response, F. van der Hoff and N. Roozen created the Max Havelaar Foundation. This name was chosen after the lead person of the novel *Max Havelaar*, about the rights of the indigenous population in the former colony Dutch Indie, written by Multatuli. With this new label, it was easier for the producers to enter into the existing market. In order to have a real impact on the life of the producers, the products, in the beginning only coffee, were sold in the supermarkets. By selling the Fairtrade products in the supermarket, they were sold in higher volumes; if they only would have been sold in small quantities, then this labelling of products would have stayed only a symbolic policy (Roozen and Hof, 2001; Fridell, 2004; Gendron *et al.*, 2009; Coiscone, 2015).

After the start of the Max Havelaar Foundation, the concept of labelling organizations spread quickly to other European countries, North America, and Japan. In 1997 there were 17 different labelling organizations focused on fair trade. With so many different organizations, the need for coordination became apparent. In order to do this, Fairtrade Labelling Organization International (FLO) was created as an umbrella group; their main goal is to promote and manage the selling of the Fairtrade label in supermarkets. In the end, that is where most people do their shopping; by reaching those people Fairtrade can provide benefits for more marginalized producers in the South (Fridell, 2004; Murray and Reynolds, 2007; Reynolds and Long, 2007; Coiscone, 2015).

Within FLO, there are three important networks which represent the 53 countries in Africa, Asia, and Latin America. For Africa this is the African Fairtrade Network (AFN), for Asia, the Network of Asia and Pacific Producers (NAPP), and for Latin America the Coordinadora Latinoamericana y del Caribe de Pequeños Productores de Comercio Justo (CLAC). CLAC defends the initial idea of fair trade for the small-scale producers and rural workers. The institute was founded in 2004 and represents more than 620 different organizations in 24 countries in Latin America. Every country in which CLAC is active has its own representor; for Ecuador this is the Coordinadora Ecuatoriana de Comercio Justo (CECJ). Besides this, there are also special networks for every crop; there are networks for coffee, networks for bananas, networks for cocoa, networks for honey and so on (Coiscone, 2015: 16).

In the period when Fairtrade was still divided in the different national initiatives, the producers had representatives who were taking part in the negotiations about the decision making process. With the creation of umbrella organization FLO, the producers lost these representatives; from that point, all the decisions were made by the owners of the Northern national initiatives. The producers did not have anything to say any more. This did not fit in the culture of the South; in Latin America it is very normal that everyone who is going to be affected by a decision can participate in the negotiation about it. With the new type of decision making introduced by FLO, the producers felt completely left out. For them it almost felt like a new way of colonialism from the North; those countries were in a way ruling over them again (Coiscone, 2015: 17). To give a voice to these producers again the CLAC was established. In the beginning of FLO, there were some multinationals who knew the market, but not the standards of Fairtrade. The companies wanted the producers to work according to the easy model in which products of good, but cheap, quality are produced. Besides that, in the easy model there is competition between the different producers, and the doors are open for plantations. This easy model is the opposite of what fair trade stands for. Because of this, CLAC is very important in the fair trade network; the big companies do not know how Fairtrade works, so CLAC tries to defend the rights of the producers again. They do this by helping them improve their economic situation and by developing a sustainable way of living for the producers, their families, and their communities. By doing this, CLAC tries to bring fair trade back to its original meaning (Coiscone, 2015: 21).

The original idea of Fairtrade was to support the small-scale producers. However, in 1994 fair trade started with the certification of banana and tea plantations. They said that fair trade was there to help the 'disadvantaged producers'. Producers working on the plantations did not have any land of their own, so they were also disadvantaged. Besides that, the landless producers were often even poorer than the small-scale producers, this was even more reason to also certify the plantations (Raynolds, 2014: 502). However, there are still a lot of powerful actors who do not agree with the certification of plantations and continue to resist against this decision of FLO. CLAC is one of the actors who only includes the small-scale producers (Raynolds, 2014: 503).

The rural economy and society of Latin America had its major force shaping in the 1980s with the start of neoliberal policies all over the continent. In this period, there was a debt-crisis, and together with the adoption of structural adjustment programmes by the Latin American governments, the agricultural exports were stimulated. In the period after the Second World War, the focus was on the production for the domestic market. With the stimulation of the agricultural export, this focus changed; the agricultural production for the export was growing much faster than the production for the domestic market. (Kay, 2000: 129).

During the neoliberal period, the focus of different policies changed. Especially the Washington Consensus, with John Williamson as phrase's originator, had a major impact on neoliberalism. The Washington Consensus consists of a couple of policies and pieces of advice by Washington-based institutions to Latin American countries. In these policies, the public expenditure was minimized; less money was available for primary health care, education, and



infrastructure. Part of the consensus was also a tax reform, trade liberalization, privatization, the security of property rights, and deregulation.<sup>11</sup>

With all these new policies, the focus of governing changed. This happened, for example, with the abandoning of expropriation; before governments had taken private institutes and organizations and they were made national companies. With the new neoliberal policies, the opposite happened; national institutes and organizations were privatized. Besides that, the focus was put on decollectivization, emphasizing instead privatization, land titling and land registration. In some countries, the legislation of land was introduced to break-up the indigenous communities and the sale of their land. With the neoliberal policies, the development of commercial capitalist farms was strengthened. With new technology and the export of different products like fruit, fruit juice, vegetables, wood, and products made of wood, to the markets in Europe, the United States, Canada, and Japan, these private farms were able to respond to the new neoliberal trade and the macro-economic policy reforms. However, the peasant farmers did not have this opportunity. In the first place it was too risky for them to participate in the new export market. In the second place, they could not afford to buy the new technologies; these were too expensive. Another problem with the new technologies was that they were inappropriate for small-scale agriculture and the soils of peasant farming (Kay, 2000: 129).

## **2.2 Fair Trade in Ecuador (1980s – 2006)**

The political and historical context of Ecuador has major similarities with the context of the other Latin American countries described in the first part of this chapter. The colonial legacy was present there as well and land reform efforts were made. In Ecuador, neoliberal policies were instituted in the 1980s and 1990s; the period when Fairtrade started certifying in the country.

The land reforms started in Ecuador in the 1960s and 1970s, however, these land reforms did not help in equalizing land distribution; only ten percent of the families actually benefited from the changes of these land reforms. This is one of the lowest rates compared to results of land reforms in other countries on the continent (Kay, 2000: 126-127). In the 1970s, still 77 percent of the producers owned less than 5 percent of the land. Most of these producers only owned less than one hectare to farm on. Even though the land reforms did not manage to lessen the inequality in land distribution, the agrarian labour relations were transformed. Before the reforms, *haciendas* and semi-feudal labour arrangements were normal. This was abolished. The workers who did not have to work any more on the haciendas, were given a small piece of land to farm on. Because the farmers only were given a small piece of land, they were farming intensively. Soil erosion was the result, and this became a significant deterrent to the livelihood of small-scale producers. Besides the soil erosion problem, there was a problem with the policies for pricing and agricultural improvements; they were aimed at modernising the agricultural sector, but this did not happen (Lawson, 1999: 268). As a consequence, for a lot of people it became impossible to make a

---

<sup>11</sup> Centre for International Development at Harvard University, <http://www.cid.harvard.edu/cidtrade/issues/washington.html>, visited 1<sup>st</sup> of May, 2017.

living in the agricultural sector and they moved to the cities, hoping for a better life. The neoliberal policies which were implied in Ecuador, even stimulated this migration flow from the rural to the urban areas. Just as in many other Latin American countries, the Ecuadorian government also started with neoliberal policies during the 1980s and 1990s. This is also the period in which Fairtrade started to certify cooperatives in the country.

Especially under the leadership of Sr. S.A. Durán-Ballén Cordovez, who played an important role in the right-wing political history of Ecuador, neoliberal policies were implemented. Ballén became president in 1992, during his campaign he called for decentralization and modernization of the state, and he promised strong austerity measures. Sr. A. Dahik, an economist graduate from Princeton University, was in charge of these measures. Together, Ballén and Dahik gave the impression during the campaign that they would opt for sustainable implementation of new neoliberal policies. From 1991 to 1994 the industries owned by the state and parastatal industries were privatized. Besides that, the subsidies which were a strategy for development, subsidies to land invaders, domestic firms, and strategic sectors, were stopped (Hey and Klak, 1999: 78).

The way the rural areas were governed during this neoliberal period had a big impact on the society in Ecuador. To deal with the institutional reform of the agricultural sector, new social actors emerged. Especially indigenous groups in the Amazon became strong organized groups. Together with highland peasant and other indigenous organization, the Amazonian groups were able to form a strong alliance. This way they were able to weaken the collective forms of property, and to strengthen the collective land rights (Deere and León, 48). From the 1990s onwards, these rural movements started to elicit a response; they became organized centres of the semi-proletariat and their goal was to regain their lands; occupying was one way of doing that. In this process, women have obtained a more pronounced role in the rural societies; for them having land as a reproductive space is more important than for man. Another important point about the rural movements was that for them environmental rights were of importance as well. The marginalized communities often have to pay for the destruction caused by big capital; these communities are most commonly living in the rural areas. For them, environmental improvements are important. The rural movements which demonstrated against the neoliberal reforms sometimes are referred to as 'movements of movements' and they were converged with female rights, indigenous rights, and, as said, the environment (CARES, 2012: 9). These last three things; female rights, indigenous rights and the environmental circumstances are also coming back in the policies of Fairtrade.

With the neoliberal reforms, Durán Ballén envisioned, just as many other Latin American governments, the breakup of different indigenous and peasant communities. However, he did not expect these groups to resist. In 1994, different peasant and indigenous groups organized the *Mobilizacion por la Vida*. During this protest, there were demonstrations in every major city in the Highlands of the country; as well there was the takeover of the major oil wells in the Amazon region. With the *Mobilizacion por la Vida*, the Ecuadorian government was forced to negotiate about the situation of the different groups with the *Confederacion de Nacionalidades Indigenas del Ecuador* (CONAIE). The same year, the land law recognized the right to their ancestral lands for the Afro-Ecuadorian, indigenous, and Montubain communities. Another important issue the CONAIE was able to accomplish, was that communal farms became part of the recognized forms of organization of production.

Even though it is allowed to parcel and sell communal land, the CONAIE required that the community members had to win with a two-thirds vote for the individualization of land rights, instead of the simpler majority proposed by the government. If the peasant or indigenous communities would want to associate, this same system of two-thirds vote was needed. A last important accomplishment by CONAIE was that the communal pastures at the high elevations and forest land could not be subdivided. Besides that, they defeated the attempts to privatize water rights (Deere and León, 48). However, the new Agrarian Reform Law of 1994 changed the way rural areas were always governed. These areas were always governed by the ‘users-keepers, owners-weepers’ laws. This policy gave people the chance to occupy a piece of land legally. But the new law changed this; it became even harder for peasants to obtain legal rights after invading and occupying land (Hey and Klak 1999: 78). The changes in Ecuador show that the demand for fair trade became larger; for the producers it became harder to survive in the agricultural sector.

One of the major certified crops in the country is the banana. For the Ecuadorian economy, bananas are very important; 17 percent of the export are bananas, it is the most exported product of Ecuador after petroleum, which has 34 percent.<sup>12</sup> In the banana industry, the majority of the land belongs to Ecuadorians or Ecuadorian companies producing for export. One of the main complaints from the producers is that the price they get paid for a box of 18.45 kg bananas does not cover the production costs. Besides that, the exporters claim that the price of bananas does not pay attention to the seasonal market price fluctuations (Melo and Wolff, 2007: 261). This is one of the things the Fairtrade network gives its attention to.

Another problem in the banana industry in Ecuador are the methods used to reduce production costs. To reduce these costs, children were exploited. But there were more ways to reduce the production costs; producers were also not allowed to unionize, and the mandated environmental controls were ignored. Because of the lack in Ecuador of effective checks of the wages, working conditions, workforce, and environmental conditions, it was very easy for multinational companies to use the Ecuadorian case in their price-negotiations with other Latin American countries (Melo and Wolff, 2007: 262). The working conditions of these banana-producers were the opposite of the Fairtrade standards. For Fairtrade it is important that there is no child labour, that producers get at least the minimum wage for their product, that attention is paid to the environmental circumstances of the producers, and that they unionize; that they are part of a cooperative. For Fairtrade this was reason to start certifying banana plantations as well in Ecuador, so they could help these producers. In 2017, even 36 of the 55 Fairtrade certified organizations were banana organizations.<sup>13</sup>

Even though bananas are the most exported crop in Ecuador, there are more crops certified in the country; one of them is the cut-flower. The flower industry is also important for the Ecuadorian economy. The production in the country requires about 60.000 direct workers, and another 60.000 indirect workers. The working conditions in the cut-flower industry are almost the same as in the banana industry. Especially since the 1980s, when the flower production grew, the social and environmental circumstances became worse (Lyll,

---

<sup>12</sup> The observatory of economic complexity, <http://atlas.media.mit.edu/en/profile/country/ecu/>, visited the 28<sup>th</sup> of April, 2017.

<sup>13</sup> Flo-Cert, <http://www.flocert.net/fairtrade-services/fairtrade-certification/fairtrade-customer-search/>, visited the 31<sup>th</sup> of May, 2017.

2015: 79). The flower industry in Ecuador was, as a consequence of this, characterized by child labour, payment below minimum wage, long working days without extra payment. Besides that, workers are treated badly by their employer, especially female workers; they have unsafe workplace conditions and are working with a lot of toxic chemicals (Raynolds, 2014: 504). Responding to the request of a Swiss supermarket, Fairtrade started certifying flowers in Ecuador in 2001 (Lyall, 2013; Raynolds, 2014). All over Ecuador, there are now nine certified flower enterprises. A lot of these enterprises are family-owned and already producing since the 1990s. All of these enterprises are small-scale according to international standards with sizes between 20 and 260 acres. The flower production is very capital intensive, but the Ecuadorian flower industry is also responsible for some of the highest quality roses available on the international market (Raynolds, 2014: 504).

There was the hope that neoliberal policies would resolve the problems of rural poverty, exclusion, and landlessness (Kay, 2000: 131). However, the opposite happened. During the neoliberal period the poverty rate increased, just as the inequality between rich and poor (Bastidas, 2017: 105). The livelihoods of the producer communities only became harder due to the neoliberal period; this is when Fairtrade stepped in.

### **2.3 Ecuador in a post-neoliberal context (2006 – contemporaneity)**

As reaction to the failure of the neoliberal policies in Latin America during the 1980s and 1990s, a wave of left turns was experienced in several countries in the region in the beginning of the twenty-first century. During the neoliberal period, there was no promotion for development, and the regulation of markets, redistribution of wealth and orientation on society were destroyed. All of these had been a fundamental part of the time period, but in the beginning of the twenty-first century different countries in Latin America started to put the state in a central position in social coordination (Gallegos and Pérez, 2016: 144). The different regimes in Latin America during this period have a couple of things in common; they tried to recover the state capacity, the social expenditure was increased, and there came a redesign of the public policies. The wave of these left turns are known as the ‘pink tide’ (Bastidas, 2017: 109).

In 2007, Ecuador became part of this ‘pink tide’ with the election of Rafael Correa. Venezuela and Bolivia already started with their versions of the new socialism and Ecuador followed with the project known as Ecuador Citizens' Revolution. The idea of a ‘democratic and cultural’ revolution was inspired on the vision that the citizens of Ecuador should be placed on a path of stable, inclusive, equitable, and more democratic development. The Ecuador Citizens’ Revolution wanted to achieve this development in an ecological and sustainable way. By doing this, Correa showed a very strong rejection of the neoliberal model of development which had brought a political instability, higher inequality and an increased poverty level (Silva, 2016: 4).

When Correa became president, Ecuador had experienced a period of hyperinflation and a deep financial crisis, due to the poorly conceived and implemented neoliberal reforms. The citizens of Ecuador did not have a lot of confidence in the government and democratic institutions any longer because of non-working state institutions, political fragmentation, and corruption. Together with his political party, Alianza Patria Altiva y Soberana (Alianza

PAIS), Correa established a program which promised an end to the *partidocracia*, which embodies the traditional parties and the elites. The *partidocracia* was held responsible for the political and economic crisis Ecuador was in. With this promise, the program provided an ideological foundation for the Citizens' Revolution which would make the Ecuadorians the owners of their countries (Silva, 2016: 7). The radical transformation Ecuador has gone through since 2007 was well received by different civil society organizations. Especially the peasant and indigenous groups, who were putting pressure on the government during the neoliberal period, were positive about Correa's Citizens' Revolution. The previous neoliberal policies had reduced the support of the State for these groups, they hoped that that would change under the regime of Rafael Correa (Boelens, Hoogesteger, and Baud, 2015: 281).

In the first eight years of his presidency, Rafael Correa was able to achieve some important things; poverty was reduced, the quality of education and health care was improved and access to those facilities made easier, and there were advances in technology and science. With his post-neoliberal policies, Correa was able to improve the livelihoods of the Ecuadorians. Other accomplishments of the president were the improvements in the infrastructure of the country. Correa put a lot of effort in improving the roads of the country (Silva, 2016: 9). However, most important for the citizens of Ecuador, there was an economic growth. After several years of economic crisis, in 2012 the country had a growth rate of 5 percent. Besides that, Ecuador has an unemployment rate less than 5 percent, which is the lowest one in the region. The development Correa promised during his election campaign, came together with a significant economic activity, the generation of employment, and the promotion of equality (Gallegos and Pérez, 2016: 155).

An important step was made on May 10, 2011 when Correa, signed for a new law; the *Ley Orgánica de la Economía Popular y Solidaria* (LOEPS). This new law was supposed to work as a mechanism to benefit different groups. The main focus was on the indigenous communities, but the law was also established to benefit the workers in the rural sector, and to benefit the ones working in the informal sector; as well in the urban informal as in the rural informal sector. This new law fitted well in the concept of *buen vivir* that the president followed in his policies (Figueroa, 2014: 143). With the new law, the president of Ecuador was trying to strengthen the practices of different groups of producers, such as public and private companies, families, and independent economic activities, to include within the legal framework. Most of these groups were dedicated to care service, family and domestic retail, or artisan work; all of them small businesses, mostly operating in the informal sector. By including them in the formal sector, the hope of the Ecuadorian government was to cover the shortfalls in the financial sector of the country (Pinheiro, Aguirre, Martine sea., 2012: 573). In the law of Ecuador, the new popular and solidarity economy is defined as follows in article 1:

“For the purposes of the present law, popular and solidarity economy is understood to mean the form of economic organization in which its members, individually or collectively, organize and develop processes of production, exchange, commercialization, financing, and consumption of goods and services, in order to satisfy necessities and generate income, based on relations of solidarity, co-operation, and reciprocity, privileging labour and the human being as subject and

end of its activity, orientated to *buen vivir*, in harmony with nature, over appropriation, profit, and the accumulation of capital".<sup>14</sup>

For Correa, the new popular and solidarity economy is not based in egoism, individualism, or competition, but it is based in the principles of tradition. According to Correa, during the neoliberal period society became a piece of merchandise to be traded, with the new law the society had a change again to control the market for common objectives; the economic relations were again socialized (Nelms, 2015: 110). This was necessary because in the Ecuadorian society a lot of people were made invisible during the neoliberal period. There were a lot of people who did a lot for the country in Correa's opinion, for example housewives and informal merchants, who were not recognized in the existing law. With the law of popular and solidarity economy the solidarity enterprises and family economy were finally recognized; by doing this, everyone in the Ecuadorian society was included (Nelms, 2015: 106).

In the popular and solidarity economy, a lot of Fairtrade standards are recognized; there is even one principle of the LOEPS which states that work should be done in an ethical, responsible, and fair way. In the other principles it is also very clear that there are similarities with the Fairtrade standards. For Fairtrade, one of the most important standards is that producers are united by a cooperative; the value of cooperation, dialogue and solidarity are also very important for the LOEPS. Another standard of Fairtrade is that there is no discrimination, that women have the same rights and that they are equal. In the popular and solidarity economy, the key role of women and women's issues have to be valued as well. Besides that, equality, integration, and social cohesion are some of the principles of *el buen vivir*, the LOEPS is part of this. Another principle of the LOEPS is that the Ecuadorians have a social and environmental responsibility; they have to take care of nature (Cajas Guerrero, Oña Serrano and Pantoja Díaz, 2016; Melo Neto and Pereira da Costa, 2015).

## Conclusion

As discussed, the colonial legacy is still present in the rural structures of Latin America. The plantations, especially for bananas, are a big part of the rural landscape of Ecuador. But there are not only plantations; also smaller producers have their lands. For a lot of producers, the circumstances in which they work are lacking; they earn below minimum wage, on the land they work with toxic chemicals, and child labour is a well-known phenomenon. For these producers, Fairtrade is helping.

For the understanding of fair trade it is important to understand the difference between the movement and the network. The movement is older and with a more political background, while the network is more like how fair trade as known today. The network started in the period after the Second World War, the same period in which the governments of Latin American countries moved their attention from the rural economy to industrialization. The producers were a bit forgotten. So in the period when the livelihoods of the producers in the South became harder, fair trade offered a change for better circumstances.

---

<sup>14</sup> Cited from: Nelms, 2015: 112

However, the network of fair trade grew and gained more influence during the neoliberal period, in the 1980s and 1990s. Different Latin American countries (Ecuador was one of them) started with neoliberal policies in which the focus was on decentralization and privatization. There already was not a lot of support for the producers, but this became even worse under the neoliberal government. A lot of indigenous people lost their land, and as a reaction rural workers started to organize and put pressure on the government. This solved a little bit, but at the end of the neoliberal period it was clear that the problems of poverty, landlessness and inequality were not solved. The opposite happened; the problems were even greater.

The newly elected president, Rafael Correa, who became president in 2007, was supposed to solve these problems. With his policies, he centralized the government again, he invested in social programs and in the infrastructure of the country. A very important step was his new law, the LOEPS, signed in 2011. With this new law, the idea was that everyone in Ecuador became part of the economy; the ones who were forgotten and invisible in the past were included again. This also gave small producers on the country side the chance to be part of the Ecuadorian economy.

## **Chapter 3.**

### **Fair Trade cacao in Ecuador**

This last chapter will focus on the cacao producers in Ecuador. Hereby the main focus will be on the fair trade cacao producers in the province of Los Ríos where my fieldwork research mainly took place. In the first part of this chapter an introduction will be given about the history of cacao in Ecuador, and how the cacao business works in the country. After that, this chapter will analyse the impact of Fairtrade on the cacao producers associated with La Cruz, and the role of La Cruz and UNOCACE in the Fairtrade network. UNOCACE is one of the largest Fairtrade certified organizations in Ecuador, and is working with twelve different cacao-producing cooperatives; the largest cooperative they are working with is La Cruz. This is why the case study is mainly focused on these two cooperatives. Because there are also a lot of small cooperatives which work according to the Fairtrade standards, but do not have the certificate, the third and last part of this chapter will analyse the case of Aromas de Yasuni, a small cacao and coffee cooperative which has the ambition to obtain the Fairtrade certificate in the future, but who does not yet have the resources to obtain the certificate. This will show that not all small-scale producers have the ability to be part of the Fairtrade network, even though the aim of Fairtrade is to help those producers.

Nowadays, most of the cacao is produced in countries in West-Africa, like Côte d'Ivoire, Ghana and Nigeria. It was not always like that; already in pre-Columbian times the cultivation and consumption of cacao was wide-spread in Latin America; the Aztecs even used the cacao-beans as currency. After the Spanish conquest, chocolate drink, with added sugar and spices by the Spanish, was introduced in Europe. During the 16<sup>th</sup> and 17<sup>th</sup> century the drink became very popular, and to fulfil the demand for the chocolate drink, cacao plantations spread through Latin America. The coastal and Amazonian parts of Ecuador turned out to be very good for cacao-growing (Griffith, 2004: 71).

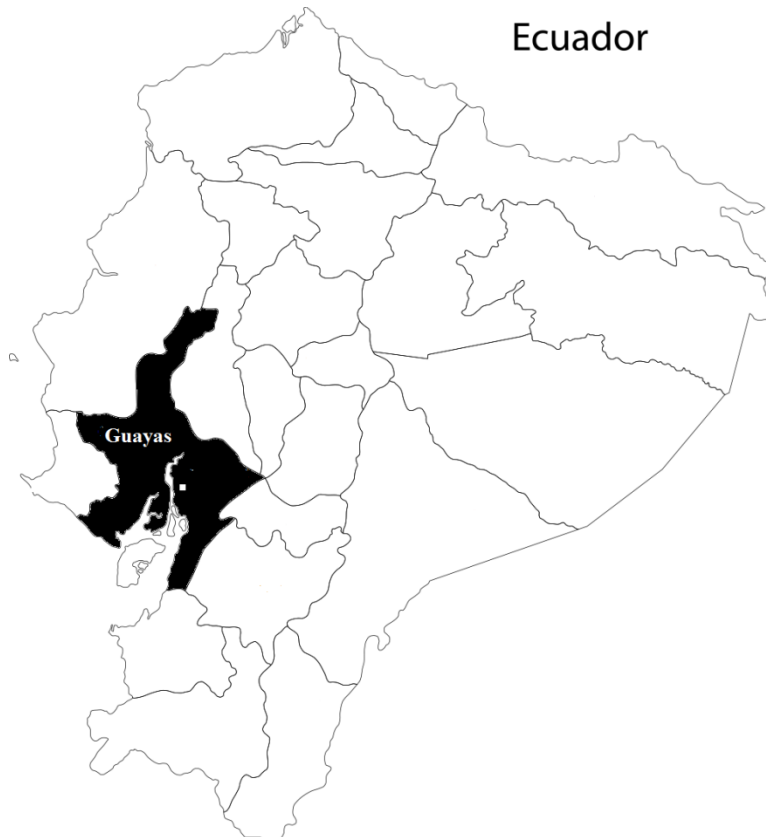
#### **3.1 The cacao business in Ecuador**

The cultivation of cacao in Ecuador is ancient and goes back to the pre-Columbian age. It was already a cultivated crop before the Spanish domination of the country. This was also the case for the national cacao of Ecuador; *cacao nacional fino de aroma* (Loor Solorzano, Fouet, Lemainque, 2012: 1). One special thing about this type of cacao is the aroma which gives the cacao beans a flavour, which is very popular among high quality manufactures. Another thing which is even more special, is that this type of cacao is only produced in Ecuador. In the country, this is also the only type of cacao which can obtain the Fairtrade certificate.

When the Spanish entered Ecuador, the cacao production was only on a small scale. The production of cacao on a larger scale started in the 19<sup>th</sup> century. The consumption of cacao grew when Mr. Van Houten developed a method to prepare cocoa powder in 1828. With this development it became easier to make chocolate drink. In this period, Ecuador emerged as the largest cacao producing country; between 20 and 50% of the world production throughout the 19<sup>th</sup> century came from Ecuador. Especially in the coastal region, *haciendas*



started with the large production of *cacao national fino de aroma* (Griffiths, 2004: 71).<sup>15</sup> Unfortunately, this booming business of Ecuador ended abruptly when in 1921 a disease infected the cacao plants. In less than a decade, the production was halved. Because cacao was more a crop for plantations, the disease affected a lot of landlords. By the late 1920s, a lot of these landlords had abandoned their land. This land was later taken over by banana producers (Parsons, 1957: 203).



16

Even though cacao is not the most exported crop for Ecuador any more, it is still important. As said, Ecuador has the *cacao national* which gives them an advantage compared to other countries. This cacao is mostly found in the region of Guayas (shown in the map above) and worldwide is known for its strong floral aroma, called 'Arriba'. This floral aroma is only found in the national cacao bean and is highly appreciated by chocolate manufactures all over the world (Loor Solorzano, *et al.*, 2012: 2). This type of cacao, *el cacao national fino de aroma*, is the only one in Ecuador certified with the Fairtrade label. However, most of the cacao producers spoken of in this thesis do not only produce the national cacao (for which they are certified), but they also produce other types of cacao like *Criollo* or *Trinitario*. These cacao beans are not sold for the fair trade markets, but they go to the conventional market.

---

<sup>15</sup> There are a lot of different types of cacao. Cacao national (*fino de aroma*), is only produced in Ecuador, which makes it very special. This is also the only type of cacao which has the Fairtrade label in the country. Other types of cacao which are produced in Ecuador are Criollo and Trinitario, <http://ecuadorsfinetaste.nl/onderscheid-cacao-ecuador/>

<sup>16</sup> Adaption elaborated by the author of this thesis, based on the image of Ecuador Map, <http://ecuadormap.facts.co/ecuadormapof/ecuadormap.php>, visited on the 1<sup>st</sup> of June, 2017.

Besides the other types of cacao, all of the producers have multiple crops on their *fincas*.<sup>17</sup> Most of the time the producers have, besides cacao, coffee, mango, corn, and rice. The national cacao they can sell to their cooperative as fair trade. The other products they have to sell at the conventional market. For all the cooperatives I have spoken of, there is the requirement that producers do not only have one type of crop on their *fincas*, but multiple. *Cacao nacional* is very susceptible to diseases. For producers it is because of that very important not to be dependent on just one type of crop. Besides that reason, cacao also has a production period of only four to five months; the rest of the year the producers are depending on their other crops to survive.<sup>18</sup>

*Cacao nacional fino de aroma* is cultivated roughly between November and April. The pod has a yellow outside when it is ripe; to take the cacao pod off the tree, the producers still use a machete. Thereafter, they open the big yellow pod and take out all the cacao beans, normally there are around 40 beans in a pod. At this stage, the cacao beans have a white, sweet, sticky layer around them. With the bags filled with cacao beans, the producer goes to the cooperative he is associated with. At the cooperative, the bag is put on a scale, the weight of the bag is noted on a piece of paper, and the producer can collect his money at the desk of the cooperative. The side note here which has to be made is that the producer does not always get his money directly; sometimes it can take over a week before they get paid for their cacao.<sup>19</sup>

The process of drying the cacao continues at the cooperative. First the bags of cacao are emptied above a wooden box; the fermentation process starts here. Normally these wooden boxes are set on top of each other creating a kind of staircase. The beans start in the highest box and are shovelled into the bottom box after a while. The process of fermentation takes about a week, then the beans are taken out of the bottom wooden box and dried. The way the beans are dried depends on the modernity of the cooperative. Some cooperatives have special tables made of wood to put the beans on to dry. If these tables are not available, or if there are too many beans to put them all on the drying-table, the beans are put on the ground in the sun to dry. To make sure the beans are absolutely dry before transporting them, they are put in an oven for several minutes. After the oven, the beans are put in bags again and are prepared to be transported to the manufacturing clients.<sup>20</sup>

## **3.2 UNOCACE and La Cruz**

### *3.2.1 UNOCACE*

The cooperative of UNOCACE (*Unión Nacional de Organizaciones Campesinas Cacaoteras del Ecuador*) was founded on the second of February, 1999, and started with 157 associated cacao producers.<sup>21</sup> The foundation of the organization started as ‘Project of the Reactivation of Cacao’. This project, to improve the quality of cacao and to improve the productivity of

---

<sup>17</sup> The land small-producers own in Ecuador is called a *fincas*. The border zone between the different pieces of land is not very clear, there are no border marks.

<sup>18</sup> Information based on the different interviews.

<sup>19</sup> Information based on different interviews and the experience of the author.

<sup>20</sup> Information based on the different interviews and experience of the author.

<sup>21</sup> English Translation: National Union of Cacao Farmers of Ecuador.

cacao, started in 1999 and was financed by the European Union, the French Government and partly by the Ecuadorian government. In 2000, this project stopped, but with the other participating cooperatives in the project, UNOCACE was formed to continue with the improving of the quality and productivity of the *cacao fino de aroma*, the national cacao. Now UNOCACE is a project of the commercialization of high quality cacao, and of valuing the arranged higher quality of life the cacao-producers have currently.<sup>22</sup>

Already in 2002, UNOCACE obtained the organic certificate; this happened because they were looking for a niche market for their high quality cacao. In the same year, they transported organic cacao for the first time to a client in France. In 2006, the organization of UNOCACE qualified for the fair trade certificate. However, it was not until 2010 that they actually got the FLO certification. When they had the certificate, they could not do anything with it; the French client could not agree with the companies which demanded fair trade. As a result, UNOCACE continued with the French client, but not with fair trade. It was not until 2013, when the business relation with the French client ended, that they continued with the fair trade certificate. In the beginning, the organic certificate was only for the European market, later there was also one for the United States and Canada. With Fairtrade there are no different certificates needed for different continents or countries; with Fairtrade they can export to all of these countries, and that is how UNOCACE works today.<sup>23</sup> The organization of UNOCACE is working in total with twelve different cooperatives at the moment in the provinces of Los Ríos, Guayas, and El Oro. Altogether they have 840 associated cacao producers with a total of 3500 hectares of land.<sup>24</sup>

Every cooperative which wants to be part of UNOCACE can be part of the organization, on the condition that they complete all the organic and fair trade requirements. This means that UNOCACE will check if there is a director, an assembly, and also how many producers are associated. If a cooperative does not complete the organic requirements beforehand, a transition process of three years has to take place; they have to switch from the conventional way of producing to the organic method. Besides that, the cooperative needs to be taught how the popular and solidarity economy, of which UNOCACE is also a part, works. After the three years of transition it is possible for a cooperative to obtain the organic certificate. For Fairtrade this transition period is not necessary, however, because Fairtrade is taking care of the environment as well; there is a list of chemicals forbidden to use.<sup>25</sup>

For the producers, and in the fair trade process, the organization of UNOCACE is important. All the cacao from the twelve associated cooperatives first send their cacao to UNOCACE. When they have all the cacao, UNOCACE transports the beans to their clients on the domestic and export markets. But according to the different workers at the big organization, the cooperatives are also very important in the cacao industry. Infrastructure for the cacao process is, for example, necessary; fermentation boxes, and drying tables for example. For producers it is too expensive to buy all of these infrastructural necessities

---

<sup>22</sup> F. Cabello, Recinte del Deseo, Guayas, 12-14-2016.

<sup>23</sup> F. Cabello, Recinte de Deseo, Guayas, 12-14-2016.

<sup>24</sup> F. Cabello, Recinte del Deseo, Guayas, 12-14-2016.

<sup>25</sup> F. Guerrero, Recinte del Deseo, Guayas, 12-14, 2016.

themselves. A cooperative can invest in this type of equipment which all the producers can use; the cooperatives have the basis which improves the productivity.<sup>26</sup>

All of the employees of UNOCACE point out that Fairtrade is important for the cacao producer. Sr. Cabello tells me that especially the better price is important. With that extra money, they can take care of the environment. Taking care of the environment is also possible because all the producers are part of the association; they work in groups. Fair trade offers the commercial activity, but without this activity the producer cannot defend himself. The premium is helping the producers because with that money they are able to invest in their *finca*. Sr. Cabello says:

“We believe that if the producer invests in his *finca*, if he takes care of his *finca*, if he renovates, the productivity will increase. It is not the price which will help the producer escape poverty, it is the productivity of the land. The commercial activity is the motivation to invest in the *finca*. If this activity is not there, he will never do that. That is what we want to reach”.<sup>27</sup>

But the benefits of Fairtrade should not only be for the cacao producers; it is also important that the living conditions of their families improve. Especially the social effects like the access to education and healthcare are important improvements UNOCACE hopes the Fairtrade certificate will give the producer. The security of nutrition is also very important. Sometimes it is hard for producers to survive; it is a hard life in the rural areas. But because one of the demands of UNOCACE is that the producers all have more than just one crop on their *finca*, they can supply everything they need for themselves; not only in that they can consume the crops, but also that they can sell them to facilitate the possibilities of education and healthcare.

Education for the producer children is a very important aspect. One of the requirements of Fairtrade is that child labour is not allowed. This forwards the idea that all children have the right to go to school. However, the premium of only \$200 cannot generate any scholarship for the children of producers. On the other hand, it is possible to give them a little bit of support by buying notebooks. The low rate of the premium exacerbates UNOCACE's problem; they want to help the producers in improving their livelihoods, but they do not always have the resources to do so. Most of the money is invested in productivity, but benefits for the small producer are not visible. There are some social projects UNOCACE is participating in, but these are not projects implemented by FLO; these projects come with the help of some German clients. Some clients of UNOCACE want to help with the development of the communities. The Fairtrade premium on the other hand is invested more in infrastructure. This was a little bit different in the beginning, when UNOCACE just had the Fairtrade certificate. Back then, the money was invested in the organic part. The reason behind this is that all of their clients are organic, but not all of them demand fair trade. Half of the cacao is even still manufactured as only organic cacao, not as Fairtrade. There are not

---

<sup>26</sup> F. Guerrero, Recinte del Deseo, Guayas, 12-14-2016.

<sup>27</sup> Translated by the author.

enough clients asking for the latter certification.<sup>28</sup> Sr. Guerrero adds: “I would like to have more clients, more fair trade clients. It is a shame”.<sup>29,30</sup>

This shows that there still are a lot of improvements needed for the cacao farmers in the fair trade network. The people working for UNOCACE agree with this statement. Sr. Cabello even stated that in the cacao sector, fair trade is not fair. He explained:

“We have a premium of \$200, that is not enough to develop the cacao sector. We had a revenue of \$3.500.000 of cacao, the costs of the Fairtrade certificate are \$70.000. We check in \$3.500.000 and receive \$70.000 in Fairtrade premium. With that we have to develop projects of high impact which we cannot make true. In the banana industry it is different, they get a dollar for every box, for every \$12, they get \$1. For every 22 quintals in a ton, that will be around \$100. A producer with his own *finca* has 1200 boxes, per hectare, per week. So the level of income is different”.<sup>31</sup>

Besides this difference in how organizations receive the Fairtrade premium based on their crops, Sr. Cabello gives another point of improvement. According to him a lot of the times the organizations now receive the premium, and the money stays there; the producer is not receiving any benefit, there are no social projects, no investment at all. So the producer does not always benefit from Fairtrade; he is just working to make sure that his organization, and the company they are working for, can commercialize. This persists while the price should go to the producer, and there are more concerns about Fairtrade. Sr. Guerrero says that Fairtrade International asks of the cacao producer to make a plan, a developing plan, an individual plan for the *finca*, for the producer. In this plan, the producers have to explain what they would like to develop with the Fairtrade premium. Sr. Guerrero explains:

“try to explain this to a producer of 50, 60 years of age, who has not finished school. Telling him that he has to make a developing plan is a little bit difficult. If the producer does not have a plan. You have to understand that in their social conditions, this producer, in his cultural conditions, he is not able to do something like that”.<sup>32</sup>

Asking the producer to make a plan is something Fairtrade should change in their policy according to Fernando. It is a formality, and formalities are also necessary for a large organization like FLO, but the formalities should be for the cooperatives. One of the requirements of FLO is to associate in cooperatives. The result being that the certificate is owned by the group, the associated producers, and that no one individually owns a certificate. As Fernando continued: “Let the cooperative make this plan with the group of producers. Let UNOCACE make the developing plan in this case”.

Even though there are, according to UNOCACE, still a lot of improvements needed to be made, fair trade is important for the cacao producers they say. Sr. Almeida explains that this is mostly because of economic reasons. The majority of cacao is coming from small producers, but the market price does not represent the work they have done to deliver the

---

<sup>28</sup> J. Almeida, F. Cabello, F. Guerrero, V. Bajañez, Recinte del Deseo, Guayas, 12-14-2016.

<sup>29</sup> Translated by the author.

<sup>30</sup> F. Guerrero, Recinte del Deseo, Guayas, 12-14-2016.

<sup>31</sup> Translated by the author.

<sup>32</sup> Translated by the author.

cacao to the markets, which are currently in the centre of New York. Fairtrade increases their income, or at least improves the living conditions of the producers. That way, the producers win. Besides that, UNOCACE also has the organic certification; the small-scale producers do not work with any chemicals. Because of that, the producers are attracted to becoming more active in Fairtrade, to improve their gains and to develop their living conditions.

### 3.2.2 *La Cruz*

UNOCACE is the big organization exporting the cacao, but they do not have any producers themselves. The producers are all part of one of the twelve other cooperatives UNOCACE is working with. One of these cooperatives is La Cruz, located at Mocache, in the province of Los Ríos. During the first week at UNOCACE I went with Sr. Guerrero to the cooperative La Cruz, so I could get a better idea of how everything works. During that first visit I spoke with Sr. Franco; the other interviews I have used for this part were taken during my second visit when I stayed over the course of four days. During the second visit I stayed with the family of Sr. J. Aguayo Ibarra. His son took me on the back of his motorcycle to all the different producers. The information in this part of the case-study is based on all the different interviews held with the producers of La Cruz.



33

For the producers of La Cruz, cacao is the main source of income, but they are lucky with the ground they live on; it is possible to produce all different types of crops; coffee, fruits, wood,

---

<sup>33</sup> Adaption elaborated by the author of this thesis, based on the original image of Ecuador Map, <http://ecuadormap.facts.co/equadormapof/equadormap.php>, visited on the 1<sup>st</sup> of June, 2017.

corn, and rice are always there. Already for more than twenty years the cooperative has been doing business in cacao *fino de aroma*. Since 2013 the cooperative has started to receive the benefits of Fairtrade; that year being when UNOCACE decided to do more with the certificate than they already had been in the previous years.

The community of producers working for La Cruz all have their own small-scale *finca*. However, for an outsider it is hard to see which land belongs to who. All trees and plants are surrounding the houses without a clear border. The producers do not all live very close to each other; for some it is a long drive to bring their cacao to the *bodega* of the cooperative. Most of the producers are all related, something which happens in most producer-communities. Not all of the producers were part of La Cruz from the beginning; a lot of them were part of the founders, but some of the producers waited a long time before associating, all with their own reasons.

An often heard reason for the producers to associate with a cooperative is the better price cooperatives can offer them compared to the middle man at the market. The producer's life is hard and insecure; the better price can be, because of that, a big difference for the income of a producer. Almost all of the producers I have talked to, told me that the better price the cooperative could offer them was a reason to associate with La Cruz. Some producers pointed out that the better price also improved their living conditions. Another reason the producers gave, was that a cooperative can give more pressure if the producers want to reach something. Being united makes them stronger. But being part of the cooperative, being united with other producers, also makes the producer feel part of a big family. That is also very important for them, the friendship between the different producers. In the fair trade process, La Cruz and UNOCACE have a large role as well. They can help in improving the quality of the cacao, of the production. Besides that, the cooperatives know the value of cacao and the quantity of fair trade.

One of the things which became clear during the interviews with UNOCACE, was that they were very proud that they put the cacao producer first and that they do not keep the Fairtrade premium for themselves. However, the producers of La Cruz do not totally agree with this. They are all satisfied with the stable price they get for their cacao right now, but there is a lack in social projects, something which Fairtrade says they are providing. For the producers, because of this, the most notable change since the certification of La Cruz is the better price. This, however, does not mean that all of them are also satisfied with the price they get for the product. As Sr. P. Aguayo Alvarez said: "The cacao is so low, the price of cacao. We have the best cacao in the world, they should pay us a better price". This was an often heard comment; the producers were satisfied that they were given a better price for their crop than before, but they still did not think the price was completely fair.

An important part of Fairtrade is that they claim to invest in social projects. When cooperatives get the Fairtrade premium for the first time, a lot of the times, they first invest in the infrastructure of the cooperative. This also happened with La Cruz. At the *bodega*, there are the fermentation boxes, there is a long wooden table to dry the beans on and there is a big square in the middle where the beans can be laid down to dry. There is also a barn where cacao can be stored, but where they also have their meetings. Sr. Franco pointed out the new roof the barn had gotten with the Fairtrade premium. The drying tables were also replaced, and there were some other small investments done in the infrastructure of the cooperative.

However, not a lot of investments have gone to the producers, yet. The roads to the community were sandy roads with a lot of holes; most traffic moved by motorcycle, the roads we used to go from producer to producer as well. A lot of the times when I talked about social projects with the producers, they did not really know what I was talking about. They had not seen any type of social project before, but they all agreed that social investments were needed.

According to the different producers, these investments were needed because of different reasons. One underlying reason was that they did not feel supported by the government. They said that they thought that social projects, like education and healthcare, were part of the government. However, because the government did not really show any interest in them, they thought Fairtrade should invest in these type of projects. One of the producers Sra. Coronel told me:

“Well, in healthcare... the state... if I go to the hospital, I was sick. They investigate, they do some test, but there are never medicines in the hospital. They give you a receipt and you go somewhere else. The government chooses the hospital. Now, the poor people, overall, can go to the hospital and there is nothing. If you are not dying, let's say, with fever, they do not help you. They do not do anything for healthcare, even though the government says they do. That is the reality. What the government says there is, it is not there. The producer, we here as producers say, I live, I am a woman on my own, I work to survive. We as producers are completely forgotten. We have absolutely nothing”.<sup>34</sup>

Because of these circumstances, the living conditions of the producers, they do believe that Fairtrade should help them with these things. They do not feel that anyone in the government is representing them, or providing support to give them what they need. Fair trade should fill this gap in the opinion of the producers. That is why social projects for education of the producers and their families, and healthcare projects, are part of fair trade, they say. Even if Fairtrade would help with small investments, most of the producers of La Cruz would be happy; a lot of them pointed out that the Fairtrade premium could help the school with new benches, or a painting if they needed that. Some of the producers, however, also mentioned bigger projects for education. Some of them pointed out that it might be a good idea to educate the producer more about the ways they can use their *finca*, about the transition from conventional use of their land to organic use, without any chemicals. Besides that, some of them also pointed to the fact that not all of the cacao producers in the community ever finished school. For some of them it might be good if FLO would begin some social projects focused on the education of these farmers, so they have a chance to finish their school and at the same time learn some technical aspects of farming. This might help them in improving the productivity of their *finca*. Another improvement needed in Fairtrade, some of the producers pointed out, was the need of new plants. A lot of the cacao plants on the *fincas* were about 50, 60 years old. Because of the age of the plants, the productivity is less, and they are more vulnerable to diseases; something which the producers had to deal with at the time of my visit.

Even though the producers told me that there were still a lot of improvements needed, there were some changes they could notice. One of these changes we already discussed, the better and stable price they get now for their cacao. This better price contributed to the

---

<sup>34</sup> Translated by the author.



improvement of their living conditions. One of the producers gave me the example of the food at his home. Since the certification, the food he can serve at home is better, and there is more to eat. Even though this seems like a small change, for Sr. Dominguez this was an important improvement to tell me. But the improvements in the quality of life were mostly for the producers with a family, and the ones who were living closer to La Cruz. For the producers who were living a bit further away, the improvements were less notable. One of them even stated that there was nothing fair in fair trade, to be honest. Also, the two female producers I spoke to could not tell me of any improvements other than the better price. They both were living alone, with children who already left the household. In their opinion, the producer life was still too hard.

Another, often heard positive change according to the producers of La Cruz, was that they were not working with chemicals any more. Sr. Roja pointed out that the end of the use of chemicals on the field, it was more tranquil in the house. During the interviews, some producers also thought that the Fairtrade certificate was the same as the organic one, or they were mixing up the two certificates. Already before the Fairtrade certification, the producers of La Cruz were working organic. Even though this is also on the requirements made by FLO, the ones of FLO are less strict than the ones for the organic certificate. In asking further about this topic, the producers also told me that for them, besides the stable price Fairtrade is offering, they actually think the organic certification is more important.

“The organic certificate is more important, yes. In other countries, on the level of Ecuador. Like organic, we are a little bit different. We take care as producers. We fight for the cooperative, we take care of our families. Family is something. The ground we have, it is something good. So, we are looking for something which gives us that”.<sup>3536</sup>

In general, most of the producers were positive about the certification of Fairtrade. Maybe it is not giving them the lives yet they would like to have, but they have hope for the future. But if fair trade wants to really improve the livelihoods of the producers, a lot of work still needs to be done. The producers have their own ideas about what exactly needs to be done for them. The most important improvements for them are mentioned; the increase of the price they get for the cacao, the renovation of their *fincas*, and more investment in social projects. This shows that even though UNOCACE thinks there are also still things which can be improved in the fair trade system, they are more positive about the effects for the producers, than the producers actually are themselves. This however, does not mean that fair trade is something without any effect at all. As mentioned a couple of times in this part about UNOCACE and La Cruz, the stable price is important. The insecurity about the price the producers will get when they are going to sell their cacao is taken away. At the same time, it was not until 2013 that UNOCACE (and with them, La Cruz), were doing something real with the certificate they had. Because of that, the social projects are still in the initial phase, with hopefully in the close future some actual improvements. This shows as well, that the cooperatives are very dependent on their clients. Till 2013, the biggest

---

<sup>35</sup> Translated by the author.

<sup>36</sup> Sr. A.V. Aguayo Franco, Mocache, Los Ríos, 12-28-2016.

client UNOCACE was working with, was not able to reach an agreement with fair trade demanding companies. As a result, UNOCACE was not doing anything with that certificate and the living conditions of the producers at La Cruz were not changing at all. For organizations like UNOCACE it is a challenge to obtain enough clients demanding fair trade so they do not have to sell their high quality cacao on the conventional market. If they want to give the producers of cooperatives like La Cruz better living conditions, something has to change with their clients; not selling their cacao 50/50 any more, but the majority of the cacao to the fair trade market. That is their challenge.

### 3.3 Aromas de Yasuni

The cooperative of Aromas de Yasuni is located in Ciudad Blanca, close to National Park Yasuni. The fair trade store Camari, in the centre of Quito, had given me the phone number of Sr. Angulo. After some phone calls, I went to Francisco de Orellana (better known as El Coca) for our meeting. The town of El Coca is located in the Amazon area of Ecuador, with tourists it is mostly known for the boat tours to the Amazon forest which leave from there.



37

Before we started the interview, Sr. Angulo and Sr. CeVallos had one condition before giving me any information; I had to come to their community to see there how they are working. For them, this was really important; they saw themselves as the secondary source, while they saw

---

<sup>37</sup> Adaption elaborated by the author of this thesis, based on the image of Ecuador Map, <http://ecuadormap.facts.co/ecuadormapof/ecuadormap.php>, visited on the 1<sup>st</sup> of June, 2017.

the *finca* as the primary source. Luckily enough this was also the idea I had in mind for this research, staying with the producers to get a complete image of how the day to day life of these groups of society is.

Aromas de Yasuni started in April 2015 as AsopriaBet. They started as a cooperative selling only the raw goods of coffee and cacao to the big companies in Guayaquil, Quevedo, and Manta. In December the cacao was at a good price and everything went well with the organization, but in January the prices dropped. The cacao was only worth \$108, contributing to a loss of almost \$3.800 for the cooperative. For the new and small cooperative, this brought up the question of if they could continue with their cooperative, or if they might have to change the way in which they were working. They decided to continue with the cooperative, but to change the way in which they were working. Producers do not consume a lot of cacao or coffee themselves, so the cooperative decided to do something new in Ecuador, focus on the domestic market instead of the export; this way crops of high quality also stay in the country itself. They also decided to manufacture cacao paste themselves; since the 17<sup>th</sup> of April 2016 this cacao paste has been sold. With these changes, the cooperative was given another name as well; ‘Aromas de Yasuni’, after the national park.

For Aromas de Yasuni the Institute for Popular and Solidarity Economy (IEPS) was the only way to associate in a legal way. As explained in the second chapter, the idea of IEPS was to give small scale producers and other workers in the informal sector the possibility to enter the formal sector and benefit. However, according to Sr. Angulo and Sr. CeVallos, IEPS is not giving them any benefits. They did not give them another option than to be part of this type of economy if they wanted to have a legal cooperative. The biggest negative point they see about the IEPS is that the institute is focused only on the cooperatives which are not producing a lot; they are not stimulating the cooperatives to grow, and because of the lack of help, small cooperatives will stay small. Aromas de Yasuni on the other hand, has big plans. They want to grow and to export to foreign countries in the future; they have a lot of ambition.

One of the reasons for Aromas de Yasuni to form the cooperative was because, according to them, it is important to be united. If a producer is not part of a cooperative, there is a middleman to whom they have to sell their crop. United, it is possible to pay a better price. Aromas de Yasuni is paying a better price and at the same time they are able to manage the quality of the cacao and coffee; alone this would have been impossible. One of the producers also gave this as the main reason to associate with Aromas de Yasuni; she always had had her *finca*, but the higher and stable price gave her the ability to support her family a little bit better. Besides that, in a cooperative there is also security for the producer.

The cooperative of Aromas de Yasuni is working according to the Fairtrade standards, and their products are sold at the fair trade shop in Quito. Even though they are working according to these standards, and they would like to have the certificate so it would give them possibilities to export, they do not have the FLO certificate. The main reason for this is that they are too small; there are only 14 producers associated with them. Because they are so small, they cannot afford the costs for the certificate. This is part of the reason that according to Sr. CeVallos and Sr. Angulo there is not really such a thing as fair trade; the Fairtrade certificate is only for the richer small-scale producers, not for all of them. Besides that, they also told me that a lot of times they do not get their money directly from the distributor, in this

case Camari. They sell their product, but have to wait some days before they get their money; they get paid in credits. The two men do not think this is fair. Another reason that they question if there is really such a thing as fair trade, is because of the money which almost never reaches the producers. They feel like a lot of the money is staying at the cooperatives and is not invested in the producers who deserve it. However, the biggest problem according to Sr. CeVallos and Sr. Angulo are the rules of the European Union to export to these countries. The Europeans are the ones who are demanding fair trade products, but at the same time there are so many rules that it is impossible for small scale producers to export to countries in the European Union. Here it is again that only the richer cooperatives can export; they are the ones who can pay to export to Europe.

Overall, the producers of Aromas de Yasuni were satisfied with the conditions in which they were living; they were satisfied with the way the cooperative and everything was going, the better price they got for their cacao. However, they still have a lot of dreams; dreams to grow and to export to Europe.

## **Conclusion**

Cacao in Ecuador, especially *cacao national fino de aroma*, has played a significant role in the history of the country. It is still an important crop for the national economy, and the only one certified with Fairtrade. For the cacao sector, the Fairtrade certificate is important. The producers are a group in society which is not represented a lot; they miss someone who is supporting their rights; they see Fairtrade as an organization which can fill this gap. By providing a stable price; the producers of La Cruz are not living in insecurity any more. They also notice a little bit of improvements in their livelihoods, but this is mostly related with the stable price they get. For them, more important is that they are not working with chemicals any more, something they are proud of; they see it as an improvement for their health, and for the health of their children.

Even though the producers of La Cruz experienced a small improvement since they work under the Fairtrade certificate, there are still a lot of improvements needed. The cooperatives are depending on the demand of Fairtrade from their clients; if their clients do not demand certified products, the cacao is not sold as Fairtrade. This is what UNOCACE experienced the first three years owning the certificate, and they are still only selling half of the cacao as Fairtrade cacao. Another problem is the distribution of the Fairtrade premium. UNOCACE claims that they invest in the producers with this extra amount of money, but the producers of La Cruz have not experienced a lot of investments in social projects, even though they all clarify that social projects are needed in their community.

For Aromas de Yasuni things are a little bit different. Their products are organic as well; they do not use any chemicals and they also still use a machete to take the cacao pot off the tree. The cooperative is proud of way they are working. About fair trade on the other hand, they are a little bit more sceptical. The cooperative is working according to the Fairtrade standards, but because they do not have the resources to obtain the certificate they do not own it. At the same time, the cooperative also would like to export their products to countries in Europe, but without the Fairtrade certificate this is impossible for them; the rules to enter Europe are too strict. The sceptical attitude of Aromas de Yasuni might have to do with the

fact that they do not own the certificate yet, and because of this it is harder for them to grow. On the other hand, the point they made about Fairtrade only being for the richer cooperatives has a truth in it. The cooperatives have to pay for the certificate, and a small, beginning cooperative like Aromas de Yasuni does not have the resources.

The Fairtrade network has accomplished some improvements in the livelihoods of the producers of La Cruz. However, there are still a lot of possibilities to increase the benefits for the producers. The first step would be the implementation of social projects; this would show the producers that they are important. Another point of improvement would be to make the access to Fairtrade easier for the real small cooperatives, the ones like Aromas de Yasuni. For them it is important to obtain the certificate, but at the moment they are not able to. For Fairtrade International, there is a challenge in this.

## Final conclusion

A lot of different aspects of the difficult subject of Fairtrade have been discussed in the chapters of this final thesis. My main motivation to do research about this specific topic was to show that Fairtrade does have an impact on the livelihoods of the producers in the South. In my case study about the effect of Fairtrade on cacao farmers in Ecuador, different points of the ongoing academic debate were notable. The discussion about the effect of the social premium, the role of the cooperatives, and the small effect the minimum price has on the lives of the producers in the South also related to the cacao producers of the producers of La Cruz. As we have seen, a large point of critique is the high price cooperatives have to pay for the certificate, this excludes all but the wealthiest cooperatives from being part of the network. This became very clear in the case of Aromas de Yasuni. Everything discussed in this thesis shows that Fairtrade is still lacking in some areas.

The standards of Fairtrade International reflect the approach of global market justice; there is no use of intermediates, so they can pay a living wage to the producers. Besides that, the manufacturers buying Fairtrade cacao should pay a social premium to the certified cooperatives, so investments can be made for the needs of the communities. Another important standard is that the certified cooperatives work according to the Human Rights Convention of the UN. A last important standard is that the producers are working in healthy circumstances; there is a list of chemicals which they are not allowed to use. However, multiple scholars have shown with their own case-studies that the standards of Fairtrade are not always the reality for the produces in the South. My case-study about cacao producers in Ecuador is in line with these results.

One of the most important standards of Fairtrade, the minimum price, clearly shows the difficulties of the institution. This set price does cause a more stable income for the producers, something that is very important for them. However, the extent to which the minimum price affects the livelihoods of the producers is not completely clear; according to some scholars the effect is larger than according to others. For the cacao producers focused on in this thesis, the minimum price did change a little bit in their livelihoods; most importantly, they had a stable income from the cacao crop. For all the producers, as well for all the producers I had contact with, this set price was one of the biggest benefits of the certificate. This does not mean that they have a stable income the entire year, their cacao was only sold during four to five months. The other crops they produce and sell at the conventional market, even though they were produced according to Fairtrade standards as well, are sold for a price below minimum level. This indicates that the lives of the producers are better during just a short period of the year; the other months, they are struggling to survive.

The Fairtrade premium is another well discussed topic in the academic debate about fair trade. Fairtrade has created the standard of the social premium to add something extra to their organization, to do something more for the producers than just give them a liveable wage for their good. The motivation behind the social premium is the investment in the community. With the extra money, cooperatives could invest in the social needs of the producers and their families; invest in education, healthcare, and the *fincas* of the producers. This motivation is good on paper, but the effect is not always as clear.

During this research, two problems about the premium became clear. The first problem was the lack of social projects for the producers. Maybe these effects were not yet visible because UNOCACE recently started to use the benefits of the certification, but the producers of La Cruz did not notice a lot of social changes; social projects were absent. What did change was the infrastructure of the organization; of course this was also important for the producers; the quality of the cacao could continue to be high. At the same time, they would also like to see some other changes, such as, investments in their *fincas*, because their plants were already old. Education was another problem they had pointed out; information they could use for their production. Even though UNOCACE stated that the money they received for the social premium was invested directly in the producers, and not first in the organization of the cooperative, the producers did not notice this. Some scholars concluded that the producers sometimes did not know exactly what Fairtrade was, or the benefits it should bring them. If the benefits are not visible in a community, this is not very surprising. The second problem with the social premium is the way the premium is distributed. The producers of La Cruz did not know anything about this, but at UNOCACE they did not agree with this policy. It depends on the crop how much money a cooperative receives as a premium. For a banana producer the level of the social premium is higher than for a cacao producer. This is seen as an unfair part in Fairtrade by the cooperative of UNOCACE; they do not have the same possibilities to invest in the producer communities as a banana cooperative does.

The role of cooperatives is the last important point in the academic debate about Fairtrade. But the large role of cooperatives for Fairtrade International also causes some problems. First of all, they decide where the money is going to; whether they invest in infrastructure or in social projects, and when they do that. UNOCACE claimed they were investing in the producers first, not in their own organization by improving their workspace. There were some improvements in the infrastructure of the *bodega* of La Cruz, but the producers did not completely agree with the statement of UNOCACE. According to them, they did not experience any benefits of the social premium yet. This indicates that there are complications with the distribution of the social premium; it is not invested in the organization of UNOCACE, but neither in producers of La Cruz. Besides that, the cooperatives have to sell the certified cacao to their clients. Unfortunately, not all these clients demand Fairtrade cacao. Here lies a challenge for the cooperatives, they want to sell all of the cacao as Fairtrade, but that is not yet possible.

One of most heard critiques on Fairtrade when the discussion is about cooperatives, is that not all the cooperatives can be part of the network. To obtain the certificate, cooperatives have to pay a high amount of money. As a result, the larger cooperatives can afford to obtain the certificate, but the smaller ones cannot. The inequality between cooperatives in the same country, or even same region, can grow. This point became very clear in the case of Aromas de Yasuni. They are a new, small cooperative with lots of ambition, obtaining the Fairtrade certificate is one of them; with the certificate they have a chance to export their goods to Europe, and that will give them the opportunity to grow. The irony in this is that before they can obtain the certificate, they first have to grow in size, something they do not have the resources for at the moment.

During the writing process of this thesis, after my fieldwork research in Ecuador, a lot of people have asked me about my conclusions. They wanted to know if Fairtrade is

something good, something they should buy as well, or if it does not make any difference if they pay a higher price for a product with the Fairtrade certificate. In most of the countries where the Fairtrade products are sold, that is the main concern; does the extra money I pay for these products reach the producer indeed? The answer to this question is a complex one. The effects of Fairtrade I have seen during my research do not have the exact effects they claim it does, or should have. Therefore, the impact of Fairtrade is not as high as I had stated in my hypothesis; which was that cacao producers would have more access to social services and that their livelihoods would improve because of the social price. An important reason for the implications for the cacao producers in Ecuador is the fact that cacao is a seasonal good, only produced during a short period of the year. The cause of this being that they do not receive the Fairtrade minimum price, nor the Fairtrade premium, year round. While the producers invest into the seasonal cacao industry, they also grow other crops on their *fincas*. If Fairtrade wants to have a larger impact on the livelihoods of these producers, they should certify not just one crop of a cooperative, but multiple. This will cause the producers to benefit from Fairtrade the entire year.

To increase the benefits of Fairtrade for producers would also include more social projects for them. Social projects like healthcare and education are important for the producers, not only because it would help them improve the productivity and the quality of the cacao, but also to make it more appealing for the younger generation to stay in the community instead of moving to the more urban areas to go study there, and find a job there after. For the agricultural sector it is important that the circumstances will improve, so their children will stay in the same area. If there are not enough services to keep the younger generation, Ecuador, and other cultures with a large agricultural sector, will have a crisis. For Fairtrade, there is a challenge here to fulfil.

Fairtrade claims they are helping the small-scale producer; as Aromas de Yasuni proved, this is not completely true. Fairtrade is focussing on the small-scale producer associated with the larger cooperatives; the small-scale producer associated with a small cooperative does not have the same opportunities, they cannot afford to buy the certificate. Here lies another challenge for Fairtrade. If they really want to be there to help all the small-scale producers, the organization should find a way that the small cooperatives could also be part of the Fairtrade network. The small cooperatives are most of the times small because there are not a lot of producers in the area, that is why there are not many producers associated. Fairtrade should find a solution to include those associations as well.

All of these implications show that there are still improvements needed in the fair trade industry. However, it is too convenient to state that the money invested by consumers in Fairtrade products does not have any impact on the livelihoods of the producers. The security the minimum price gives them is really important. Besides that, they are not working with chemicals any more, and they do appreciate that a lot; it is healthier for them, and for their families.

If further research is going to be done about this topic, it would be recommendable to go back to the same cooperatives and compare the future situation with the situation described in this thesis. The results would show the effects of Fairtrade on the long term, and those effects are the most important; to improve the livelihoods of the producers in the Global South in a sustainable manner. With the Fairtrade certification the first step is taken, but now it is



time for the different cooperatives to continue increasing the benefits for the cacao producers in Ecuador.

## References

### Literature

- Bacon, C.M. (2015). 'Food sovereignty, food security and fair trade: the case of an influential Nicaraguan smallholder cooperative', *Third World Quarterly*, 36(3), 469-488.
- Barrientos, S.; Conroy, M.E. and Jones, E. (2007). 'Northern social movements and Fair Trade', en: L.T. Raynolds, D.L.Murray and J.Wilkinson (ed), *Fair Trade: The challenges of transforming globalization* (pp. 51-62). London: Routledge.
- Bastidas R., M.C. (2017). 'Similar critiques on neoliberal and different post-neoliberal responses in Bolivia and Ecuador', *Poverty and Public Policy*, 9(1), 103-117.
- Beuchelt, T.D. and Zeller, M. (2011). 'Profits and poverty: certification's troubled link for Nicaragua's organic and fairtrade coffee producers', *Ecological Economics*, N°70, 1316-1324.
- Boelens, R., Hoogesteger, J. and Baud, M. (2015). 'Water reform governmentality in Ecuador: neoliberalism, centralization, and the restraining of polycentric authority and community rule-making', *Geoforum*, N° 64, 281-291.
- Cajas Guerrero, F., Oña Serrano, A. and Pantoja Díaz, O. (2016). 'Indicadores sociales en instituciones financieras de la Economía Popular y Solidaria', *Retos*, 12(2), 133-148.
- Calisto Friant, M. (2016). 'Comercio justo, seguridad alimentaria y globalización: construyendo sistemas alimentarios alternativos', *Íconos, revista de ciencias sociales*, N° 55, 215-240.
- Centre for Agrarian Research and Education for South (CARES). (2012). 'The agrarian question: past, present and future', *Agrarian South: Journal of Political Economy*, 1(1), 1-10.
- Coiscone, M. (2015). 'América Latina y el sentido originario del comercio justo', *Eutopía: revista de desarrollo económico territorial*, N° 7, 11-26.
- Crespo, S.O. and Mayorga, F. (2012). 'Movimientos sociales, estado y democracia en Bolivia y Ecuador en el tránsito del neoliberalismo al postneoliberalismo', *Íconos. Revista de Ciencias Sociales*, N° 44, 11-17.
- Deere, C.D. and León, M. (2001). 'Institutional reform of agriculture under neoliberalism: the impact of the women's and indigenous movements', *Latin American Research Review*, 36(2), 31-64.
- Dzurilla, T. (2016). 'New grounds in the fair trade debate', *Human Rights Quarterly*, 38(1), 236-242.
- Fenard, M. and Pérez-Grovas, V. (2007). 'Fair Trade coffee in Mexico: at the center of the debate', en: L.T. Raynolds, D.L.Murray and J.Wilkinson (ed), *Fair Trade: The challenges of transforming globalization* (pp. 138-156). London: Routledge.

Figuroa, J.A. (2014). 'La comunidad y sus desafíos políticos en una democracia radical', *Iconicos. Revista de Ciencias Sociales*, N° 49, 141-154.

Food and Agriculture Organization of the United Nations, FAO (2014). *The State of Food and Agriculture. Innovation in family farming*. Rome: FAO.

Fridell, G. (2004). 'The Fair Trade network in historical perspective', *Canadian journal of development studies*, 25(3), 411-428.

Gallegos, F.R. and Pérez, C. (2016). 'Political change, state autonomy, and post-neoliberalism in Ecuador, 2007-2012', *Latin American Perspectives*, 43(1), 143-157.

Gendron, C.; Bisailon, V. and Otero Rance, A.I. (2009). 'The institutionalization of Fair Trade: more than just a degraded form of social action', *Journal of Business Ethics*, N° 86, 63-79.

Griffith, G.W. (2004). 'Witches' brooms and frosty pods: threats to world cacao production', *Biologist*, 51(2), 71-75.

Griffiths, P. (2010). 'Lack of Rigour in Defending Fair Trade: A Reply to Alastair Smith', *Economic Affairs*, 30(2), 45-49.

Griffiths, P. (2012). 'Ethical objections to Fairtrade', *J Bus Ethics*, N° 105, 357-373.

Hey, J.A.K. and Klak, T. (1999). 'From protectionism towards neoliberalism: Ecuador across four administrations (1981-1996)', *Studies in Comparative International Development*, 34(3), 66-97.

Hudson, I. and Hudson, M. (2015). 'Una crítica vacilante: cómo el potencial del comercio justo disminuye con "éxito"', *Eutopía: Revista de desarrollo económico territorial*, N° 7, 131-145.

Kay, C. (2000). 'Latin America's agrarian transformation: peasantization and proletarianization', en: D. Bryceson, C. Kay, and J. Mooij (ed), *Disappearing Peasantries? Rural labour in Africa, Asia and Latin America* (pp. 123-138). London: Intermediate Technology Publications.

Lawson, V. (1999). 'Questions of migration and belonging: understandings of migration under neoliberalism in Ecuador', *International Journal of Population Geography*, N° 5, 261-276.

Lyall, A. (2013). 'Las negociaciones en turno a estándares de comercio justo dentro de florícolas ecuatorianas', *Eutopía*, N° 4, 47-58.

Lyall, A. (2015). 'Incustamiento sin espacio? Situando el comercio justo en la industria florícola ecuatoriana', *Eutopía: Revista de Desarrollo Económico Territorial*, N° 7, 75-89.

- Loor Solorzano RG, Fouet O, Lemainque A, Pavek S, Boccara M, et al. (2012). 'Insight into the wild origin, migration and domestic history of flavour nacional', *Theobroma cacao* L. variety from Ecuador', *PLoS ONE*, 7(11), 1-11.
- Marz, J. (1997). 'Studying politics and the state in Ecuador', *Latin American Research Review*, 32(2), 170-183.
- Melo, C.J. and Wolf, S.A. (2007). 'Ecocertification of Ecuadorian bananas: prospects for progressive North-South linkages', *Studies in Comparative International Development*, 42(3), 256-278.
- Melo Neto, J.F. de and Pereira da Costa, F.X. (2015). 'Popular education in solidarity economy', *International Journal of Lifelong Education*, 34(1), 47-58.
- Mojo, D., Fischer, C. And Degefa, T. (2015). 'Social and environmental impacts of agricultural cooperatives: evidence from Ethiopia', *International Journal of Sustainable Development and World Ecology*, 22(5), 388-400.
- Murray, D.L. and Raynolds, L.T. (2007). 'Globalization and its antinomies: negotiating a Fair Trade movement', en: L.T. Raynolds, D.L.Murray and J.Wilkinson (ed), *Fair Trade: The challenges of transforming globalization* (pp. 3-15). London: Routledge.
- Nelms, T.C. (2015). 'The problem of delimitation': parataxis, bureaucracy, and Ecuador's popular and solidarity economy', *Journal of the Royal Anthropological Institute (N.S.)*, N° 21, 106-126.
- Parsons, J.J. (1957). 'Bananas in Ecuador: a new chapter in the history of tropical agriculture', *Economic Geography*, 33(3), 201-216.
- Pinheiro Olivério, J.O., Aguirre, F.B., Martines, J., et al. (2012). 'Latin America', *The International Lawyer*, 46(1), 565-581.
- Raynolds, L.T. (2014). 'Fairtrade, certification, and labor: global and local tensions in improving conditions for agricultural workers', *Agric Hum Values*, N° 31, 499-511.
- Raynolds, L.T. and Long, M.A. (2007). 'Fair/Alternative trade: historical and empirical dimensions', en: L.T. Raynolds, D.L.Murray and J.Wilkinson (ed), *Fair Trade: The challenges of transforming globalization* (pp. 15-32). London: Routledge.
- Raynolds, L.T. and Murray, D.L. (2007). 'Fair Trade: contemporary challenges and future prospects', en: L.T. Raynolds, D.L.Murray and J.Wilkinson (ed), *Fair Trade: The challenges of transforming globalization* (pp. 223-234). London: Routledge.
- Reed, D. (2009). 'What do Corporations have to do with Fair Trade? Positive and normative analysis from a value chain perspective', *Journal of Business Ethics*, 86(3), 3-26.
- Roozen, N. and Hoff, F. van der. (2001). *Fair trade. Het verhaal achter Max Havelaar-koffie, Oké-bananen en Kuyichi-jeans*. Amsterdam: Hannie Pijnappels.

Sidwell, M. (2008). *Unfair Trade*, London: Adam Smith Institute.

Silva, V. (2016). 'The return of the state, new social actors, and post-neoliberalism in Ecuador', *Latin American Perspectives*, 43(1), 4-17.

Stoddart, P. (2011). 'Development through fair trade: candour or deception?', *Economic Affairs*, 31(1), 131-134.

Torgerson, R.E. (1977). 'Farmer cooperatives', *The Annals of the American Academy of Political and Social Science*, N° 429, 91-102.

Valkila, J. y Nygren, A. (2010). 'Impacts of Fair Trade certification on coffee farmers, cooperatives, and laborers in Nicaragua', *Agric Hum Values*, N° 27, 321- 333.

Walton, A. (2010). 'What is fair trade?', *Third World Quarterly*, 31(3), 431-447.

Wilkinson, J. and Mascarenhas, G. (2007). 'Southern social movements and Fair Trade', en: L.T. Reynolds, D.L.Murray and J.Wilkinson (ed), *Fair Trade: The challenges of transforming globalization* (pp. 125-137). London: Routledge.

Williams, M. (2013). 'Alternative production and consumption relations?: fair trade, the state, and cooperatives in the global South', *Journal of African Studies*, 31(1), 1-17.

## Interviews

- 2016, 12-2 Sr. W. Ibarra Riobamba, Chimborazo, Ecuador, Técnico coordinador del CECJ
- 2016, 12-7 Sr. R. Zurita, Quito, Pichincha, Ecuador, former director of Institute for Popular and Solidarity Economy
- 2016, 12-12 Sr. N. Angulo and Sr. W. CeVallos, Francisco del Orellana, Orellana, Ecuador Foundes of Aromas de Yasuni
- 2016, 12-14 Sr. F. Cabello, Recinte del Deseo, Guayas, Ecuador, manager of UNOCACE
- 2016, 12-14 Sr. J. Almeida, Recinte del Deseo, Guayas, Ecuador, salesmanager of UNOCACE
- 2016, 12-14 Sr. V. Bajañez, Recinte del Deseo, Guayas, Ecuador, producer and president of UNOCACE
- 2016, 12-14 Sr. F. Guerrero, Recinte del Deseo, Guayas, Ecuador, supervisor UNOCACE
- 2016, 12-14 Sr. V. ?, Recinte del Deseo, Guayas, Ecuador, producer
- 2016, 12-15 Sr. E. Franco, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-21 Sr. D. Franklin CeVallos and Sra. C.R. Vera Mejilla, Ciudad Blanca, Orellana, Ecuador, associates of Aromas de Yasuni
- 2016, 12-21 Sr. N.?, Ciudad Blanca, Orellana, Ecuador, associate of Aromas de Yasuni
- 2016, 12-27 Sr. R. Rosera Pinto, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-27 Sr. F. Bustamante, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-27 Sra. G. Coronel, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-27 Sr. C.E.?, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-27 Sr. F.F. Rojas, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-27 Sr. E. Aspazu, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-27 Sra. B.F. Mera Samora, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-27 Sr. J.J. Dominguez, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-28 Sr. M.E. Moran Viallagomez, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-28 Sr. M.R. Olivo Froncozo, Mocache, Los Ríos, Ecuador, associate of La Cruz
- 2016, 12-28 Sra. R. Candelaria, Mocache, Los Ríos, Ecuador, associate of La Cruz

2016, 12-28 Sr. J. Aguayo Ibarra, Mocache, Los Ríos, Ecuador, associate of La Cruz  
2016, 12-28 Sr. R.A. Aguayo Alvarez, Mocache, Los Ríos, Ecuador, associate of La Cruz  
2016, 12-28 Sr. A.V. Aguayo Franco, Mocache, Los Ríos, Ecuador, associate of La Cruz  
2016, 12-29 Sr. H. Aguayo Ibarra, Mocache, Los Ríos, Ecuador, associate of La Cruz  
2016, 12-29 Sr. P. Aguayo Alvarez, Mocache, Los Ríos, Ecuador, associate of La Cruz  
2017, 01-13 Sr. A. Aljuri, Quito, Pichincha, Ecuador, export salesmanager Pacari