

## Integrity in Agricultural Supply Chains through Fair Trade and Ethical Sourcing

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### INTRODUCTION AND BACKGROUND

Contemporary The agricultural supply chain is a complex and interconnected system that encompasses all stages of production, storage, and delivery of agricultural goods, from farming to consumer distribution. It plays a crucial role in ensuring international food security (Denis et al., 2020). Fairtrade in sustainable agriculture examines various aspects, such as ethical commerce, standardisation of the value chain, fair pricing, market access, and providing technical help to all participants in the supply chain (Alluvione et al., 2011; Talukder et al., 2019). Significantly, more than 1.2 million farmers worldwide have adopted the fairtrade framework and integrated fair trade practices into their operations (Mark et al., 2018). As a result, customers have demonstrated a favourable opinion of products labelled as fairtrade (Alluvione et al., 2011).

The fair-trade movement functions as a volunteer organisation known by the initials 'FINE'. Initially, it emerged as a fusion of four organisations: Fair Trade labelling (F), International Fair Trade Organisation (I), Network of European World Shops (NEWS!), and European Fair Trade Association (E) (Food and Agriculture Organisation of the United Nations, 2008; International Trade Centre (ITC), 2011). The movement expanded its reach to include a diverse range of agricultural products, such as cotton, textiles, handicrafts, coffee, cocoa, fruits, vegetables, and flowers (Bonisoli et al., 2019; Hilson et al., 2018). The products are distinguished by precise and genuine labelling, which guarantees the capacity to track and understand their origins and movements at every stage of the supply chain (Luna et al., 2021; Partzsch & Kemper, 2019). Bacon (2005) and Bartley (2007) discuss how fair trade encompasses various dimensions, including child labour, wages, human trafficking, exploitation of vulnerable individuals, and consumer attitudes. Jaffee (2012) and Shorette (2014) argue that fair trade encompasses ecological considerations such as the use of fertilisers, pesticides, organic farming practices, trade disparity, and ethical concerns.

Despite global fair trade progress, small farmers' fair trade initiatives have been debated. Small farmers in emerging countries are marginalised, sparking this discussion. Small farmers in Africa, Asia, and Latin America export cheaply and import expensively. Many studies and organisations support fair trade, but others say it leads to marginalisation and extreme poverty. Some experts, including Hilson et al. (2018), argue that small-scale farmers need a fair trade. Bartley, 2007 and Bonisoli et al. (2019) remark that the existing fair trade system favours large-scale farmers over small-scale farmers, who make up the majority of growers worldwide.

Bigirimana & Masengu (2015) stated that worldwide coffee market inequities have prevented small Zimbabwean farmers from sustaining their crops. Other critiques dispute the “fairness of fair trade” since the value chain is too long to link producers and consumers directly. Thus, developing countries and farmers receive less money (Andorfer & Liebe, 2012; Bissinger, 2019; Durevall, 2020). Bassett (2010) found no pricing difference between fairtrade and non-fairtrade farmers. Fairtrade pushed Nicaraguan farmers to convert to organic coffee, which increased costs and yields and reduced net income (Bissinger, 2019). Inefficient fair trade cooperative marketing networks are another Fairtrade problem (Andorfer & Liebe, 2012).

Baughman & Barclay (2011) mention unethical fairtrade practises include retailers and packers in poor nations labelling coffee as Fairtrade. They highlighted poor farmer prices and lack of credit for needy farmers. In importing nations, fairtrade operations are secretive, which may mislead customers and volunteers (International Labour Organisation, 2021; Van Baar, n.d.).

Poor enforcement and standards monitoring are common complaints. Seasonally employed coffee farm labourers in Peru are paid less than the minimum wage and live in inadequate conditions (Bissinger, 2019). Supermarkets and retailers lack reinforcement. The fairtrade movement fails to achieve trade fairness since supporting fair trade cooperatives increases production, which can flood the market and lower prices. Trade policy measures (Durevall, 2020) that target disadvantaged farmers (Bacon, 2005) are needed to benefit from global fairtrade programmes. Is fair trade fair? is the big question. This chapter introduces fair trade in the agriculture supply chain and emphasises its sustainability potential while acknowledging its many challenges.

### **Research Objectives**

- I. To understand how fair trade and ethical sourcing may help create a sustainable agriculture supply chain.
- II. To examine Fair Trade and Ethical Sourcing challenges
- III. To present Fair Trade and Ethical Sourcing case studies and best practices.

### **Research Methodology**

A thorough literature analysis was conducted to achieve the research objectives of this study. The review included pertinent recently published articles and was supplemented with secondary data and material obtained from reliable sources and reports. An extensive search of published research was required to get relevant information. Snyder (2019) states that literature review methodology is commonly used to evaluate existing knowledge on a subject, identify areas that need further investigation, brainstorm potential new lines of inquiry, and offer direction for developing theoretical frameworks and research methods. It allows for the partitioning of large datasets into more manageable pieces for subsequent study. Integrating and cross-examining data to identify key trends becomes much easier with this. Fair trade, ethical sourcing, sustainable agriculture supply chain, case study, and fair-trade sustainability were some of the keywords used to identify relevant literature in this analysis.

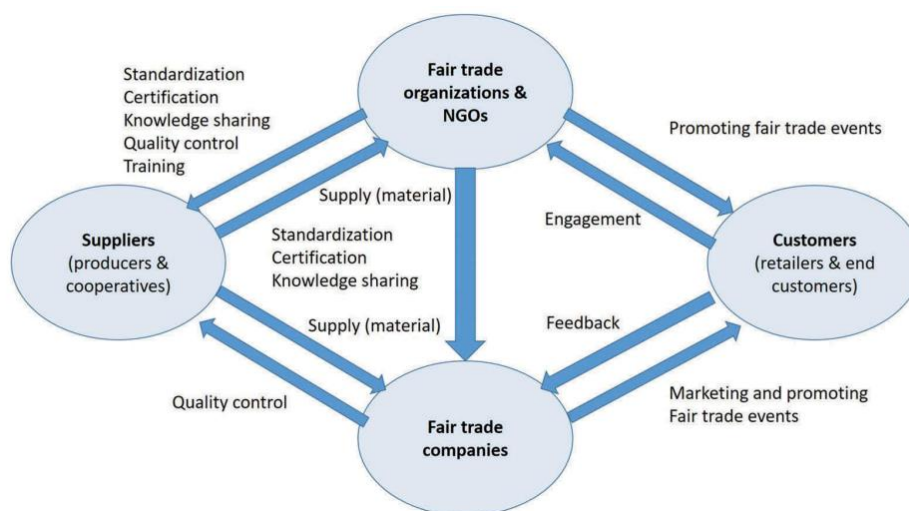
This section provides a synopsis of the literature review that is pertinent to sustainable supply chain management and its importance.

### Literature review

Integrating fair-trade principles and ethical sourcing initiatives into the agricultural supply chain can significantly contribute to promoting sustainability. Many researchers have focused on this interdisciplinary intersection, providing useful insights into its various facets.

### The principles of fair trade and ethical sourcing

The conventional worldwide agricultural supply chain has demonstrated its lack of sustainability and adverse effects on small-scale farmers and their families. The implementation of this globalised sourcing system leads to heightened social inequality, weakens rural communities, and has the potential to disrupt food value chains (Sharma et al., 2018). Fair trade is widely recognised as a prominent illustration of nontraditional trade systems. Its origins can be traced back to the mid-20th century, when it emerged as a movement aimed at assisting impoverished craftspeople who lacked access to larger marketplaces. In the past few decades, there has been a growing initiative to establish an alternative trade model that emphasises equality, sustainability, and anti-poverty practices. This movement has been particularly focused on developing countries, driven by economic and social factors (Ribeiro-Duthie et al., 2021a; Sharma et al., 2018).



The international endeavour to promote fair trade is coordinated and facilitated by two prominent organisations: the World Fair Trade Organisation (WFTO), which supervises the participation of business organisations in fair trade initiatives, and the Fair-Trade Labelling Organisation (FLO), which is responsible for maintaining the labelling and certification system (Kemper & Partzsch, 2019; Nicholls & Opal, 2006). Fair trade organisations, such as wholesalers and retailers, purchase certified commodities either directly from farmer groups or through local importers at a higher price as a result of their commitment to fair trade methods. Furthermore, food producers can reap the advantages of a more concise supply chain, which reduces expenses by eliminating intermediaries and guarantees equitable pricing. Fair-trade organisations also have a role in providing training and facilitating networking opportunities. Figure 1 depicts a standard fair trade supply chain, as presented by Zhang et al. (2020).

A comprehensive set of WFTO principles supports fair trade. These principles guide manufacturers, traders, and other stakeholders to fair and open trade (WFTO, 2023). These strategies focus on marginalised small producers, their labour groups, and local communities to secure their livelihoods and increase their exposure to international markets. This includes open and transparent trade practices throughout the supply chain. Fair trade organisations should pay livable salaries, honour agreements, develop cooperative connections, and conserve cultural identities and traditional skills (WFTO, 2023).

The ethics of fair trade are clear. It rejects all child and forced labour and promotes non-discrimination based on gender, religion, and ethnicity. It also promotes fair working conditions for employee health and safety (WFTO, 2023). Fair trade

encourages manufacturers and merchants to work with marginalised farmers and their labour to strengthen their abilities. Organisations must also promote fair trade and its potential benefits to communities (WFTO, 2023)

Fair trade principles encompass economic, social, and environmental concerns, promoting sustainability and respect for the environment (WFTO, 2023). Fairtrade organisations play a crucial role in promoting fair trade practices worldwide. They improve job conditions and pay for the whole agricultural supply chain in poor nations. They also raise customer awareness and fair-trade sales (Koos, 2021; Parvathi et al., 2017). Fair trade gives small farmers more high-value export markets (Balineau, 2012; Herrell et al., 2017). Honduran coffee producers are joining fair-trade certification programmes due to rising premiums (Herrell et al., 2017).

Farm items labelled “fair-trade” frequently cost more (Abbasi & Din, 2019; Lawrence et al., 2023). The non-profit, membership-based Fair-Trade Labelling Organisation runs the global certification system. The organisation established fair trade rules and standardised its global approach (Fairtrade, 2023). The certification system greatly improved farmers' and families' life (White & Samuel, 2016). Despite the complexity of the fair-trade movement, the Sustainable Development Goals (SDGs) and fair trade are clearly linked (Zysk, 2020).

Source resources and products from ethical suppliers who treat workers properly and care about sustainability (Mboga, 2017). Kim & Chae (2022) define ethical sourcing initiatives as all supply chain partners, formal or informal, aligning their operations with CSR targets like fair trade, environmental sustainability, diversity, human rights, health and safety, and animal welfare.

Ethics goes beyond fair trade by evaluating suppliers based on their social responsibility, environmental sustainability, and labour rights (Barrientos & Dolan, 2012; Goff, 2018; Kim et al., 2018). Unlike fair trade, ethical sourcing has many certification methods and criteria. Ethical sourcing covers all products, while fair trade covers only agricultural products (Goff, 2018; Kim et al., 2018; Ladhari & Tchegnna, 2017). Both methods are affected by customer behaviour (Goff, 2018). Thus, ethical sourcing includes fair trade, organic certification, sustainable sourcing, and ethical labour practises (Ladhari & Tchegnna, 2017). Finally, ethical sourcing covers the full supply chain, unlike fair trade, which focuses on supplier-buyer relationships (Neilsno & Pritchard, 2010).

### **Benefits of Ethical Sourcing and Fair Trade**

From 2015 to 2023, ethical sourcing and fair trade have grown rapidly. According to Ndiaye et al. (2009), ethical sourcing and fairtrade certification in the fisheries industry have facilitated market access for foreign businesses seeking brand protection. Fair trade certification benefits small companies by promoting sustainable supplier chains and raising market development investment. The unified standard and methods that link the product to the state of resources and its relevant components ensure compliance in ethical sourcing (Ndiaye et al., 2009).

Producing and selling food is deliberately integrated into the global ethical sourcing system. Can global lobbying and civil society pressure lead to fair trade compliance? Fair trade improves conditions for small producers and protects workers who power global food supply chains, according to research. International food production and the dominance of large food producers and retailers have reduced consumer bargaining power. Media and civil society groups have expressed concerns about unethical behaviour and called for better farm product supply chain visibility and food production. After ethical criticism, big retailers have moved to rebrand as socially responsible supply chain actors. Consequently, fair-trade products with standardised labour codes across supply chain participants have emerged. Repositioning is also driven by customers' growing concern about products' social and environmental impacts. According to Dai et al. (2020) citing Nelsen (2014), “Consumers around the world are saying loud and clear that a brand's social purpose is among the factors that influence purchase decisions.” These factors have raised awareness of ethical sourcing and fair-trade practices, improving supply chain visibility and transparency.

According to Crane et al. (2010, 2014), supply chain actors that practise ethical sourcing and fair trade can stay competitive through reputational management. Socially responsible consumers are loyal to ethically made items (Agarwal et al., 2015; Bansal & Song, 2017). Increased market access and demand for sustainable products help alleviate supply chain problems, according to Bansal & Song (2017).

Due to activism and consumer concerns, countries have regulated product sourcing. According to Agarwal et al. (2015), ethical sourcing reduces disruptions and negative publicity in supply chains. Fair trade and ethical sourcing boost staff morale and productivity, according to Gold et al. (2010). It promotes product development innovation, which gives companies a competitive edge (Bansal & Song, 2017).

### **Challenges of fairtrade and ethical sourcing**

The fair-trade movement and ethical sourcing have grown as global supply chain remedies. Several obstacles prevent their completion. Pazderka (2010) states that ethical sourcing in the UK helps small-holder farmers enter the value chain and reduce poverty. Pazderka affirms Guthure (2010) report on Kenyan flower industry ethical sourcing. The study found that global business does not benefit small-scale Kenyan farmers. In Europe, ethical concerns have been raised about food supply chain worker conditions, according to Hilson et al. (2018). Companies must now follow many ethical sourcing standards and norms due to restrictions. Roy et al. (2012) recommend third-party certifications and quality assurance for ethical sourcing. Consumers are becoming more ethical and realise what shops need to authenticate product manufacture. Ezedike (2013) notes that transnational corporations in Nigeria's agriculture industry have fall short of ethical norms based on expected ideals, fairness, rights, trust telling, and supply chain honesty. In the face of multinational business ethical breaches, the report offers a comprehensive framework to guide and protect supply chain players. Githui (2012) found that supply chain participants lacked ethics and suggested that the supply chain re-invent itself through ethical consideration to reengineer the system. Corporates always optimise profits, causing food supply chain issues (Kumar Sharma, 2020).

The key issue is fair trade's financial sustainability. Fair trade programmes may not ensure higher yields for small farmers compared to conventional trade schemes, especially with high labour expenses and certification fees (Balineau, 2012). Although technical support helps producers negotiate and bargain, it is unclear if this empowerment extends outside fair-trade. Premium yield distribution is uncertain even if financial viability is clear. González-Prieto (2018) questioned how to track marginalised farmers' premium gains. In addition, Oya et al. (2017) highlighted that some purchasers do not pay farmers premiums due to FTO's incapacity to enforce standards. These issues may not affect small farmers' profitability (González-Prieto, 2018; Naegele, 2020).

Mainstreaming and commercialising fair-trade is difficult. Despite its success in helping poor farmers overcome inequality and injustice, mainstreaming can dilute fair trade standards, according to Doherty et al. (2013) and Ribeiro-Duthie et al. (2021). In the US market, Jaffee & Howard (2015) found many competing fair-trade products with distinct labels. Fair trade branding may confuse buyers if retailers greenwash their reputation (Ballet & Carimentrand, 2010; Doherty et al., 2013). Through pre-financing, mainstreaming may force farmers to make large purchases, which could hurt them (Doherty et al., 2013). Limitations in market size can provide challenges. Without fair trade items leading the market, marginalised groups' sustainable economic growth is threatened (Utting, 2008). Consumer behaviour complicates fair-trade practises. Benson & Connell (2014) noted that baby bloomers had trouble finding and buying fair trade products. Uneven labelling, limited market accessibility, lack of pre-purchase trials (which could influence buying), and lack of variety in adjacent stores are to blame. Fair-trade goods were financially or lifestyle-unaffordable, according to their findings. Fair trade may not help small farmers access premium markets (Balineau, 2012). Fair trade presents gender equity challenges and opportunities. Fair trade programmes promote gender parity (Lyon et al., 2010; Sen, 2018), but many challenges remain. Monitor and enforce gender equality in mainstream markets is difficult (Das, 2011). Research also emphasises the importance of properly integrating gender, labour, and well-being paradigms into fair-trade frameworks (Terstappen et al., 2012). The complex fair-trade processes can make it difficult for women to understand and exercise their rights (Lyon et al., 2010; Makita, 2011).

Fair-trade and conventional products compete (Geysmans & Hustinx, 2016). The latter type faces pressure to cut prices for standard products to attract customers (Bürgin & Wilken, 2021). Consumer preferences and purchases affect this competition (Benson & Connell, 2014). The sophistication and extension of agricultural supply chains makes fair trade adoption harder (Chen et al., 2022). Fair trade norms can be difficult to enforce in countries with weak governance due to globalisation of production and

consumption. Retailers may not have the resources to track fair-trade product sustainability (Ribeiro-Duthie et al., 2021b; Simangunsong, 2016).

### **Case studies**

#### **Starbucks**

To have a positive impact on communities, businesses must prioritise sustainability. Starbucks has made a commitment to fair trade, sustainability, and ethical sourcing by obtaining processed products like tea, coffee, and cocoa (Mboga, 2017). Starbucks understands the vital connection between its business and the well-being of farmers and their families. With its global reach, Starbucks purchases approximately three percent of the world's coffee, supporting over 400,000 farmers in 30 countries (Starbucks, 2020). Starbucks made the decision to collaborate with farmers by investing in the community and embracing innovation and technology (Mboga, 2017). Starbucks made the decision to end its partnership with the fair trade certification system in the UK and Europe in 2022. Instead, the company transitioned to its own C.A.F.E. Practices standard (Independent, 2022). CAFÉ stands for "Coffee and Farmers Equalities" and follows a set of standards and practices that mirror fair-trade standards (Rizqiyanto, 2017). A recent study by Dragusanu et al. (2022) revealed a favourable impact of fair-trade certification on coffee farmers in Costa Rica.

However, there is a downside to the story of Starbucks. In a recent study by Dragusanu et al. (2022), they highlighted the significance of providing ongoing support and improvement to fair-trade initiatives in order to maximise their effectiveness and address the existing obstacles encountered by coffee farmers. Rizqiyanto (2017) questions whether farmers are able to achieve the expected yields according to CAFÉ standards. Starbucks consistently maintains that Fair Trade does not guarantee that the products it sources meet its requirements. Put simply, suppliers' failure to meet CAFÉ standards does not necessarily result in Starbucks refusing to purchase their products.

#### **Pepsi**

PepsiCo prioritises sustainable agriculture by incorporating principles of fairness, responsible sourcing, and ethical practices throughout its agricultural supply chain. This commitment ensures that the organisation meets the expectations of stakeholders, particularly consumers. In order to address the challenges of worldwide implementation of this framework, PepsiCo has created the Supplier Code of Conduct (SCoC) and other relevant policies. The SCoc has four main pillars: preserving the organization's reputation, protecting the environment and social issues, fostering supplier capabilities, and improving sustainability performance (Mboga, 2017; Pepsico, 2023).

PepsiCo's sustainable sourcing initiative prioritises people, planet, and agriculture. PepsiCo is committed to ensuring human rights are respected throughout its entire supply chain. Ensuring that suppliers do not employ child or forced labour and providing a healthy and secure work environment for their employees is crucial. Working towards environmental preservation involves collaborating with suppliers to reduce emissions and carbon footprint. Simultaneously, the company promotes environmentally conscious farming practices by collaborating with suppliers to improve soil health and reduce the use of fertilisers and pesticides in agriculture (Pepsico, 2023). PepsiCo implements a thorough auditing process for suppliers, utilising a sustainability performance scorecard to ensure transparency in tracking and review (Kashmanian, 2017).

#### **Coca-Cola**

Coca-Cola believes that sustainable agriculture offers solutions to interconnected issues such as promoting gender equality, adapting to climate change, ensuring access to water, protecting human rights, and mitigating greenhouse gas emissions. Coca-Cola is a leading global organisation in coffee purchases, providing financial support to Fairtrade cooperatives through farmer loans totaling over \$14 million (Coca-Cola, 2023). It recognises the impact of unethical sourcing on the reputation and sustainability of its agricultural supply chain. The company ensures effective supervision of all workers in partner organisations to prevent such issues. If there are any ethical concerns, Coca-Cola suppliers are provided with an

opportunity to address and rectify them. Failure to meet the required standards and address any performance issues may result in the termination of the contract (Mboga, 2017).

### **Unilever**

In 2007, Unilever partnered with the Rainforest Alliance, a nonprofit organisation, to initiate an ambitious initiative to responsibly source all of its world-renowned tea brand, Lipton, in a sustainable manner. Due to this, tea farmers in East Africa, particularly in Kenya, decided to participate in the fair-trade certification programme to secure their ability to sell to Unilever. Our collaboration with Rainforest Alliance involved implementing training and development programmes to enhance the skills of farmers and ensure compliance with Unilever's standards. This had a significant effect on the Kenyan farmers. In a recent study conducted in 2018, it was found that a significant majority of tea producers in Kenya had obtained Rainforest Alliance certification (Archer & Elliott, 2021).

### **DAGRIS**

In 2003, fair-trade cotton was initiated in Mali by DAGRIS and Max Havelaar France, following FLO guidance. They established an independent certification agency, which required all accepted products to meet sustainability standards. The system operated by having buyers pay equitable prices to producers and an additional fee to their cooperatives, thereby fostering their economic development. Embracing inclusivity, democracy, non-discrimination, and environmentally responsible farming, along with allocating premium amounts for future growth, are essential aspects of sustainability standards. The programme yielded positive outcomes by improving the livelihoods of Malian farmers, strengthening their organisations, and enhancing the quality of cotton (Balineau, 2012).

### **Discussion**

#### **Integrating Principles with Practice in Fair Trade and Ethical Sourcing**

The literature review highlighted the importance of fair trade and ethical sourcing principles, which prioritise transparent and fair trading practices, as well as the respect for human rights in the agricultural value chain. In a world where sourcing is interconnected, understanding these concepts is crucial for promoting sustainability and addressing the challenges faced by small farmers and their families. Given its unsustainable nature, the conventional global agriculture supply chain has worsened social inequity and posed a threat to rural communities. Fair trade and ethical sourcing frameworks represent a departure from the conventional capitalist trading system, embracing a more ethical and responsible form of capitalism that places importance on social and environmental responsibility.

#### **Benefits and Challenges: A Dual Perspective**

Significant benefits have been derived from the recent rapid adoption of fair trade and ethical sourcing principles, including increased investments in market growth, improved market access for small businesses, and encouragement of sustainable practices. Specifically, ethical sourcing extends beyond fair trade and encompasses initiatives that align operations with corporate social responsibility (CSR) objectives such as diversity, human rights, environmental sustainability, health and safety, and animal welfare. However, the fair-trade movement and ethical sourcing encounter several challenges. These include the need to implement responsible sourcing across different countries, situations where international trade does not benefit small-scale agricultural producers, and issues with worker conditions throughout the food supply chain. These challenges highlight the difficulties in ensuring compliance with fair trade laws, especially in countries with weak governance systems.

#### **Policy and Regulatory Frameworks**

The literature review emphasises the importance of policy and regulatory frameworks that support the advancement of ethical sourcing and fair trade. Governments and international organisations play a crucial role in creating environments

that encourage and facilitate these behaviours, through trade agreements, regulations, and policies. To promote fair competition and incentivize businesses to prioritise ethical sourcing, it is essential to implement policies that penalise predatory behaviour and recognise ethical business practices.

### **Case Studies**

The case studies, which include Starbucks, Pepsico, Unilever, Coca Cola, and Dagrís, provide valuable insights into how companies can make a positive impact on societies through fair trade and ethical sourcing initiatives. These cases demonstrated how the principles of fair trade can be implemented in real-world scenarios, offering valuable advice for businesses considering similar policies.

### **Consumer Education and Engagement**

The literature also highlights the significance of increasing consumer involvement and education. Despite the growing popularity of items with ethical sourcing, there is still a lack of awareness among many customers regarding the true meaning of fair trade and ethical sourcing. Understanding the impact of their purchases and promoting fair trade practices is crucial for expanding the market for ethically sourced goods.

### **Towards a Sustainable Future**

During this discussion, the significance of having a thorough strategy for ethical sourcing and fair trade business practices has been brought to light. However, despite the fact that the principles in question provide a framework, putting them into reality brings both advantages and challenges that need to be carefully evaluated. The case studies not only provide insight into the ways in which these ideas could be successfully applied, but they also demonstrate the importance of continuous development and change. Creating models that direct businesses to incorporate these principles into their essential business operations while maintaining their flexibility in reaction to changing social and market situations should be the primary focus of continued research in the future.

### **Conclusion**

Through an examination of fair trade and ethical sourcing throughout the agricultural supply chain, this chapter sheds light on the critical relationship that exists between social justice, sustainability, and economic viability. In spite of the fact that fair trade and ethical sourcing frameworks have the purpose of being respectful and honourable, they present a confusing terrain that is full of opportunities and barriers. This research sheds light on the complex relationships that exist between social justice, environmental conservation, fair trade, and ethical sourcing in the agricultural sector. These methods, which are driven by the demand from customers for products that are given in an ethical manner, provide advantages such as sustainable agriculture and access to markets for farmers working on a smaller scale. On the other hand, international trade has a number of significant challenges, including the complexity of the logistics involved and the demand for the use of advanced procedures. Case studies such as Starbucks illustrate both the opportunities and the difficulties that might arise when attempts are made to put these strategies into action. In the end, in order to realise the aims of fair trade and ethical sourcing, it is necessary to constantly innovate, to have collaboration from all stakeholders, and to communicate knowledge in order to construct a supply chain for agriculture that is both economically sustainable and equitable.

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