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# Fair Trade for Organic Agricultural Products: an Alternative Trade to Empower Small Farmers and Support Sustainable Development

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**Abstract**— The government programme to increase agricultural productivity by applying Green Revolution was successful but it creates some critical problems for long term development such as environmental degradation and created class division in the rural society those who are did not benefited from the Green Revolution are small farmers. Fair trade for organic agriculture seems to be a solution to cope with the problems due to fair trade is based on organic principles (food security, food safety, poverty reduction, and environmentally sound practices) and trading system that empower small farmers by direct access to consumers, increase bargaining position, and access to information. Research on macro level through simulation using secondary data and case studies at the village level found that fair trade reduces poverty and government subsidy for fertilizers, increase farmers' income, and empower small farmers. Therefore, fair trade for organic agricultural products needs to be developed. In order to foster development of fair trade for organic agricultural products government and/or organization that promoted fair trade should prioritize certification, incentive for farmers at the first stage of development, scale-up the market, and raising awareness of consumers and producers about the importance of fair trade.

**Keywords**— Fair trade, organic products, empowering, small farmers, sustainable development

## I. INTRODUCTION

The Green Revolution (GR) that makes use of high yielding varieties (HYVs) of crops combine with chemical inputs such as fertilizers and pesticides has been successfully increased productivity. However, empirical studies have shown that GR creates some crucial problems, including (a) the damage of land resources due to an excess of chemical fertilisers and pesticides; (b) the high cost of production; (c) the increase in pollution because of the utilisation of chemical inputs. In Java, the negative impact of GR was aggravated by population pressure.

Reference [1] identified 24 studies that had been done on the impact of GR in Java during the period of 1968-1994. The researchers not only from Indonesia but also from several countries: Japan, USA, The Netherlands, France, and Australia. The impacts were grouped into four categories (a) access to capital, (b) access to input, (c) access to employment, and (d) access to income. All of the researches came up with the same conclusion that the GR had created class division in the Javanese rural society, between those

who benefited from the GR and those who did not. The unfortunate people of the GR are labourers and peasants whereas the benefited people are those who have land more than 0.5 hectares. Access mechanism to capital, input, employment and income distribution is a means of the socio-economic disparity.

Organic agriculture can be expected as a solution to overcome the negative impacts of GR with four principles: food security, food safety, poverty reduction, and environmentally sound agricultural practices [2]. Organic agriculture is a holistic production management system that avoids use of synthetic fertilisers, pesticides and genetically modified organisms, minimises pollution of air, soil and water, and optimises the health and productivity of interdependent communities of plants, animals, and people [3]. It is clear that organic agriculture is in line with sustainable development which meets the needs of the present, without compromising the ability of future generations to meet their own needs [4], [5]. This definition highlights the need to apply a long-term perspective to current activities and impacts, in order to safeguard the

interests of future generations and promote environmental stability

Food and Agricultural Organisations has experienced from many developing countries that organic agriculture helped farmers to help themselves because it emphasises local resources and local ecological knowledge, brings farmers together in their community; and farmers' and consumers' groups work to support markets cut out monopolies and increase farm incomes. The deep roots of the organic agriculture movement connect farmers, consumers, and their markets, improving economic conditions and creating a vibrant rural community [2].

Organic agriculture has been implemented in Indonesia since 1980s and officially organized in 2001. Unfortunately it was not succeed due to social, economic, and political factors that empty into unfair market for organic agricultural products. It means that sustainable agriculture needs sustainable markets [6], that is fair trade. According to FINE<sup>1</sup> fair trade is "an alternative approach to conventional international trade (i.e. free trade). It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness-raising and by campaigning" [7]. Organic agricultural practices are in line and become a part of fair trade.

Fair trade has been practiced in many countries. Based on the fair trade fair and sustainable trade symposium in Cancun, Brasil held in September 2003, it was estimated that more than 5 million producers in 40 countries in Latin America, Africa, and Asia are involved in fair trade, and more than 200 organizations joined IFAT [8]. Products sell under the fair trade practices consist of three major types: predominantly smallholder crops (such as coffee, cocoa, and some food crops), second, predominantly plantation crops (such as tea and bananas), and third, small scale manufactured goods such as handicrafts.

Fair trade in Indonesia was initiated by Oxfam Great Britain in 1980s [9]. In 1999 a Consortium of Fair Trade Society (KMFT) was established in Yogyakarta and manages a retail shop (Sahabat Tani) selling fair trade products in which rice was the main product. So far, Mitra Bumi Indonesia (MBI) located in Malang-East Java, the only local Non-Governmental Organization (NGO) supported by Oxfam Great Britain which promoting fair trade for agricultural products since 2001. Although MBI partners earn higher income than conventional agricultural, there are still limited farmers and organizations interested in fair trade. Apart from that, only five organizations involved and promoting fair trade for handicrafts.

This paper aims to explain fair trade development potential as an alternative model to empower small farmers in Indonesia. Particularly, its specific objectives are: (a) to give an overview of current state of organic agricultural development and economic condition of small farmers, (b) to describe fair trade opportunities and threats subject to Indonesian context, (c) to provide evident of fair trade benefits based on research both in micro and macro

economy, and (d) to highlight some agenda need to be prioritize in promoting fair trade as an alternative model in pursuing sustainable agricultural development.

## II. ORGANIC AGRICULTURAL DEVELOPMENT AND ECONOMIC CONDITION OF SMALL FARMERS IN INDONESIA

### A. Organic Agricultural Development in Indonesia

The organic agricultural practices in Indonesia started in 1984 initiated by Bina Sarana Bakti (BSB) Foundation, a Non-Governmental Organization (NGO) based in Cisarua-Bogor, West Java. The initiator was Rev. Agatho Elsener, a missionary from Switzerland. The NGO has trained more than 10,000 farmers and grass root organizations across the country [10]. The main reason for development of organic agriculture are (a) as an alternative against green revolution approach which degraded environment and costly to farmers, (b) to support farmers not dependent on external inputs, and (c) struggle against authoritarian regime (Soeharto era) in promoting farmers' sovereignty [11].

In 1990 first network of farmer and fisheries group was founded in Jogjakarta, namely SPTN-HPS. The secretariat initiates many local network and actions especially on local rice project. Eight year later, SPTN-HPS in cooperation with other fourth organizations established the first Indonesian Organic Agriculture Network (JAKERPO). Afterwards, many organizations were established either NGOs or groups consisting of Ministry of Agriculture Officers and academe. The network focuses on technical support for farmers and local marketing.

The Ministry of Agriculture of the Republic of Indonesia officially launched a programme of "Go Organic 2010" in 2001 (Figure 1) but it was not successful due to many factors such as trust and certification [12], lack of support from the Ministry of Agriculture [10], and marketing problem and low capacity of farmers and other stakeholders [11].

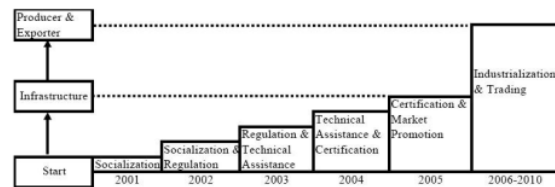


Figure 1. Indonesian Organic Agricultural Development Stages 2001 - 2010

Reference [13] divide stage of organic development into four stages: pioneer, conversion for export, markets and institutional support developing, and the pull factor working. Countries with a strong economy or highly developed agriculture sector exhibit higher expansion than those with a weak economy or less developed agriculture sector. Foreign market access or export remains the key contributing factor to the growth of agriculture sector. Japan remains the largest organic consumer market in Asia.

Organic agriculture development stage in Indonesia can be categorized into the stage of conversion for export. It is characterized by among others (a) government involvement minor to major, (b) local organic movement not well organized, (c) presence of foreign certifiers and few certified products in the local market, harvesting exports

<sup>1</sup> Stand for FLO (Fair trade Labelling Organization), IFAT (International Federation for Alternative Trade), NEWS (Network of European World Shops), and EFTA (European Fair Trade Association).

opportunities as a business option and not necessarily included as agenda for change in the larger agricultural development context, (d) conversion of organized power groups, large commercial farms and plantation linked to foreign market partners (buyers) [13]. Although there were 45,000 farmers involved in organic agriculture but the products make up only 0,02% and their total organic certified land is less than 1% of the total agriculture of the country.

The key commodities produce are coffee, tea, vanilla, pepper, herbs, cashew nuts, coconut, honey, vegetables, fruits, rice, mushroom, shrimp. These commodities are produced in the islands of Sumatra, Kalimantan, Java, Sulawesi, Nusa Tenggara, and Bali.

The export value of organic agricultural products in Indonesia in 2006 was more than USD 10 million, while domestic market values was USD 5-6 million ([14] The demand of organic products growing sharply both for domestic and international market. Last four years the demand increased about 600% [14].

#### B. Economic Condition of Small Farmers in Indonesia

Organic agricultural products are mostly produced by small farmers and so-called peasants. Characteristics of small farmers in Indonesia are, among other things, farmers who have land less than 0,5 ha per family that consists of three people in average. Due to limited landholder they also work as labourer to other farm to ear money.

The numbers of peasants in Indonesia are increasing (Table I) because of social and economic factors such as inheritance system and conversion of land from agriculture to non-agricultural activities. It indicated that there is increasing poverty based both basic need approach from Central Statistical Agency of Indonesia and purchasing power parity (PPP) from the World Bank. In 2003 number of people living under the poverty line were 37,30 million or 17.42% out of total population of the country [15]. Even though the poverty number was decrease to 32,53 million people (14.15% of the total population), most of the poor people are villagers and are peasant. For example, in 2002 there were 38.4 million poor people in Indonesia, 65.4% live in village area and 53.9% out of them are farmers. In 2003, there were 24.3 million household land-base farmers and 20.1 million people (82.7%) out of them were living under the poverty line.

TABLE I  
FARMERS HOUSEHOLD BASED ON AGRICULTURE CENSUS 2003

|  | 1993 | 2003 | Increase      |
|--|------|------|---------------|
| Number of agriculture household (in million household) | 20,8 | 25,4 | 2.2% per year |
| Number of peasant household (in million household)     | 10,8 | 13,7 | 2.6% per year |
| Proportion of peasants (%)                             | 52,7 | 56,5 |               |
| Proportion of peasants in Java island (%)              | 69,8 | 74,9 |               |

The peasants not afford to buy agricultural inputs such as certified seeds, chemical fertilizers, and pesticides. Therefore, inputs subsidy is one of the best solution should be taken by government. Total subsidy for agriculture in 2009 was Rp 18.4 billion (0.3% of gross domestic product)

and it will be reduced to Rp 11.3 billion in 2010 [16]. Government also tries to establish organic fertilizer mills in cooperation with private company then sell it to the peasants by subsidized pricing.

Input subsidy will help to increase productivity but it not guarantee to increase peasants and farmers' income. Farmers terms of trade indicates that farmers have low income even cost of production sometimes is higher than revenue due to high fluctuation of selling price. It means that peasant and agricultural products are facing unfair trade and market. Thus, fair trade for organic agriculture can be expected to empower peasants to be independent and therefore make use of local and domestic resources in line with sustainable development.

### III. FAIR TRADE AS AN ALTERNATIVE TRADE: OPPORTUNITIES AND CHALLENGES

#### A. Fair Trade as Alternative Trade

Originally fair trade was called "alternative trade". The word "alternative" was used to denote difference. Alternative trade work to a different set of values and objectives to traditional trade, putting people and their well-being and preservation of the natural environment before the pursuit of profit [17]. Alternative trade works with group organised for the benefit of the producers by the producers themselves, rather than traditional factories, and tends to distribute the products through the alternative distribution channels.

The values of fair trade pointed out by fair trade principle as a trade that set up an equal exchange between producers and consumers. Fair trade principles are based on trust to guarantee decent prices and viable income for producers [18]. Fair trade is a trade practice which is aimed to develop interactive relationship between producers and consumers with mutual understanding about producers need to have freedom in financial management. NGOs doing fair trade to promote equal trading relationship encourage cooperative rather than competitive [19] Thus, fair trade guarantee producers to receive fair profit and society also receive benefit from trade.

Specifically, the values of fair trade can be understood from its goals [7], that are:

- To improve the livelihoods and well-being of producers by improving market access, strengthening producer organizations, paying a better price and providing continuity in the trading relationship.
- To promote development opportunities for disadvantaged producers, especially women and indigenous people and to protect children from exploitation in the production process.
- To raise awareness among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively.
- To set an example of partnership in trade through dialogue, transparency and respect.
- To campaign for changes in the rules and practice of conventional international trade.
- To protect human rights by providing social justice, sound environmental practices, and economic security.



Fair trade has four elements: (a) as market participants, the fair trade organizations seek to provide competition to the established mainstream marketing system, (b) as agents of advocacy and awareness raising they attempt to secure changes to the international trading regime, to the operation of marketing arrangements for particular commodities, (c) as agents of redistribution, fair trade organizations seek to capture and pass on to ultimate producers the premium that some consumers are prepared to pay for fair trade products, and (d) as agents of empowerment, they aim to assist producers (mainly through cooperatives and producer organisations) to develop their own capacity to engage on more favourable terms in international trading relationships [7]. The empowerment can take the form of training, credit, organizational development support, or the provision of information and marketing advice to producer groups that are properly accountable to their members.

#### B. Opportunities for Developing Fair Trade

Many impact studies showed that fair trade has positive impacts on farmers' economy [20], [8], [21], [22], [23]. Fair trade for organic agricultural products therefore needs to be developed in Indonesia such as other developing countries. Reference [18] found that consumers in England generally understand the importance of fair trade and 39% out of 1,000 respondents said that they will buy fair trade products regardless the price when the products available at supermarket.

Purchasing power of consumers in England is obviously higher than that in Indonesia. Nevertheless, fair trade has the following opportunities to be developed in Indonesia:

- There is an increasing consumer's interest in fair trade products and services.
- There is a tendency of increasing interest of business groups to apply fair trade values.
- Local government start to involve in fair trade movement.
- Government officers start to support fair trade movement.
- Politicians perceive fair trade as a potential issue that can be able to force social changes.
- Increasing popularity of fair trade in higher educational institutions and research centers.
- Fair trade can become a political movement for a political party to push political changes [24].

Organic agriculture has a great potential to be developed in Indonesia. Many small farmers and huge land outside Java Island are "virgin" from chemical fertilizers and pesticides. Agricultural practices can be easily shifted to organic agriculture.

#### C. Challenges in Developing Fair Trade

Challenges in developing fair trade in Indonesia are (a) limited fund for campaign, (b) hegemony of capitalist system, (c) resistance of local culture and politics toward social changes, (d) limited access of small farmers in applying fair trade practices, (e) bias business information from national and international media, (f) low of consumer purchasing power, (g) lack of information and low awareness about environmental quality [24]. These

challenges, of course, need further investigation in the marketplace.

#### IV. BENEFITS OF FAIR TRADE FOR ORGANIC AGRICULTURAL PRODUCTS

Impact studies of fair trade have been done in several developing countries. Based on internet searching, there was the only one research publication on fair trade in Indonesia [25]. The research was national or macro level that makes use of secondary data and analyzes Indonesia organic agriculture. The second research [12] analyses fair trade using two case studies both in Malang and in Yogyakarta so that it was a micro level analysis. The benefits of fair trade are based on these two research results.

##### A. Increased Farmers' Income

Organic agriculture that apply fair trade principles increased farmers' income both macro and micro level analysis of rice farm (Table II and Table III). The productivity per hectare was not significant, even lower quantity. Total cost in the macro analysis for organic farming was higher than that of conventional farming because in the 1<sup>st</sup> cultivation time (between October – January) needs a lot of organic fertilizers compare with the 2<sup>nd</sup> cultivation (between February – May). However, total revenue and profit per harvest was higher in organic farming than in conventional one because of higher price of paddy grain.

TABLE II  
COMPARISON BETWEEN ORGANIC FARMING AND CONVENTIONAL FARMING

| Indicators                      | Organic farming with SRI (System of Rice Intensification) | Conventional Farming         |
|---------------------------------|---|------------------------------|
| Yield per Ha (Ton)              | Hulled dry paddy grain = 5,25                             | Hulled dry paddy grain = 5,6 |
|                                 | Rice = 3,15   | Rice = 3,36                  |
| Total Cost per Ha               | 8,180,000   | 5,000,5000                   |
| Price per Kg (from the farmers) | Rp 7,000  | Rp 4,000                     |
| Total Revenue per Ha            | Rp 22,050,000   | Rp 13,440,000                |
| Profit per Harvest (Rp)         | 13,870,000<br>(US\$ 1,541)                                | 8,435,000<br>(US\$ 937)      |

For the micro level analysis, organic farm income was higher than that of conventional one because of significant lower cost of production in organic farming. Organic farming has no expenses on inputs (seed, fertilizers, and pesticides) because farmers make use of their own local resources.

TABLE III  
COMPARISON OF CROP PRODUCTION PARAMETERS BETWEEN ORGANIC AND CONVENTIONAL RICE FARMING IN PULUNGOWO AND WRINGINSONGO VILLAGE

| Description            | Organic | Conventional | Difference |
|------------------------|---------|--------------|------------|
| Fixed cost (Rp/ha)     |         |              |            |
| a. Tax of land (Rp/ha) | 20,000  | 20,000       | 0          |
| b. Irrigation fee      | 30,000  | 30,000       | 0          |
| Sub total              | 50,000  | 50,000       | 0          |
| Variable cost (Rp/ha)  |         |              |            |

|                        |           |           |                |
|------------------------|-----------|-----------|----------------|
| a. Seed                | 0         | 92,163.28 | (92,163.28)**  |
| b. Fertilisers         |           |           |                |
| Organic fertilisers    | 140,485.7 | 0         | 140,485.7 **   |
| - Manure               | 95,844.16 | 0         | 95,844.16 **   |
| - Bokashi              | 3,891.43  | 0         | 3,891.43 **    |
| - EM-4                 | 90,428.57 |           |                |
| Chemical fertilisers:  | 287,881.0 | 464,658.0 | (176,777)**    |
| - Urea                 | 189,428.6 | 355,968.6 | (166,540) **   |
| - ZA                   | 57,619.1  | 172,072.7 | (114,453.7)**  |
| - TSP                  | 127,500.0 | 140,306.1 | (12,806.1) NS  |
| - KCl                  | 127,142.9 | 150,000.0 | (22,857.1) NS  |
| - Ponska               | 165,333.3 | 324,444.4 | (159,111.1) NS |
| c. Pesticides          |           |           |                |
| - Chemical             | 0         | 67,329.19 | (67,329.19) ** |
| d. Labour              |           |           |                |
|                        | 1,144,000 | 1,067,143 | 76,857 NS      |
| Total Cost © (Rp/ha)   | 1,360,664 | 1,683,583 | (322,919) **   |
| Production (kg/ha)     | 6913      | 6559      | 354 NS         |
| Revenue ® (Rp/ha)      | 6,221,333 | 5,903,802 | 317,531 NS     |
| Fam Income (Rp/ha)     | 4,860,669 | 4,220,219 | 640,450**      |
| Efficiency (R/C ratio) | 4,57      | 3,51      |                |

Note:

Analysis based on the second plant-growing season (September-November/December). The first plant-growing season is in April-June/July. Sample size (n) is 30 and 35, respectively for sustainable and conventional rice farming  
 \*\*) highly significant ( $\alpha = 0, 01$ )  
 \*) significant ( $\alpha = 0, 05$ )  
 NS = not significant  
 EM = Effective Micro-organism

### B. Poverty Reduction

Application of organic agriculture not only increased farm income but also reduce poverty (Table IV). By increasing organic farming areas more poor farmers engage in it so that significantly reduce poverty. Simulation [25] showed that in 2011 if organic farming area is 127,425 Ha it will occupy 254,850 poor farmers and be able to reduce poverty of 764,550 people. It is so because organic farming increases farmers' income.

TABLE IV  
 POVERTY REDUCTION THROUGH THE APPLICATION OF ORGANIC FARMING FARMERS' INCOME (ORGANIC FARMING VERSUS CONVENTIONAL FARMING)

| Year | Organic Farming Area | Poor Farmers Engaging     | Poverty Reduction      |               |
|------|----------------------|---------------------------|------------------------|---------------|
|      | Ha                   | In Organic Farming People | Absolute Number People | Change People |
| 2008 | 80,293               | 160,586                   | 481,758                |               |
| 2009 | 92,337               | 184,674                   | 554,022                | 72,264        |
| 2010 | 106,188              | 212,375                   | 637,125                | 83,103        |
| 2011 | 127,425              | 254,850                   | 764,550                | 127,425       |
| 2012 | 152,910              | 305,820                   | 917,460                | 152,910       |
| 2013 | 183,492              | 366,984                   | 1,100,952              | 183,492       |
| 2014 | 220,190              | 440,381                   | 1,321,142              | 220,190       |
| 2015 | 275,238              | 550,476                   | 1,651,428              | 330,286       |
| 2016 | 344,048              | 688,095                   | 2,064,285              | 412,857       |
| 2017 | 430,059              | 860,119                   | 2,580,356              | 516,071       |

Note:

Poor farmers are categorized as the farmers who have land less than 0.5 ha. Poor family consists of three people in average. Poor people in Indonesia in 2007 was 37 million

Area of organic farming is calculated based on the data that organic farming area in Indonesia was around 40,000 Ha (0.09% to total area or equals to 0.33 to total paddy area).

Assumption that during 2003 to 2008 there was increasing organic farming area 15% per year (based on demand of organic rice) and the average growth of organic farming area of 2009-2010 is 15%, 2011-2014 is 20%, and 2015-2017 is 25%.

### C. Reduce Government Subsidy for Fertilizers

Fair trade for organic agricultural products will also reduce government subsidy for chemical fertilizers. Simulation [25] as been presented in Table V show that government can be able to save a lot of money. Government subsidy per Kg is Rp 1,200 that is the average price of chemical fertilizers in 2008.

TABLE V  
 GOVERNMENT SUBSIDY REDUCTION FOR FERTILIZERS

| Year | Conversion scenario (% to total paddy farming area) | Organic Farming Areas (Ha) | Reduction of chemical Fertilizers (Kg) | Reducing Gov. Fertilizer Subsidy (x 000 Rp) |
|------|---|----------------------------|--|---|
| 2008 | 0.66  | 80,293                     | 21,856,905                             | 26,228,286.3                                |
| 2009 | 0.76  | 92,337                     | 25,135,441                             | 30,162,529.2                                |
| 2010 | 0.87  | 106,188                    | 28,905,757                             | 34,686,908.6                                |
| 2011 | 1.05  | 127,425                    | 34,686,909                             | 41,624,290.3                                |
| 2012 | 1.26  | 152,910                    | 41,624,290                             | 49,949,148.3                                |
| 2013 | 1.51  | 183,492                    | 49,949,148                             | 59,938,978.0                                |
| 2014 | 1.81  | 220,190                    | 59,938,978                             | 71,926,773.6                                |
| 2015 | 2.26  | 275,238                    | 74,923,723                             | 89,908,467.0                                |
| 2016 | 2.83  | 344,048                    | 93,654,653                             | 112,385,583.8                               |
| 2017 | 3.54  | 430,059                    | 117,068,316                            | 140,481,979.7                               |

Note:

The simulation use the same assumption with the simulation for calculation of poverty reduction.

By reducing subsidy for chemical fertilizers government can allocate the money to provide or maintain infrastructures to support organic agricultural development such as irrigation facilities. Government subsidy reduction also pushes farmers to produce organic fertilizers using their own domestic resources. It means helping farmers to be independent in providing organic agricultural inputs.

### D. Dialogue between Producers and Consumers

Fair trade practices provide a medium for dialogue between producers and consumers. MBI, the local NGO that promote fair trade for organic agricultural products, organize informal meeting in monthly basis between producers and consumers of fair trade products. The meeting held both in MBI showroom and in the farmers' field. During the meeting consumers can raise questions related to production process, the quality of products, costs of production, and pricing. At the farmers' field, the producers have a chance to explain production process from seedling until the harvest. Question related to do why people buy and do not buy fair trade organic products usually raised among the participants. Consumers always asking why fair trade product are higher prices compare with conventional products. The main reasons is fair trade products are healthy products because they are free from chemical residuals and time consuming in preparing organic fertilizers and pesticides. The latter

reason is the basis argument that organic agriculture is labour intensive and therefore reduce unemployment rate. Consumers sometimes provide suggestions for producers concerning the ways to improve quality of the products and consumers; preferences.

The dialogue organize by MBI is a good example of empowering producers in terms of having direct access to consumers. Indicators of empowering are (a) having access to information and resources, (b) having decision-making power, (c) having a range of options from which to make choices, (d) learning to think critically, learning the conditioning, seeing things differently, (e) growth and change that is never ending and self-initiated, and (f) increasing one's positive self-image and overcoming stigma [26].

#### V. AGENDA FOR FUTURE DEVELOPMENT

Based on the case study there are some problems in marketing of fair trade for organic rice:

- a. The selling price of organic rice that is sold locally by the farmers in several areas is as high as the conventional one (Rp 3.000 per kg on the average). The price of organic rice sold by NGOs is 25-30 per cent higher than conventional product, but it is an exclusive market.
- b. There is no standard for fair trade of organic agricultural product so that it is difficult to define whether a product is fair trade or not and organic or not. Nowadays, each producer has its own brand/label without any official approval.
- c. Farmers do not have access to the consumers of organic product.

Some problems faced in the trial of fair trade for organic rice in Thailand: (a) labeling for organic rice and fair trade takes time so that during that time products are sold without premium price, (b) shifting from conventional to organic farming relatively high cost for small farmers, and (c) farmers identify and perceive chemical inputs as modern farming so that farmers who apply organic farming are identified as traditional or deterioration [27].

Future agenda for developing fair trade from case study findings are:

- a. Provide incentive for farmers so that attract farmers to shift from conventional to organic farming. Usually small farmers are risk-taker because they have limited resources. Incentives such as subsidy or free access for technical training will helpful for small farmers during the transition period.
- b. There is a need to scale-up the market of fair trade for organic products. Market segment is consumers of medium and higher income. Distribution the make fair trade products available at the nearest place of consumers should be taken into consideration for organizations who promoted fair trade.
- c. Certification for organic and fair trade products is necessary to be established and applied in order to have trust from consumers. Certification also necessary to mitigate and prevent moral hazards of self-claim organic and fair trade brand/label.

The research on buying behavior related with fair trade [18] found three problems (a) less awareness and

understanding about fair trade, (b) difficult to develop and get direct benefits from fair trade to consumers, and (c) limited fair trade products offers at supermarket. The following actions can be taken to overcome the problems: (a) brand building and dissemination of information, (b) explicit relation between products and producers and added benefits, and (c) consumer driven new product development and own brands [28].

#### VI. CONCLUSIONS

Fair trade for organic products is an alternative trade to empower small farmers in Indonesia as a developing country. Organic farming benefits for government by reducing poverty and subsidy for fertilizers and increase farmers' income. Farmers not only receive high profit but they also are independent by utilizing local and domestic resources, having direct access to consumers, and increasing bargaining position.

Fair trade for organic agriculture has a great potential to be developed in line with sustainable development by prioritizing some issues related to certification, incentive for farmers at the first stage of development, scale-up market, and raising awareness of consumers and producers concerning the importance of fair trade.

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