

# Working Papers 140

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Italian style. The Altromercato  
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Giugno 2015

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## **“Fair Trade certification *Italian style*. The Altromercato experience”**

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### **ABSTRACT**

Certification is one of the most hotly debated issues in the fair trade international movement.

Fair Trade oriented consumers and public administrations demand more and more transparency and accountability, while fair trade producers' organizations press for cheaper models, and distributors ask for very visible labels to stress the ethical features of the product. So far, it has been very difficult to identify a single model satisfying all these different needs. In the past twenty years, two main approaches have been adopted to meet the above-mentioned needs and to ensure the reliability of Fair Trade: a product-centered approach and an organization-centered approach. Both approaches present advantages and disadvantages regarding certification quality versus costs and visibility in the eyes of all the stakeholders involved in the value chain.

We here present an original fair trade evaluation and monitoring model, framed into the organization-centered approach and experimented by the leading Italian Fair Trade organization, CTM Altromercato throughout its 27-year-long history. We analyse and compare, for the first time, the most significant data collected in the last 5 years through the evaluation forms designed by CTM Altromercato's Project Committee (the internal body responsible for the evaluation system), trying to derive useful results regarding producer organizations' performance, with particular reference to compliance with fair trade standards. For the purposes of the present paper, 55 different fair trade producer organizations from 23 countries were examined, accounting for about one third of all CTM Altromercato's suppliers.

The statistical analysis of the data included in the evaluation grids, with particular reference to major and minor non compliances, observations and good practices observed during audits, offers an insight into CTM Altromercato's partners, highlighting their main and most common strengths and weaknesses.

Finally, an overview on the next challenges and development of CTM Altromercato's evaluation system is provided: the new WFTO certification system and labelling policy is going to increase the number of certified organizations and, at the same time, to introduce some changes aimed to improve the evaluation process effectiveness. In fact, the increasing number of “domestic” Fair Trade products is pushing for a customized approach to evaluate fair trade compliance within such a different context.

**Keywords:** product certification, organization assessment, monitoring, Fair Trade principles, long term relationship, 2<sup>nd</sup> level organizations, WFTO assessment system, quantitative analysis of Fair Trade assessment process outcomes

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\* We thank for the valuable contribution all our fellows in CTM Altromercato Project Committee: Micol Arena, Enrico Barina, Laura Carraro, Stefano Castriota, Giorgio Dal Fiume, Sara De Rosa, Alessandra Governa, Cristiano Lanzano, Gianfranco Maino, Adrià Martínez, Riccardo Mercanti, Marco Rolandi, Michele Stella, Sabrina Toffoli. Special thanks to Letizia Cirillo for reviewing our work.

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# 1. The Fair Trade certification

Despite the 40 year-long history of Fair Trade, the process of establishing whether a commercial relationship is really *fair* is still one of the most hotly debated issues in the fair trade international movement.

Fair Trade was founded claiming a direct connection between southern producers and northern consumers without speculative intermediation. It moved its first steps thanks to personal relationships and trust between producer organizations, importers and retailers. Especially at the very early stage, the last two tended to overlap. For example, Francis Van Der Hoff has been living and working with Mexican coffee farmers of UCIRI before starting to import and sell fair trade coffee all across Europe with the Max Havelaar label in 1988 (Rozen and Van Der Hoff, 2003).

The expansion of the Fair Trade market, the growing number of subjects involved in this sector and the diversification of activities along the supply chain for each actor push Fair Trade organizations to establish a guarantee system and to agree on shared principles to define what can be considered fair trade and how to check it is.

Guarantee systems in Fair Trade are targeted to meet several needs: ethical oriented consumers and public administrations demand more and more transparency and accountability; historical and more committed organizations want to stress their specificity and compliance with Fair Trade ideals as opposed to newcomers, which have recently started to add fair trade products in their retail networks; producer organizations press for cheaper certification models; while distributors ask for very visible product labels to stress the ethical features of the products (Reynolds and Murray, 2007; Nicholls and Opal 2005).

In 1989, the World Fair Trade organization (WFTO, formerly called IFAT) was set up to coordinate and jointly promote Fair Trade practices. WFTO includes all stakeholders: producers, importers, retailers, and consumers networks, and has defined 10 Fair Trade principles (see Tab. 1), that fix the fundamentals and are the common roots shared among all involved subjects.

Fair Trade certification processes aim to assess compliance with the above mentioned principles and, more in general, to guarantee the reliability of Fair Trade. Current models of certification can be categorised into two main approaches: product-centered and organization-centered approaches.

The product centered approach focuses on the compliance of the production process, makes it possible to use the FairTrade Certification Mark on certified products, and has been shaped on traditional certification schemes. FairTrade International (hereinafter FTI), a network of national Fairtrade organizations who license the mark, defines a set<sup>1</sup> of standards for each product; producers apply for certification, receive a visit from auditors by FloCert (an FTI related organization, which is independent from producers and importers in charge of carrying out the evaluation process) and, if compliant, get the FairTrade label for the assessed products. As in other certification processes (e.g. those for organic food products) costs are borne by the applicants and may therefore discourage small producers.

Product standards developed by FTI identify several requirements, related to both document accountability and quantitative standards, including fair price definition for each product and specific rules for fair trade premium attribution and management.

The label on the final products makes them clearly identifiable by consumers, which is especially desirable within distribution channels where fair trade products are mixed with other products from the conventional market.

However, the number of products that have a specific standard defined by labelling

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1 There are currently 20 product family standards, as reported on <http://www.fairtrade.net/> (accessed in April 2015)

organizations is rather limited, mostly food products, and this can prevent the expansion of Fair Trade into others sectors and productions.

Moreover, the focus on products has led, in the past, to controversial situations, such as the certification of some products by multinational corporations, which formally respected Fair Trade as far as the assessed product was concerned, but were also accused of completely disregarding its principles in specific countries and situations.

The organization-centered approach is targeted to assess the compliance of the organization itself, considering production as one of the aspects to be assessed. This approach is promoted by WFTO, and several efforts were made to establish a common assessment procedure. In 2014, these efforts were at last finalized into a shared process, led by WFTO itself, which will be briefly described in section 4. In addition, over the last 20 years the biggest organizations have developed their own systems, sometimes sharing them into regional networks like EFTA<sup>2</sup>.

In all cases, the organization-centered approach has some common elements. These are as follows:

- the evaluation process is carried out directly by the importing organization that is selling the products of the assessed producer;
- no specific product label is released and can be used on the products, except for the trademark of the selling organization;
- once the organization is positively assessed, all its products can be sold as Fair Trade products;
- standards and related requirements always refer to the 10 WFTO principles and are applied to organizations and not to specific products. Hence, there is normally no price reference. Whenever there is one, the FTI price is assumed as reference, otherwise the fair price is assessed against the social and economic situation in the country of the producer organization.

This approach is oriented to World Shops<sup>3</sup> distribution: a huge variety of products, both food and non food, are marketed, a more effective impact on local communities is claimed, costs are significantly low and often covered by assessing organizations, the approach focuses on the general compliance of the organization rather than on formal evidence thereof.

Despite these positive aspects, the organization-centered approach implies the existence of several different marks, which can lead to common identity lost. Moreover, since a third party is missing, a guarantee system of this kind relies only on subjects directly involved in commercial relationships, which can be seen as a potential weakness from the consumers' point of view.

## **2. CTM Altromercato: the Project Committee and the guarantee system**

CTM Altromercato is the main Italian Fair Trade Organization (FTO) and the second largest in the world for size (about 100 employees) and turnover (47,000,000 € in 2014). Founded in 1988 as a cooperative, since 1998 it has been a Consortium now including a large number of cooperatives and organizations. Its 114 members are associations and cooperatives running more than 300 World Shops in Italy and abroad and involving about 27,000 members and some 400 paid and 6,000 voluntary workers.

The World Shops in Italy play a significant role. They do not simply retail products bought from the ATOs, as happens in other countries, but they also take part in decision-making processes

<sup>2</sup> European Fair Trade Association: it is a network among the biggest importers in Europe

<sup>3</sup> World shops are shops where nearly 100% of the products sold come from Fair Trade organizations and networks.

as they hold shares in the biggest ATO's capital, Altromercato, and are actively involved in informing and educating the local population about trade issues. According to Agices (the Italian general Assembly of Fair Trade, that represents associations, World Shops and FTOs active in the national FT movement), in 2012 its members spent 1,810,697 € and 8,074.5 hours on education and information activities (Agices, 2014).

According to Becchetti and Costantino (2010), the alliance between Fair Trade and the non-profit sector in all its different forms (charities, voluntary organizations, trade unions, consumer organizations, environmental groups, NGOs, religious organizations, etc.) should be considered as a typical feature of the Italian fair trade model. This alliance is responsible of the strong impetus given to the national movement during the 90s in terms of the creation of social capital and dissemination, especially in the northern regions, where the cooperative movement is historically more responsive.

This distinctive feature makes Italy the country with the largest volume of World Shop sales in Europe and the third highest World Shop density, after the Netherlands and Germany (Krier, 2008), historically demonstrating an enviable grass-roots vitality that also influences norms and regulations. In order to preserve this peculiarity, in 2005, Agices approved its own Charter of Fair Trade Criteria.

Becchetti and Costantino (2010) analysed the main differences between the Italian Charter and WFTO principles:

- 1) the Italian charter is much more strongly oriented towards global political justice, while WFTO is more concerned with technical and economic issues;
- 2) FT organizations in the Italian Charter should be non-profit making (a constraint absent in the WFTO document);
- 3) the Italian charter makes reference to sustainable tourism and acknowledges the important synergies which may be created between the latter and sales of FT products.

This difference in principles and legal forms is reflected in practice in a general orientation towards the production of intangible social values such as solidarity, consumer sobriety, participation, grass-roots political action, and a special attention to the quality of partnerships between importers, producers and workshops. This last goal is pursued through numerous participation mechanisms (Agices assembly, the network of Italian World Shops, CTM Assembly). In essence, Becchetti and Costantino (2010) state, in comparison with what happens in other countries, that *the Italian difference is that the World Shop (and its members i.e. volunteers and consumers) exerts a much stronger influence, which extends to the importer and labelling levels.*

It is in such a particular, participated and politically oriented scenario, that we should consider the decision by CTM Altromercato to set up its own certification system. This involves 170 suppliers accounting for 60,000 artisans and 430,000 farmers in 50 different countries ([www.altromercato.it](http://www.altromercato.it)). Italian fairtrade-oriented consumers, who often are also members of the World Shops, which are in turn members of CTM Altromercato, request improved control of the compliance of the organizations producing the goods they buy with the criteria on which fair trade is based.

The evaluation process is managed by the Project Committee, an independent body within the organization chart of the consortium, which is composed of voluntary experts recommended by Altromercato's members, who are in charge of assessing "on the spot" the compliance with fair trade criteria by African, Asian and Latin-American producer organizations supplying fair trade goods to the Italian FTO.

The Project Committee is currently made up of 11 members, divided in continental groups (Africa, Asia and Latin America) elected every three years by the Consortium's BoD.

The task of the Project Committee is to analyse in depth, in the most impartial possible way, the partners with which the consortium co-operates, with a special emphasis on the WFTO principles.

The Project Committee does not manage or fund projects, but rather is connected with CTM Altromercato's other operational units, and examines projects after they have been selected on the

basis of ethical and business criteria.

The evaluation the project committee provides can be of the following four types:

- *New project evaluation*: this is the standard operational base and applies to all new partners;
- *Periodical evaluation*: this applies to existing partners in order to find new information, to know about developments, changes and problems, to continue the relationship;
- *Crisis or emergency evaluation*: this applies to existing partners who – for valid reasons – are in need of a supplementary evaluation aimed at ascertaining if the the conditions for a partnership are still in place;
- *“Priority” project evaluation*: this is the urgent analysis of specific projects which require quick evaluations due to peculiar strategic and business needs.

The Project Committee’s opinion is considered as compulsory but not binding preventive counsel to CTM Altromercato's BoD, which keeps the last word about starting (carrying on with) a commercial relationship with the producer organization. Being composed of voluntary auditors, proposed by the Consortium's members and appointed by the BoD, the Project Committee is an internal but independent body, which is absolutely not involved in commercial issues, but must report about its activities to CTM Altromercato’s general assembly every year.

The committee’s functions are undertaken in co-operation with other operational units in order to provide all relevant information on producers.

The operational tools of the Project Committee are:

- WFTO principles;
- Travel reports written by committee members or consultants;
- Detailed self-assessment questionnaires compiled by producers;
- Project evaluation check lists;
- Detailed reports to ensure chronicling;
- Specific documents reporting on: periodic criteria update, underage work, travel expenses, etc.

The assessment is carried out through the following: meetings with managers, supervisors, and producers; visits to offices, workshops, and suppliers; checking of office records and publications.

The assessment is based on the 10 FT Principles. For each Principle, a number of requirements (27 in total) have been developed by Agices and shared among all Agices members in order to identify a common “Italian style” for Fair Trade evaluation (see Table 1). Focus is not so much on the formal compliance with the principle to be verified through the existence of a paper document, but rather on the substantial accordance with fair trade principles demonstrated in practice.

To record how the organization is performing in relation to each requirement, the following scale is used:

- 0: does not comply (major non-conformity)
- 1: partly compliance (minor non-conformity)
- 2: compliance (with observations or not)
- 2\*: best practice

In case of non-conformities the Project Committee can ask for corrective actions to be implemented by the organization to solve the situation without jeopardising the commercial relationship.

Each evaluation ends with a final report where all the results emerged during the visit (major and minor non conformities, observations, recommendations, good practices) are registered. This final report is shared and discussed with the evaluated organization in a final meeting, where organization itself may be asked to define, implement, and monitor a corrective action plan in a

given time. The main goal is therefore not to promote or reject an organization, but rather to help it identify corrective actions that can improve the organization in its partnership with CTM Altromercato.

After the visit, the assessed organization is responsible for planning, implementing, and monitoring the corrective action plan. The action plan shall describe at least the activities the organization has planned for every result, who is in charge of applying the plan, and how long it will take. Parallel to this, a more analytical report is compiled by the Project Committee, containing all the evidences collected and the corrective actions proposed by the organization. This report is discussed with other Committee members in order to take a shared final decision before sending it to CTM Altromercato's Board. The evaluations' result can be positive or negative and, according with statutory rules, must be taken in serious consideration by the Board to decide about beginning and/or carrying on with a commercial relationship. Moreover, the results are shared with (and taken in serious consideration by) all the other Italian FTOs, and the European FTOs that are members of the European Fair Trade Association (EFTA).

Finally, all the evaluation forms are uploaded onto CTM Altromercato's internal website, where they can be accessed by all the World Shops members, thus enabling them to get detailed data about the suppliers to:

- exercise their participation right within the Consortium's assembly, influencing its commercial strategy and its fair trade policy;
- inform, in turn, their members, (voluntary workers and consumers) enabling them to indirectly participate as well.

The only costs related to the evaluation process regards the payment of a part-time salary for the Project Committee's coordinator and the reimbursement of travel expenses (both for internal meetings in Italy and for the missions abroad). These costs are directly incurred by CTM Altromercato, which invests in this activity about 50,000 € per year, with no burden for producer organizations. About 12 producer organizations are visited each year, accounting for a total average cost (comprehensive of all indirect costs) for CTM Altromercato of about 4,200 € per organization.

It is important to underline that the Project Committee's control is not to be considered alternative to WFTO's, but rather complementary. CTM Altromercato itself must undergo two control levels exerted by Agices (national external control) and WFTO (international external control). Overall, as many producer organizations are not already certified by either WFTO or FLO, the Altromercato internal certification model is often the first and only fair trade evaluation and monitoring system applied to the supplier.

This observation is particularly interesting if linked with data about consumers' perception of CTM Altromercato's brand. Previous surveys demonstrate that Italian ethical-oriented consumers trust CTM Altromercato brand. In a survey conducted by Eurisko in 2009, Altromercato resulted to be the best known "fair brand" in Italy, remembered by 7.8 % of the sample versus 0.9 % for the FLO brand. Consumers associate CTM Altromercato's brand to positive values such as ethics and honesty, and consider it a synonym of fair trade, *a social subject more than a brand* (Eurisko, 2009). This very positive perception indirectly shows consumers' confidence in CTM Altromercato's evaluation and monitoring system as a very reliable guarantee of its products' fairness.

### **3. Statistical analysis**

Our sample is composed of 55 fair trade producer organizations visited and evaluated between 2010 and 2014 by the Project Committee team. All these organizations had, at the time of the evaluation (and in the great majority still have), a starting or ongoing commercial partnership with CTM Altromercato.

We have compared these organizations looking at a number of quantitative and qualitative indicators contained in the Project Committee's evaluation forms, trying to derive useful results regarding their performance, with particular reference to compliance with fair trade principles. All the data are homogenous, as they have been collected using coherent tools and procedures<sup>4</sup>, by the same working team.

In what follows, we will start by looking at descriptive statistics and then move, for some selected variables, to the econometric analysis.

The sample is well balanced as regards both the geographic origin and the production: 24 organizations (43.64 %) are located in Asia, 20 (36.36 %) in Latin America, 9 (16.36 %) in Africa, one in Eastern Europe, and one in the Middle East. 32 organizations (58.18 %) produce and sell food, 20 (36.36 %) are active in the handicraft sector, 2 deal with both food and handicraft, 1 with cosmetics. The most common products are coffee, textiles, tea, and sugar.

The large majority of the organizations (80 %) use local raw materials (from the same area), 8 of them (14.55 %) buy raw materials from other areas in the same country, while in just two cases (3.64 %) they buy abroad.

The average organizations' age is 28.79 years with 23.64 % established in the 70s, 21.82 % each in the following three decades ('80s, '90s and 2000-2010), while only 9.09 % were established in the 60s or before.

As regards the legal structure, surprisingly the most common one is the private company (43.64 %), followed by more democratic forms like the cooperative (32.73 %) and the association (10.91 %). Consistently with this result, the relative majority of the organizations (43.64 %) were set up by a spontaneous group of artisans or farmers that decided to self-organize in a legal form. 23.64 % of the organizations originated as follow-ups of a cooperation project, 14.55 % from the initiative of a single entrepreneur, and 10.91 % from a religious organization.

The average turnover (at the time of the evaluation) was € 5,426,260.08, with a huge variability from a minimum of € 13,794.50 to a maximum of € 46,250,000.00. Moreover, analysing the turnover's composition, we have found that, on average, 85.91% comes from exports and 74.12% from the fair trade market. This result could be commented either as a positive one, showing a strong commitment to the fair trade movement, or as a negative one in terms of market diversification. For this reason, the number of fair trade clients should also be taken into consideration. About a quarter of the organizations (25.45 %) have more than 10 "fair clients", 11 organizations (20 %) sell to 5 to 10 FTOs, 17 (30.91 %) to between 3 and 5, while in 11 cases CTM Altromercato is the only (or one of the two) fair buyer(s).

The average profit is € 321,872.12, which means about 6 % of the average turnover. 5 organizations have a negative result. Regarding use of profits, 38 organizations (69.09 %) declare to invest in the production, 18 (32.73%) to devote profits to social actions and 13 (23.64 %) to distribute them to members.

The organizations analysed seem to be rather involved in the international fair trade movement: 23 (41.82 %) are WFTO members; 19 (34.55 %) are affiliated to WFTO continental networks, and 14 (25.45 %) to other fair-trade networks.

The product-centered certification is quite widespread too. Organic certification is even more common (43.64 %) than the FLO one (41.82 %). Much rarer is the use of other kinds of certification, such as ISO (9.09 %). Moreover, it is interesting to note that 13 organizations (23.63 %) are not WFTO members and do not have any FLO label on their products. In those cases, we can consider the Project Committee's evaluation as probably the only guarantee for the consumers about these producers compliance with fair trade principles. No data is available about the reasons why these organizations refused both product-centered and organization-centered fair trade certifications, but what should be pointed out is that in the absence of the evaluation made by CTM Altromercato (or another FTO) they would probably be outside of the fair trade market.

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<sup>4</sup> The assessment form has been tuned up in the analysis period, but requirements have been substantially maintained across different versions and audit outcomes are completely comparable.

Moving to the ethical performance, we have measured the compliance level with 27 fair trade requirements of our 55 producer organizations, using the following scale:

- 0 = major non-conformity
- 1 = minor non-conformity
- 2 = compliance
- 3 = best practice

Two indexes can be defined to support the description and analysis of collected data:

- **Requirement Compliance Index** (hereinafter RCI), computed as the average, for each one of the 27 requirements, of the performance of the 55 assessed organizations. This index is useful to get a detailed description of our partners' features, but it is not directly comparable with other analyses since it does not refer to the 10 FT principles;
- **Organization-Principle Compliance Index** (hereinafter OPCI), computed as the average, for each organization and each one of the 10 Principles, of the recorded performances. In order to get one value for each principle, we average requirements referring to the same principle according to Table 1. This second index can refer to international shared principles and can also give a synthetic description of each one of the assessed organizations.

The general average of the RCI index is equal to 1.84 with a standard deviation of 0.091.

The best average values were recorded for requirements number 1 (Disadvantaged producers) and 27 (Environmental projects) where our compliance index is equal to 2,00.

We have also found very good performances with regards to training (req. 22) and capacity building activities (req. 23).

On the other hand, the worst average values were recorded for requirement number 4 (Annual accounts are kept and audited) where our index is 1.64, followed by requirement number 11 (There is a system to check that living wages are paid to producers), which is equal to 1.69. Performances regarding the trading relationship regularity (req. 9) and workers health and safety (req. 21) are also not very satisfying.

Fig. 1 illustrates the OPCI index values referring to the 10 principles for each of the 55 assessed organizations, represented synthetically through a box-plot chart<sup>5</sup>.

Several observations can be made based on this chart:

- the median is always equal to 2 (which means compliance with the principle) and most of the times overlaps with the third quartile. There is no principle with less than 50% of the sample not fully compliant and in three cases this is true for 75% of the sample (four, if we consider also principle 1);
- some principles present more outliers (in red) than others: data related to principles 5 (Child and forced labour), 6 (Non discrimination, Gender Equity and Freedom of Association), 9 (Promotion of Fair Trade) and 10 (Environment) range from the minimum<sup>6</sup> to the maximum of the possible values. Therefore, here there is little homogeneity among organizations in the sample, with both the best practices and the most critical situations;
- the distribution of organizations according to principles also gives some global indication on the weaknesses and strengths of our partners, partially confirming what also emerged in the previous, descriptive analysis: our partners are stronger and more compliant on “social” aspects, like involvement of marginalised producers (1) and providing technical and social

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5 Box-plot charts provide an overall description of the dataset: for each principle on the horizontal axis the box represents the range between the first and third quartile and the red line inside the box is the median. Box width illustrates the size of the group being plotted. Whiskers, red circles and red plus signs represent data dispersion, i.e. 1.5 times the interquartile (IQR), between 1.5 and 3 times the IQR, and more than 3 times the IQR respectively.

6 Generally, organizations that got score 0 on some principles have then also received an overall negative ethical evaluation.

empowerment (8), but there is still a significant group that is between score 1 and 2 on more “economic” principles, like those from principle 2 to 7, all of which with 25% of the sample performing between 1.5 and 2.

These general results confirm what emerged in a number of impact studies on fair trade producer organizations claiming that indirect spill-over effects (empowerment, technical and organizational improvements) tend to exceed direct fair trade premium-related income effects (Costantino, 2013; Ruben, 2008). Surprisingly enough, price premium, surely the best, and sometimes the only one, known among the fair trade principles (Becchetti and Costantino, 2006; OWW, 2009) does not seem to be the principle organizations comply with the most, nor is it the most effective in terms of development impact. On the other hand, some of the least known requirements (like training and capacity building) have very good results in terms of compliance by the producers and are particularly effective as development tools.

Only 5 out of the 55 organizations in the sample (9.09 %) received a negative final evaluation by the Project Committee, but almost half the evaluations (47.27 %) ended with a request of corrective actions to be adopted by the producer organizations and monitored by the Project Committee. This post-evaluation relationship is usually positive. Specifically, the approach to the corrective action plan is fully positive and cooperative by 65.38 % of the organizations involved; 11.54 % of the organizations accepted the corrective actions' request but were not fully committed in their application, while 6 organizations (23.08 % of those that received a request for corrective actions) refused criticism. These data confirm that the evaluation results more often in an improvement process for the organization than in a rejection.

A more detailed analysis, using the same chart and the OPCI index as shown in Fig. 1, can better characterize our partners by considering the dispersion of performances for each organization. To this purpose, Fig. 2 shows the 55 organizations assessed on the horizontal axis and OPCI values for the 10 principles on the vertical axes. Organizations are sorted by increasing number of members or workers (in the grey area being those where data concerning the number of members was not recorded): this is a proxy indication of size as well as impact on the local community. We consider it more reliable than the global turnover, which can reflect also contingent problems related to general situations or local problems of the organization itself.

From Fig. 2 the following information can be inferred:

- boxes' height gives us a quick overview of the internal variance of each organization: while most organizations have scores concentrated around the median value, a number of them present a wide range of performances. This observation points out that there is often room for improvement even for very compliant and committed organizations, and that Fair Trade is better described as a continuous process rather than a status that is valid forever;
- the first 20 organizations get generally lower performances than the other, and, given the sorting order, this element suggests a correlation between size and performances;
- the best performances are concentrated in the central part of the chart.

To inspect in more detail these two last points, the chart also shows the average values of OPCI for each organization (black dot) and a regression polynomial of order 2 that fits quite well with the average data. The surprising indication that can be deducted is that in our sample the average compliance with Fair Trade principles is higher for medium-sizes organization, but lower for both small and big organizations. To be more precise, the increasing trend is quite evident in the first part of the chart, whereas in the central area of the chart there is a group of organizations pretty close to full compliance, while the decreasing part depends on 3 of the 4 biggest organizations.

This evidence is in line with our experience: when organizations are too small, they very often focus on the struggle for survival and are not able to invest into empowerment, accountability, and benefits for their workers. On the other hand, organizations that are too big sometimes run the risk

of reducing commitment to Fair Trade. The shape of the tendency line, quite flat in the middle, also suggests that there is no “optimal” size, but, considering also the wide variety of the sample in terms of members, as shown in Fig. 3, every organization can find its way to Fair Trade compliance.

## 4. Conclusions and further challenges

In this paper we have briefly presented an internal organization-centered evaluation system experimented for a long time by a leading European FTO. The system originated within a national movement historically characterized by the strong influence exercised by Italian consumers through the World Shops. As illustrated in the second section, CTM Altromercato's evaluation system guarantees the compliance with fair trade criteria by its suppliers in a way that is considered reliable by Italian fair trade consumers, as demonstrated by the data on brand perception.

The governance system in which this evaluation scheme is included allows World Shops and consumers to influence the FTO's commercial and political strategy, thus achieving the goal of democratic participation.

In the third section, we have analysed quantitative and qualitative data coming from 55 producer organizations evaluated through this system in the last five years. This analysis enables us for the first time to give the reader an insight into CTM Altromercato's suppliers, showing their most common features, and to measure their performance with regards to fair trade compliance. We defined and computed two compliance indexes that gives us useful information about the easiest and the most difficult FT requirements to comply with. Consistently with the literature on fair trade impact but probably not with consumers' expectations, we have found better results for support services related requirements (training, capacity building) than for fair price related ones. We also analysed the producer organizations' approach towards the request for corrective actions, and we found out that the evaluation is usually experienced as an opportunity to grow. The quantitative analysis of compliance with 10 principles makes it also possible to confirm that, generally speaking, the ongoing process of improvement experienced by the assessed organization concerns not only commercial aspects but also ethical ones.

The debate around certification schemes in the fair trade movement is all the more lively. Both product-centered and organization-centered approaches present strengths and weaknesses, as it is very difficult to satisfy the different needs expressed by producers, importers, distributors, and consumers.

Against this backdrop, WFTO has recently launched a new certification system. This system is aimed at keeping together the most positive elements of both approaches, namely the possibility to evaluate and monitor not just a single production process but an entire organization, and, at the same time, to use a label that is directly visible on the product's packaging to highlight its ethical content. In the next years, it will be very interesting to see how this system is integrated with current assessment procedures.

Finally, in the last years a new trend has been growing within the Fair Trade movement, the so-called “Domestic Fair Trade”. The international economic crisis, the increasing demand for local and healthy products, the will to support best practices in the agricultural and manufacturing sectors, in northern as well as in southern countries, has led to an increase in the percentage of fair trade products produced and sold in the same country or continent. In Italy, Altromercato has recently proposed a new brand, *Solidale Italiano*, to bring Italian products with highly positive social and environmental impact into Italian World Shops. To assess these new partners and to apply Fair Trade principles to Italian small and marginalized producers is the next challenge for our Project Committee. The challenge for the Italian Fair Trade movement is to revamp the message of Fair Trade, keeping together established and new suppliers and overcoming the obsolete distinction between *southern* producers and *northern* consumers, thus further promoting Fair Trade's vision of fair economic relationships.

# Tables

**Table 1. WFTO Principles and Agices Requirements**

<b>WFTO Principles</b>	<b>Description</b>	<b>Agices Requirements</b>
<p>1. Creating Opportunities for Economically Disadvantaged Producers</p>	<p>Poverty reduction through trade forms a key part of the organization's aims. The organization supports marginalized small producers, whether these are independent family businesses, or grouped in associations or co-operatives. It seeks to enable them to move from income insecurity and poverty to economic self-sufficiency and ownership. The trade supports community development. The organization has a plan of action to carry this out.</p>	<ol style="list-style-type: none"> <li>1. There is a written mission statement referring to development of disadvantaged producers. Poverty reduction through trade is a key part of the mission statement.</li> <li>2. There are strategies put in place to improve working conditions</li> <li>3. Members, workers and producers are involved and are aware of the organization's mission</li> </ol>
<p>2. Transparency and Accountability</p>	<p>The organization is transparent in its management and commercial relations. It is accountable to all its stakeholders and respects the sensitivity and confidentiality of commercial information supplied. The organization finds appropriate, participatory ways to involve employees, members and producers in its decision-making processes. It ensures that relevant information is provided to all its trading partners. The communication channels are good and open at all levels of the supply chain.</p>	<ol style="list-style-type: none"> <li>4. Annual accounts are kept and audited</li> <li>5. The organization makes clear contracts for each order. These contracts detail product specifications, quality requirements, prices, as well as delivery and payment conditions. The order contracts are signed by both parties. There is a process to ensure that prices are mutually agreed through dialogue and participation.</li> <li>6. Governance: The organization has a good communication management process regarding communication with staff, workers, and producers. There are regular meetings with staff and producers, and minutes of these meetings. The organization has a clear structure, as shown in the organization chart.</li> </ol>
<p>3. Trading Practices</p>	<p>The organization trades with concern for the social, economic and environmental well-being of marginalized small producers and does not maximize profit at their expense. It is responsible and professional in meeting its commitments in a timely manner. Suppliers respect contracts and deliver products on time and to the desired quality and specifications.</p> <p>Fair Trade buyers, recognising the financial disadvantages producers and suppliers face, ensure orders are paid on receipt of documents and according to the attached guidelines. An interest free pre payment of at least 50% is made if requested.</p> <p>Where southern Fair Trade suppliers receive a pre payment from buyers, they ensure that this payment is passed on to the producers or farmers who make or grow their Fair Trade products. Buyers consult with suppliers before canceling or rejecting orders. Where orders are cancelled through no fault of producers or suppliers, adequate compensation is guaranteed for work already done. Suppliers and producers consult with buyers if there is a problem with delivery, and ensure compensation is provided when delivered quantities and qualities do not match those invoiced.</p> <p>The organization maintains long term relationships based on solidarity, trust and mutual respect that contribute to the promotion and growth of Fair Trade. It maintains effective communication with its trading partners. Parties involved in a trading relationship seek to increase the volume of the trade between them and the value and diversity of their product offer as a means of growing Fair Trade for the producers in order to increase their incomes. The organization works cooperatively with the other Fair Trade Organizations in country and avoids unfair competition. It avoids duplicating the designs of patterns of other organizations without permission.</p>	<ol style="list-style-type: none"> <li>7. The organization makes clear contracts for each order. These detail price, product specifications, quality requirements, delivery and payment conditions</li> <li>8. The organization makes pre-payments upon request of producer groups.</li> <li>9. The organization has a regular trading relationship with producer groups</li> </ol>

<p>4. Payment of a fair price</p>	<p>A fair price is one that has been mutually agreed by all through dialogue and participation, which provides fair pay to the producers and can also be sustained by the market. Where Fair Trade pricing structures exist, these are used as a minimum. Fair pay means provision of socially acceptable remuneration (in the local context) considered by producers themselves to be fair and which takes into account the principle of equal pay for equal work by women and men. Fair Trade marketing and importing organizations support capacity building as required to producers, to enable them to set a fair price</p>	<p>10. A living wage is paid 11. There is a system to check that living wages are paid to producers</p>
<p>5. Child Labour and Forced Labour</p>	<p>The organization adheres to the UN Convention on the Rights of the Child, and national / local law on the employment of children. The organization ensures that there is no forced labour in its workforce and / or members or homeworkers. Organizations who buy Fair Trade products from producer groups either directly or through intermediaries ensure that no forced labour is used in production and the producer complies with the UN Convention on the Rights of the Child, and national / local law on the employment of children. Any involvement of children in the production of Fair Trade products (including learning a traditional art or craft) is always disclosed and monitored and does not adversely affect the children's well-being, security, educational requirements and need for play.</p>	<p>12. There is a system to monitor child labour and protect children throughout the production chain 13. The provision of services, payment and employment practices does not lead to forced or bonded labour conditions.</p>
<p>6. Non discrimination, Gender Equity and Freedom of Association</p>	<p>The organization does not discriminate in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, HIV/Aids status or age. The organization provides opportunities for women and men to develop their skills and actively promotes applications from women for job vacancies and for leadership positions in the organization. The organization takes into account the special health and safety needs of pregnant women and breast-feeding mothers. Women fully participate in decisions concerning the use of benefits accruing from the production process. The organization respects the right of all employees to form and join trade unions of their choice and to bargain collectively. Where the right to join trade unions and bargain collectively is restricted by law and/or political environment, the organization will enable means of independent and free association and bargaining for employees. The organization ensures that representatives of employees are not subject to discrimination in the workplace. Organizations working directly with producers ensure that women are always paid for their contribution to the production process, and when women do the same work as men they are paid at the same rates as men. Organizations also seek to ensure that in production situations where women's work is valued less highly than men's work, women's work is re-valued to equalize pay rates and women are allowed to undertake work according to their capacities.</p>	<p>14. The organization has a written policy on non-discrimination in place. This includes a gender policy. This policy is actively implemented . 15. The organization has special programs/activities to achieve women empowerment and/or gender justice (especially where gender discrimination is the norm). 16. The organization has a freedom of association policy.</p>
<p>7. Working Conditions</p>	<p>The organization provides a safe and healthy working environment for employees and / or members. It complies, at a minimum, with national and local laws and ILO conventions on health and safety. Working hours and conditions for employees and / or members (and any homeworkers) comply with conditions established by national and local laws and ILO conventions. Fair Trade Organizations are aware of the health and safety conditions in the producer groups they buy from. They seek, on an ongoing basis, to raise awareness of health and safety issues and improve health and safety practices in producer groups.</p>	<p>17. All employees have a clear labour contract or letter of employment. 18. Working hours comply with national laws/ILO standards. The working week, not including overtime, is defined by law 19. Salaries/wages are recorded and paid timely. 20. The organization contributes to benefits such as sick leaves, medical insurance, maternity leaves, pensions, and extra benefits for employees and workers 21. Appropriate policies, procedures, and practices are in place to safeguard the health and safety of employees and workers.</p>
<p>8. Capacity Building</p>	<p>The organization seeks to increase positive developmental impacts for small, marginalised producers through Fair Trade. The organization develops the skills and capabilities of its own employees or members. Organizations working directly with small producers develop specific activities to help these producers improve their management skills, production capabilities and access to markets – local / regional / international / Fair Trade and mainstream as appropriate. Organizations which buy Fair Trade products through Fair Trade intermediaries in the South assist these organizations to develop their capacity to support the marginalized producer groups that they work with.</p>	<p>22. The organization provides regular training and technology for staff, producers, and workers. These activities and training are recorded. 23. The organization actively supports production and trading development.</p>

<p>9. Promotion of Fair Trade</p>	<p>The organization raises awareness of the aim of Fair Trade and of the need for greater justice in world trade through Fair Trade. It advocates for the objectives and activities of Fair Trade according to the scope of the organization. The organization provides its customers with information about itself, the products it markets, and the producer organizations or members that make or harvest the products. Honest advertising</p>	<p>24. The organization regularly raises awareness of Fair Trade within and outside the organization</p>
<p>10. Environment</p>	<p>Organizations which produce Fair Trade products maximize the use of raw materials from sustainably managed sources in their ranges, buying locally when possible. They use production technologies that seek to reduce energy consumption and where possible use renewable energy technologies that minimize greenhouse gas emissions. They seek to minimize the impact of their waste stream on the environment. Fair Trade agricultural commodity producers minimize their environmental impacts, by using organic or low pesticide use production methods wherever possible. Buyers and importers of Fair Trade products give priority to buying products made from raw materials that originate from sustainably managed sources, and have the least overall impact on the environment. All organizations use recycled or easily biodegradable materials for packing to the extent possible, and goods are dispatched by sea wherever possible.</p>	<p>25. There is a written environmental policy in place to assess the organization's sustainability and environmental impact. 26. The organization sets targets and reviews progress in reducing its environmental impact 27. The organization has or supports environmental projects.</p>

## Figures

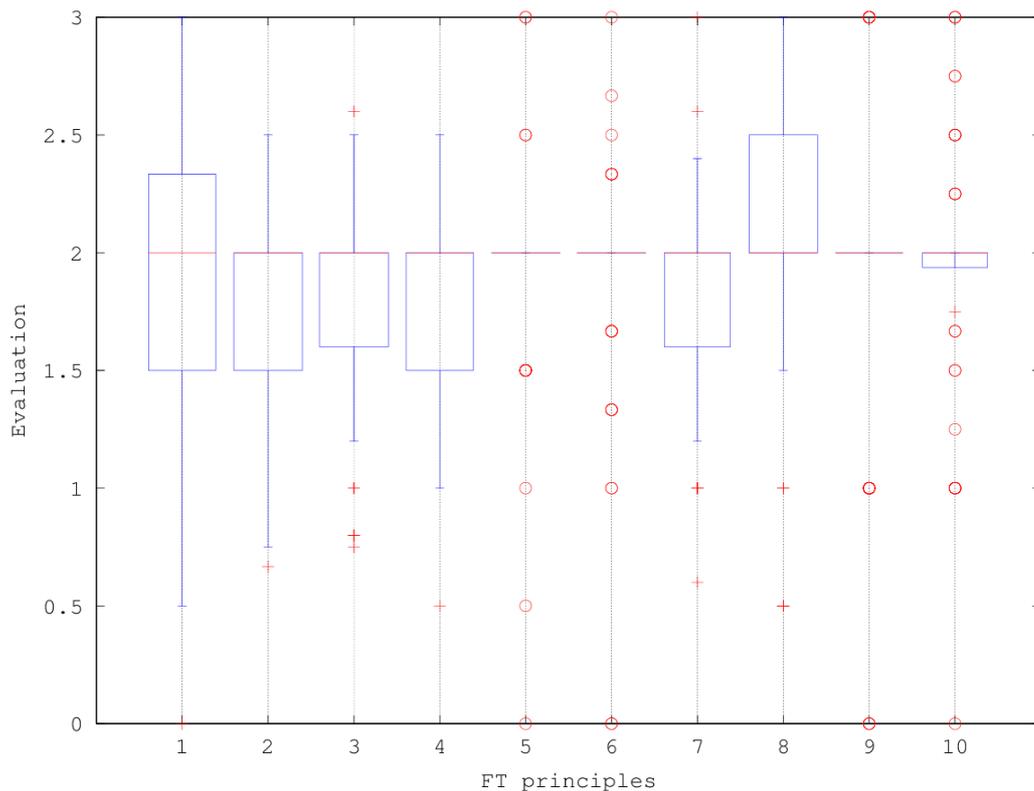


Figure 1: Box-Plot chart of OPCI index for principles

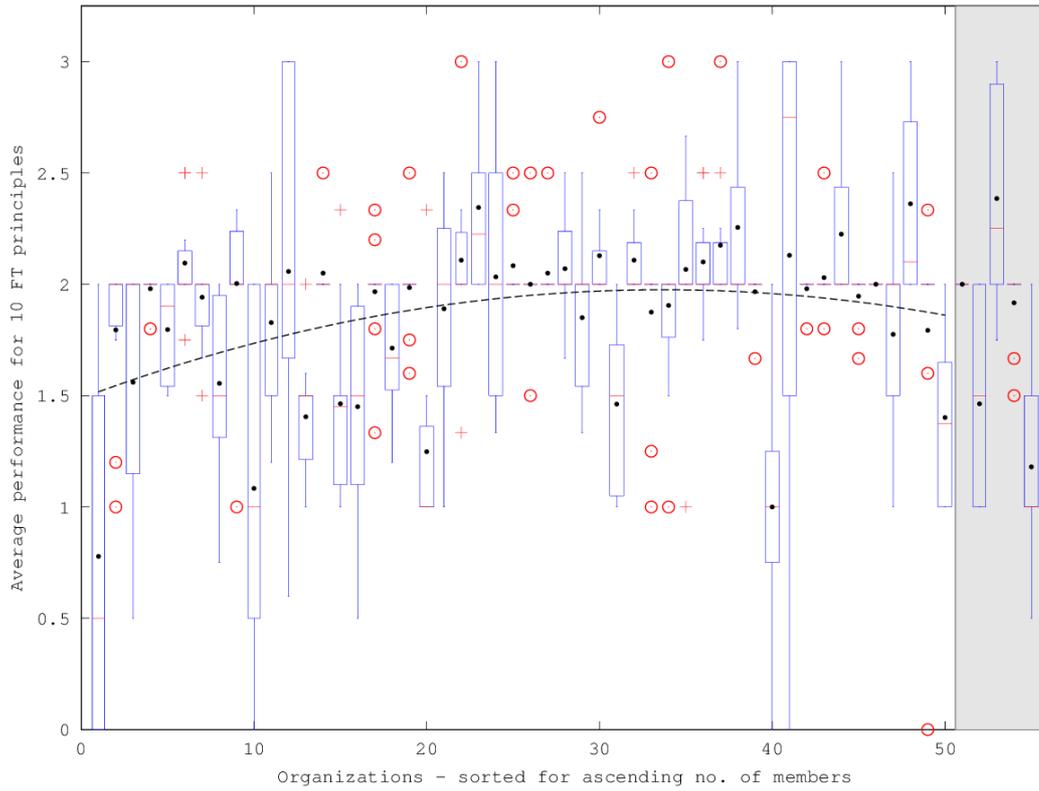


Figure 2: Box-Plot chart of OPCI index for organizations

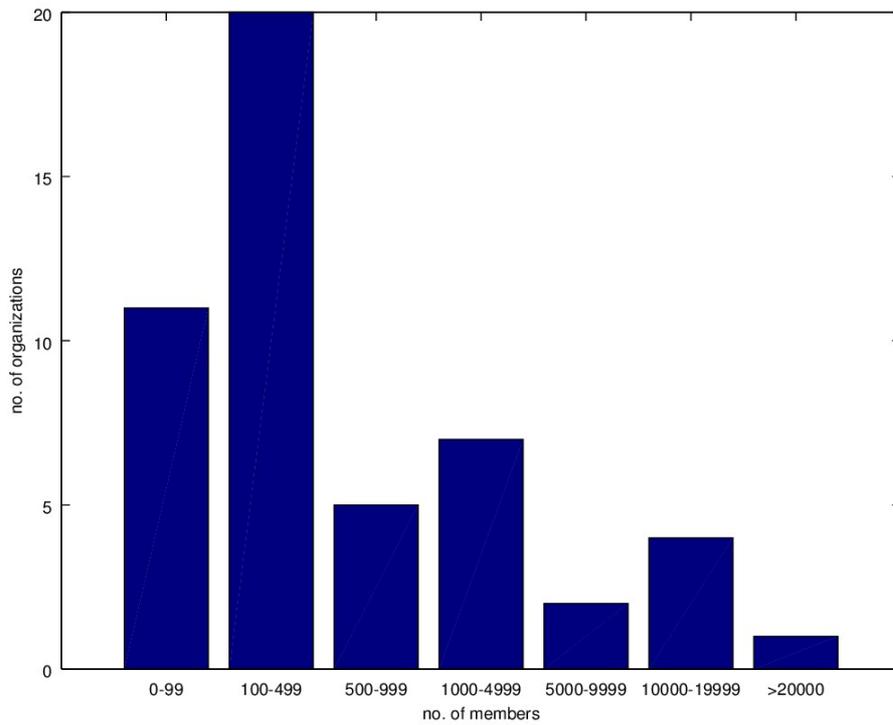


Figure 3: Distribution of dimensions of the sample analysed

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