

Shop For Change

First Meeting of the Producer Group

March 8, 2008

Hyderabad



Agenda

1000 - 1015	Welcome & introduction of CSC members, sub committee members, organizing team and the Chair	The Chair
1015 - 1200	<p>Presentation of Profit project and SFC - Vision and activities so far</p> <p>Potential for developing the domestic Fair Trade market</p> <p>Benefits of this initiative to producers</p>	<p>Arun Raste Rajesh Sahadevan</p> <p>Stan Thakaekara</p>
1130	Tea break	
1200-1300	<p>Producer research- key Indicators</p> <p>Discussion: SFC organisation - sec 25 non profit Advantages The role of aggregators</p>	<p>Shibani Jain</p> <p>Stan Thekaekara</p>
1300-1345	Lunch break	
1345-1500	<p>Standards (basic principles developed)</p> <p>Discussion on implications, monitoring mechanisms, perceived difficulties/needs based on the standards</p>	Jagjeet Kandal / Arun Raste
1500 - 1515	Tea break	
1500-1600	Discussion on craft products for launch	Neelam Chibber
1600-1630	Open house	
1630-1700hrs	Conclusions and closure	The Chair

Introduction and background to the project

Background paper: Available on the profit website, www.profit.org.in , sub-head – Producer Meet.

Ms. Betsy Vincent welcomed the participants and invited Mr. Stan Thekaekara- director Just Change India to chaired the days session,, he requested the participants to introduce themselves. After a quick round of introductions he invited Mr. Arun Raste director IRFT to recap on the Shop for Change initiative and the activities so far.

Potential for developing the domestic Fair Trade market

Arun's presentation was followed by a presentation by Balaji Gopalan of Centre of Gravity on the content and outcomes of the Consumer Research and some of the ideas that emerged out of the exercise. Presentation available on the www.profit.org.in website, under subhead - producer meet.

Salient features:

- 1) Exploring untapped potential at the producer end.
- 2) Targeting a group of discerning consumers belonging to the upper end of the social strata **SEC A segment**. SEC is the acronym for socio economic classification which is reflective of occupation and education of the chief wage earner.
- 3) Communication messages for the target consumer

Key discussion points:

1. Communication can be looked at from the consumer perspective but also include messages for producers as well.

A Consumer Movement to Benefit Producers.

2. Premium will not be accepted by consumers. – Strategy needs to be worked out.



A Producer's perspective:

Stan Thekaekara, director Just Change kicked off this discussion by sharing his own thoughts as to why Just Change had decided to be part of this movement and look at domestic fair trade as a potential worth exploring. Some of his thoughts included:

- Recognition that benefits of trade are not passed down to producers, in fact work as negative growth for some players.
- Today NGOs too are getting into markets but they are experiencing small impact, selling a product on their own. So the label could be as an USP for producers to work together.
- He also added that Just Change have realised that there is a market for conscience. We can 'make the connection' and ensure that a bigger share goes down to the producers.
- Producers selling single or a small range of products are good at the production (supply) level – but finding marketing a challenge across a range of products.
- We can benefit producers if we are able to reach the market that SFC is targeting (SEC A), and promote the message.
- Using the label we can give consumers a whole range of products spanning crafts and food.

SFC is a platform to come together to become a powerful force and give power to people viz. producers and consumers.

- **A word of caution:**



- Promoting the label is an expensive affair; hence this system must ensure that maximum benefit should pass to the producers.
- The surplus which is generated must go back to producers and farmers rather than just employing more and more people in the Company.
- SFC also needs to ensure a structure where producers can negotiate their way in the supply chain, thereby being more radical compared to current International Fair Trade
- Also if it has to work we need to have producers on board ,we have a history of organising producers – SHGs, Coops, TUs, NGOs already playing role of aggregators. eg. AIG selling insurance through SGSs. We are very good with aggregation of power. Same power is needed in the markets. Producers are also consumers.

Participant feedback on Stan T's presentation:

- Need to stop thinking as NGOs but as businesses, there is nothing wrong using the word 'Profit'. There can be no trade without profit. There was general agreement that we need the profit to distribute to producers.
- We could look also at the prosumer Model, where producers are also consumers.
- Need to create a consumer movement where producers benefit.
- Market information not available to the producers
- Huge opportunity in the market but we are not organised for accessing the market.
- Crop insurance does not help in some cases: need to look into insurance for farmers, including - health, accident insurance.

Participants feedback on marketing and awareness creation strategies:

- Consumers may not be willing to pay more e.g compared to premiums in international fair trade. Therefore SFC cannot launch the product at a premium price
- We need to provide consumers with social products which are value for money. Value Proposition needs to be defined (both consumers and producers)
- SFC need to have simple message along with a punch line
- SFC is targeting consumers within the SEC A segment for which the message needs to be clear. SFC should not make claims that we cannot adhere to. This message could be



about a common theme (ethical value), e.g. Chetna brand + SFC (label denoting Fair Trade in India)



Presentation on Producer Research by Ms. Shibani Jain

Ms Shibani Jain was commissioned by IRFT to conduct a dipstick producer research. She gave a detailed presentation on research findings.

Rationale:

To understand the capacities of the organisations who would initially supply to the market and there might be few issues that can be sorted before supply etc...

If producer groups are linked then supply and demand issues can be sorted –Take for example one area lacks production and one has over supply – both can work together and the issue can be sorted out. Take for example: Pineapple is available in ample in North east, it might be required in some other place.

Background information

Objective of the dipstick study

1. Understand selected crop categories in terms of products, production, supply, logistics, certification, labour, environmental issues and support requirements.
2. Verify market ability and current distribution channels, brand creation by producers
3. Current financial support and future requirements

Product Categories

1. Cotton,
2. Tea,
3. Coffee,
4. Mango & Pineapple,
5. Rice

Process followed

Presentation on each product category followed by discussion on research findings.

Main Indicators studied:

- Market,
- Pricing
- Labour
- Quality, Certification & Standards
- Logistics
- Finance

General discussion and clarifications suggested

- No of farmers: Dipstick study covered 40, 000 farmers
- Reason for selecting tea and textile - Fair trade standard Certification has been restricted to production and not across the textile value chain which is complex, woman home workers play a large role in the garmenting process, similarly in factories, fair trade certification would make a positive difference to workers
 - Cotton production: more women are involved in cotton farming. 60-70 percent of the operations are managed by women
 - Garmenting factories do not make the money – it is the brands that make the money.
 - Consumer awareness for organic garments needs to be done in domestic markets.
- Tea: Only 5% of FT Tea is sold to FT market, rest is sold in open market. Importer only purchases the best grade/quality product, remaining is sold in conventional markets that do not fetch a premium.

Feedback from producers on the research:

- Organisations selected for the study are the most organised groups. Small producers may have a different response. It would be worth exploring a study on small producers needs too.
- Micro finance would not be able to provide any solution since the funds provided cannot be utilised for working capital, these are generally used for consumption
- Insurance could be added for detailed study, as crop insurance for seasonal failures was not covered. Similarly, health insurance, accident insurance for producers also.
- Members also suggested that we can possibly set up our own insurance systems. It is a belief today that insurance is only for rich people's illnesses. This can grow out of this initiative too.

Few points raised by the researcher were contradicting producers' views. It was suggested that draft be revised and shared with the groups for further development and inputs.

Post Lunch

Basic Principles for Standards Development by Jagjeet Kandal

Background information: Basic Shop for Change principle are attached for reference

Jagjeet Kandal suggested that it would be useful to evaluate ourselves and if the producers would like to add /remove any basic principles developed.

Producer Feedback on the Shop for Change principles:

The 1st principle could be made more consumer oriented, SFC would not only benefit producers but would strive to create better and more ethical products for consumers

Add artisan to principles of fair trade practice

Producer feedback on the Shop for Change standards:

- We need to have something that is owned by all of us. This is a movement and we are committing that we will start the process – non-negotiable for us, though we recognise the difficulties.
- Standards mean costs: We need to have standards at Producers, Aggregators, and at the point of sale level.
- It is possible to have both types of standards – product and organizations.
- Some standards need to be non-negotiable: –
 - Transparency and Accountability.
 - Empowering the producers
 - Healthy and safe working conditions

Are we changing hierarchies in the market place? Would Shopper's Stop also integrate FT principles? Producers, consumers and stakeholders must be involved in the process. Beneficiaries of this initiative are the producers; benefit to producers must be certified 100%.



- Need to ensure consumer confidence as well. It is important to have them on board as well.
- Further elaboration in Standards is required.
- Producers are committed to this – we can speed up the standards setting process and spend time on monitoring and compliance.
- A consumer will need to be educated about recognizing the authenticity of the label, e.g. how will a consumer know that a group has met 50% of the indicators??
- We may choose to have progressive indicators – giving group's time to implement and adhere to SFC standards, rather than expecting it immediately.
- SFC needs to have set timeline/indicators – when would it be possible to achieve 50% compliance, 100% compliance.
- The challenge will be how to make this process practical, and how will one address the issues of equity. Groups must take this on board and ensure that men and women are valued equally.
- How do we deal with migrant labour? Children do not go to school. The labour issue will get accentuated in the future.
- Question of cost – who is going to bear the cost? Should not push the costs on to the producers. Try and make the supply chain so efficient that the cost of production goes down

Monitoring Issues and Costs

- Monitoring needs to happen at three levels viz., producer, aggregator and trade level.
- How do reduce the costs, who take responsibility for monitoring, modalities?
 - Aggregator takes responsibility of monitoring producers
 - Follow a system of self certification, peer review (e.g. PGS)
 - Consumer guarantee can come through 3rd party verification.

Roadblocks that might be encountered whilst implementation is documentation

Role of Aggregators



- Role of aggregators therefore becomes crucial to take responsibility for producers and compliance on both sides. Membership of the SFC movement is important.
- Unlike the traditional North – South trade, in India , producers should keep control by capitalising on our strength of producer organisations and grow the movement.

HANDICRAFTS

Ms. Neelam Chibber flagged off the session on crafts by raising a few pertinent questions on how we could retail both craft and food under the same label on a common platform.

How do we identify 6 -8 crafts for our launch

- Do we see some commonality in your supply chain with others?
- Can we identify few products which show demand consistency/ supply consistency/ ease in standardisation?
- Products which will give you maximum impact
- Crafts also have a lot of complexities, how do we address these?
 - Biggest bottle neck is economy of scale, consistency and standardised output.
 - Issues that need to be addressed as part of the craft is a) standardised Azo dyes, b) Nickel in metal crafts , c) child labour etc
 - It becomes very difficult to get rid of nickel content – e.g. dhokra jewellery. Also, testing facility is very expensive for small artisans.
- Compatibility of sales between crafts and other products
 - Crafts products need not only cater to final consumer but can also be cross sold to other groups both food and agro as intermediary products.
- Will need to find markets to support craft sales
 - Textiles including handlooms: if every Indian buys one set of handloom clothes then every weaver is covered. Not impossible
- Should we be excluding different crafts? The movement can accelerate if we have a basket of products? Need for consistency of production, ability to deliver against



market demand. We should pass the message that SFC is willing to label and is open. Some crafts where only some people are involved, while others have a number of artisans. Therefore one of the parameters to identify particular craft should be to choose target groups that we want to impact upon.

- Producer organisation at the meeting represented crafts including:
 - Textiles,
 - Fibre
 - Shell,
 - Coir,
 - Natural fibre,
 - Terracotta (ceramic)
 - Jute
 - Pottery
 - Jewelry (product)

Or else we could work with a category like e.g. home accessories and lifestyle products
Members suggested it can be finalised later after doing some deskwork

Few suggestions by the members

- SFC needs to give consumers choices, bring in new products – create appeal through lifestyle and environment friendly products.
- Issues related to standardization may be required (volume), may need to see scales of production.
- Issues with crafts:

**a) Aggregation.- Who is in the position to aggregate and make it an inclusive process?
Who are the aggregators?**

b) There may be issues with Certification - who will certify?

- Begin with organisation certification and then look at product specifics. Could give environmental rating for ingredients.
- Organizations that are certified already by IFAT will need to consider and be open for re-audit by SFC. Process that could be followed:

1st phase - Organization certification



2nd phase – Product/ sector specific standards / regulation.

OR

All craft organizations certified by IFAT, products originating from these organizations are deemed fair trade audited / certified.

(If the organisation is already certified under IFAT then they can automatically certified, or product certified by FLO, the product certification is not needed.

c) Monitoring and compliances

- We need to have a faith in the aggregators, who are experienced, and are already doing this.
- Producers should be open to 3rd party certification
- We should be open to memberships at his stage.

SHOP FOR CHANGE:

Producer's perspective of the initiative:

Benefit to producers

- Promote domestic products for domestic markets, only then savings in the supply chain can result in decreased cost and competitive pricing.
- Convince market players viz. producers, retailers, processors etc about mutuality along the chain. It is in the producer's interest to collaborate for growth acceleration. Capacities of producers may need to be built to derive synergy from tie ups with retail chains
- Upgrade the producer within the supply chain – where the value can be upgraded most – e.g. tea leaves are sold to factories for processing, then bought back by producers for retailing, thus giving better returns to producers.

Adhering to standards brings you up to a niche market – by competing in higher quality markets / products

- Producers to benefit from labelling, brand building activities, increased access to new markets, thus leading to increased bargaining power as demand and markets grow.



- Why would producers make changes for consumers if there is no sufficient price realisation?
- Producers may not be motivated to comply if there is no premium/add value.
- SFC will identify niche markets and price products accordingly.
- Aggregators and producer organisations can share existing markets with each other for new products. Producers can cross sell resulting in one buyer getting a wide range of products in the membership. We exploit our contacts to multiply our markets.
- Value proposition to be defined.

Producers see value in exploring this potential and hence are willing to join this initiative

Benefit to Consumers:

- The average consumer is disillusioned with governance so they do not believe that these rules are flouted. The mechanisms put in by law are being bypassed; SFC should ensure that the standards are being adhered to.
- Creating better lifestyle choices for consumers. e.g. non-violent, ahimsa honey – taking care of environment, consumers are happy to make that choice
- Communication to consumers, different communication messages may work in different markets, Consumers will react positively if they are made to see how they can benefit. For e.g. environment is not understood by consumers, rather than saying environment sustainability, can we say “safe for the consumer”.
- Labeled quality SFC products at competitive prices, covering cost of production with fair price realization for farmers, and giving consumer the guarantee can create a demand pull if sufficient awareness is created.

Consumers cannot be asked to pay a premium just because it is fair trade – However as in the case of organic products, one has to make a case for it. An ethical product is a value addition in itself



Final session

- Producers need to understand more about markets, responsibilities. A resource mapping exercise was suggested, IRFT to send a note to producers and stakeholders requesting them to volunteer their skills for any activity that could be undertaken by their organisation.
- Aharam company is committed, will provide documentation on compliance (standards which SFC agrees).
- We need to learn from mistakes of international fair trade organisation – have expertise, keep costs low. We should not follow FLO or western model. We should aim to be a third-party certifying body for FLO.
- No dissenting voices

Action

- Draft out the expectations/ value proposition from the producer organisations & aggregators, which is sent to them, they discuss and return back
- Create some literature for the producers to explain, create awareness among them about what is the commitment that is required.
- Carry out resource mapping
- We need to recognise the power that we have – we are not hapless victims. Go from a position of strength and power. Use it creatively to create something new. We are the market and determine how we will operate.
- We can have membership supported organisation – not dependent on grants.
- Minutes by the end of March.

Vote of Thanks!!!!

Participants List March 8th 2008.



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