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Can Market-based Sustainability Resolve the Development Crisis?

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The certification revolution is making the economic case for market-based sustainability, but mixed producer outcomes demonstrate the need for the movement to work with industries to reduce certification costs, strengthen support services, and invest in participatory market governance.

Development is at a crossroads. Despite steady growth in global GDP per capita, inequality is rising within nations, fueling sociopolitical instability around the world. The environmental costs of economic development are increasingly globalized as well. These issues suggest the need for more socially and environmentally responsible approaches (Blumberg and Cohn 2016).

Market-based sustainability responds to the development crisis through the creation of production and trade standards that align economic growth with social and environmental agendas. This multi-billion dollar "certification revolution" includes independently audited labels like Fairtrade and organics as well as internally monitored commercial brands that claim corporate commitment to sustainable development practices (Conroy 2007).

As a recognized leader in this global movement, Fairtrade International promotes equity in international trade by connecting producers to conscious consumers. In addition to instituting sustainability standards in commodities such as coffee, tea, sugar, and gold, Fairtrade invests in consumer awareness campaigns and aligns political advocacy with corporate outreach to open and expand certified markets around the world (Raynolds and Bennett 2015).

To access these markets, producers pay for membership, adhere to standards, and submit to audits. In return, buyers meet minimum pricing standards for Fairtrade purchases and pay a percentage in social premiums above the negotiated price, enabling producer organizations to fund community-based sustainable development initiatives. As part of its pricing structure, Fairtrade incentivizes farmers to maintain or convert to organic and low-input agricultural systems, helping to reduce environmental problems such as soil erosion, agrochemical pollution, and loss of biodiversity (Bacon, Rice and Maryanski 2015).

In 2016 global Fairtrade sales surpassed $9.5 billion, with more than 1.6 million farmers and farmworkers in 74 countries accessing premiums for development (Fairtrade International 2017). While certification systems such as Fairtrade are making the economic case for sustainability, the strategy of transforming markets from within has given rise to contradictory outcomes that are hindering the realization of equitable trade partnerships. The case of Rooibos tea sheds light on these issues (Keahey and Murray 2017).

Problems with Market-based Sustainability

The global supply of Rooibos tea derives from South Africa, where a small but dynamic industry has sought to harness the promise of sustainability. Several challenges have hindered Rooibos actors from realizing their objectives.

First, producers struggled to meet growing demand for multiple certifications. While a biodiversity initiative responded to this challenge by proposing an industry-wide Rooibos label that would funnel different certifications into a single cost structure and auditing stream, this move was rejected due to fears of centralized control.

Second, small-scale farmers lacked access to training and resources. In one area, a producer organization collapsed as management lacked the expertise and resources needed to manage its certifications and navigate market risk. In another area, a small farmer organization was wholly dependent upon a corporate social sponsor for transport and sales.

Third, the industry as a whole was unable to develop the organic technologies needed to satisfy certifiers, in part due to a failure of scientists to engage with farmers. More broadly, structural and relational barriers stymied the potential for market collaboration. Geographic distances and a lack of funds hindered small-scale farmers from traveling to meetings and experts failed to solicit their input. Information typically was disseminated through formal presentations that employed technical language, alienating farmers who were present.

Examples of Good Practice

The Rooibos case study also illustrates the potential of market-based sustainability. A shared leadership initiative addressed relational barriers to multi-stakeholder engagement by bringing small-scale farmers into sustainability networks via a research, training, and networking program. This initiative enabled marginalized producers to assume the role of expert by investigating market-access challenges and sharing their concerns with higher-level actors.

In response to the collapse of their producer organization, a group of small-scale farmers formed a new cooperative and applied for Fairtrade and organic certification. As some Fairtrade buyers were committed to maintaining long-term trading relations with small-scale farmers, this group managed to secure fairly lucrative sales shortly after it acquired dual certification.

Finally, small-scale producers remained interested in various aspects of the biodiversity labeling initiative, including the potential for streamlined audits and the prospect of an extension system that would strengthen producer access to certification training and support. This evidence suggests that there are thresholds of benefits that induce collective action.

Implications for Development Policy

Market-based sustainability has traditionally employed a product upgrading model that encourages farmers to meet standards in order to access value-added markets. However, the movement is struggling to internalize intertemporal externalities related to poverty and insecurity. A series of recent studies into Fairtrade's development impacts are uncovering mixed outcomes (Raynolds and Bennett 2015). Certification is helping farmers reduce environmental problems and improve their standard of living, but entrenched power imbalances and underdeveloped support systems are placing marginalized farmers at risk, impeding Fairtrade's social equity agenda. As the broader certification revolution moves into the mainstream of global trade, corporate initiatives that claim responsibility without oversight also threaten to coopt the meaning of market-based sustainability (Blowfield and Dolan 2008).

Development is at a crossroads and market-based sustainability signifies a clear direction for twenty-first century engagement. Working to reform markets from within, sustainability standards provide a framework for aligning economic growth with social and environmental responsibility. For this approach to succeed, labels and brands must be accountable to their standards and transparent in their practices. Given the limited efficacy of product upgrading, there also is a need to invest in institutional upgrading. This may be done by developing affordable multi-certification auditing systems, strengthening farmer extension services, and building participatory market governance structures through networking initiatives that bring producers into active collaboration with industry and trade interests

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About this Brief

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