

Implementation of Fair Trade Practices in Peruvian Artisanal Organizations: Analysis through Case Studies

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ABSTRACT

In Peru handicraft production is an activity complementary to agriculture which transmits cultural traditions across the generations. This article presents an analysis of the Fair Trade practices inside two organizations which support the production and marketing of Peruvian artisanal handicrafts. First, basic information is presented concerning the Fair Trade, its definition, practices, and products. Next, information regarding Peruvian artisanal products is presented as along with Fair Trade handicrafts export data. Two handicrafts producer organizations are then analyzed as case studies of Fair Trade practices carried out for producer communities in the Peruvian Andes where conditions of extreme poverty predominate. Through these case studies the article provides a detailed description of how the implementation of Fair Trade practices in the selected Peruvian handicrafts producer organizations has helped them enhance their markets.

Key Words: fair trade, artisans, handicrafts, Peru, case study

INTRODUCTION

According to the Fairtrade International (FLO)¹, Fair Trade is an

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1 Fairtrade Labelling Organization International. About Fair Trade. Fairtrade Labelling Organizations International, (accessed December 2008). <http://www.fairtrade.net/home.html>

alternative approach to conventional trade and is based on a partnership between producers and consumers. Fair Trade offers producers a better deal and improved terms of trade, which allows them to improve their lives and plan for their future.

The Fair Trade movement was initially called “Alternative Trade”, as it provided an alternative to conventional international trade, which was seen as tending to marginalize small-scale producers within the market². Fair Trade has now been developing for a number of years and its importance has grown throughout the world. Fair Trade products now include a large variety of agricultural commodities as well as handcrafts. Until the 1990’s, handicrafts and textiles dominated Fair Trade sales, but since 1991, food has taken over as the most important category in terms of sales volume and growth, while Fair Trade crafts and textiles consolidated their position with the Alternative Trading Organizations (ATOs) and “worldshops”³. In 2011, global Fair Trade sales reached 4,916 million Euros,⁴ increasing by 12 per cent from the previous year despite the global recession.

Therefore, given the growing importance of Fair Trade and the significance of artisanal production as an employment source in Peru⁵, the objective of this article is to explore how Fair Trade is addressing its aims and practices, particularly in dealing with market imperfections and enhancing producers’ markets. In doing so, an exploratory-descriptive research is conducted based on the fact that the existing knowledge about Fair Trade in Peru is certainly poor and the available literature focuses mainly on agricultural producers and impact analyses⁶. Considering that case studies aim to provide description (Eisenhardt 1989, 535) and deal with an extensive analysis of individual cases within their contexts (De Vaus 2001, 50), this article uses the case study method.

Thus, the analysis of Fair Trade practices in Peruvian producer groups aims to examine if the implementation of these practices has contributed to surpass market constraints, which limit the benefits of trade in rural areas. It has been found in previous studies that market imperfections in rural areas are ubiquitous and the lack of free market conditions such

2 World Fair Trade Organization, (accessed March 2009). <http://www.wfto.com/>

3 Worldshops is the name conventionally adopted by dedicated retail outlets.

4 Fairtrade Labelling Organizations International, *For Producers, with Producers*, Annual Report 2011-2012, Fair Trade global sales stood at 4,916,379,643 Euros.

5 According to the National Institute of Statistics and Informatics (INEI) in 2007 the population working on artisanal production was estimated to be 230,000.

6 See Nelson et al. (2002), Arnould et al. (2007), Ruben et al. (2009), Sutton (2013), Higuchi et al. (2012), etc.

as market information, and access to markets and credits, can annul or even reverse the potential gains from trade (Nicholls and Opal 2005, 18; Hayes 2006, 450; De Janvry and Sadoulet 2006, 155; Ronchi 2006, 1).

Hence, this article focuses on two organizations leading the Peruvian Fair Trade artisanal sector. The Central Interregional de Artesanos del Perú (CIAP) and Minka Fair Trade were selected, as both organizations are quite important in the national context, due to the large number of artisans involved throughout Peru. During the fieldwork conducted in February and March 2009 in Peru, rapid appraisal techniques were employed like key informant interviews, group interviews, and field observations. Interviews were conducted face-to-face with managers and workers of the producer organizations, as they were considered key informants, due to their experience in the field. In the case of CIAP, I interviewed its Manager, who comes originally from Ayacucho, a region in the central Andes which endured extreme violence during the terrorist insurgency. I was able to visit CIAP's installations and show room. I also conducted an interview with one member of Tawaq, an artisanal producer group member of CIAP.

In the case of Minka Fair Trade, I conducted an intensive interview its Director, and visited its installations, library and show room. In this case the Director herself comes from an Andean community in Puno and knows first-hand the struggle of the people in the Andean region. In a second opportunity, I was able to interview two of Minka's workers which provided detailed information about the practices conducted in the community of Unocolla. Furthermore, I was able to access records with historical and organizational information.

Overall, this paper seeks to determine if the implementation of the Fair Trade practices in Peruvian handicrafts communities has helped producers overcome market constraints and improve their access to international markets. The paper begins presenting the defining characteristics of Fair Trade.

FAIR TRADE: DEFINITION AND PRACTICES

According to the Charter of Fair Trade Principles, Fair Trade is fundamentally, a response to the failure of conventional trade to deliver sustainable livelihoods and development opportunities to people in the poorest countries of the world⁷. A common definition of Fair Trade, which is referred to across the movement, was developed by FINE⁸

in December 2001, and it states as follows:

Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade organizations (backed by consumers) are actively engaged in awareness raising and in campaigning for changes in the rules and practices of conventional international trade.

Raynolds and Long (2007, 15) offer a comprehensive explanation of the Fair Trade objective: to empower marginalized producers and workers to develop their own businesses and wider communities through international trade instead of aid, improving in this way farmer and worker livelihoods through direct sales, better prices, and stable market links as well as support for producer organizations and communities, thus transforming international trade. Thus, Fair Trade differs from the traditional economics as it is not based only on financial goals but rather it incorporates non-economic trading criteria such as ethical, environmental and developmental dimensions (Strong 1997, 8).

For southern farmers and workers Fair Trade is expected to offer resources for social and environmental projects, while to Northern consumers, Fair Trade provides product options that uphold high social and environmental standards (Raynolds 2009, 1083). Luetchford (2008, 153) explains that Fair Trade presents an image of the economy in which consumers look beyond value for money to consider the social context within which things are made, and the role these things play in sustaining meaningful human relationships.

Thus, Fair Trade can be defined by several key practices. Based on the model suggested by Nicholls and Opal (2005, 6-7) Fair Trade in operational terms considers the following practices:

- Direct purchase from producers and establishment of long-term trading partnerships
- Ensure prices for producers that cover the average cost of production⁹

7 WFTO – World Fair Trade Organization. A Charter of Fair Trade Principles, (accessed January 2011). http://www.wfto.com/index.php?option=com_content&task=view&id=1082&Itemid=334

8 FINE is the acronym used by the informal association of the following organizations: Fairtrade International (FLO), International Fair Trade Association (IFAT), now the World Fair Trade Organization (WFTO), Network of European Worldshops (NEWS!) now disbanded, and the European Fair Trade Association (EFTA).

- Payment to producers of an agreed social premium (often 10 per cent or more of the cost price of goods)¹⁰
- Provision of advance payments to producers¹¹
- Provision of market information to producers
- Farmers and workers democratically organised, and adherence to International Labour Organization (ILO) conventions
- Adherence to sustainable practices

The World Fair Trade Organization (WFTO) considers as one of its standards for Fair Trade organizations the payment of a Fair Price¹² and does not consider the payment of a floor price and premium; however some authors have recognized these two practices as part of Fair Trade¹³.

As mentioned before, these practices aim to help rural producer surpass market imperfections. Nicholls and Opal (2005, 18-19, 32-36) and Osterhaus (2006a, 37-38) point out the following market imperfections as major constraints for the rural producer to benefit from trade: (1) lack of market access; (2) imperfect information; (3) lack of access to financial markets; (4) lack of access to credit; (5) inability to switch to other income generating activities; and (6) weak legal systems and law enforcements. Thus, the remoteness and lack of infrastructure forces producers to rely on middlemen to sell their products. The limited access to radio, newspapers, telephones, or internet makes them unable to access price information, and leaves them at the mercy of the middlemen. Similarly, the lack of rural banks and the constraints in their lending policies result in a lack of access to credit for producers and farmers in the South. Furthermore, changing income generating activities implies high risk for producers and farmers who have produced the same crafts and cultivated the same crop for generations. In these cases the Fair Trade practices like organization of producers, provision of fair prices and pre-payments, the establishment of direct and long-term trading relationships, and the promotion of social

9 Prices are set taking account of local economic conditions.

10 The social premium is paid on top of the Fair Trade price.

11 Importers are required to pay in advance up to 60 per cent of the total purchase price, if requested by producers.

12 Standard Four considers the payment of a fair price, which has been mutually agreed by all through dialogue and participation, provides fair pay to 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).

13 See for example: Ruerd, Fort and Zúñiga-Arias (2009), Jaffee, Kloppenburg and Monroy (2004).

justice and sustainability aim to palliate market imperfections and strengthen producers markets.

Fair Trade Products and Certifications

In 2009 “A Charter of Fair Trade Principles” defined Fair Trade products as “goods and services that are produced, traded, and sold in accordance with the Fair Trade principles and, whenever possible, verified by credible, independent assurance systems such as those operated by FLO (Fairtrade-Certified) and WFTO (Sustainable Fair Trade Management System)”¹⁴. Thus, Fair Trade products follow two different but complementary approaches: the integrated supply chain and the product certification approach. According to Commons (2008, 15), the product certification approach is well understood and defined through the Fair Trade International Organisation (FLO) certification process, while the integrated supply chain approach has not been so clearly defined before, although it has long been implemented in one form or another, by WFTO members.

Product certification is an essential element of the Fair Trade model. In 1997, several international initiatives led to the formation of FLO, organization responsible for setting the producer guidelines and minimum pricing for products to carry the Fairtrade Mark. Nowadays, many agricultural Fair Trade products are recognized by the Fairtrade Mark which guarantees independent auditing of Fair Trade goods and offers consumers an important degree of reassurance when buying Fair Trade products. Handicrafts and textiles although produced under the Fair Trade guidelines do not carry the Fairtrade Mark as there is no certification by FLO for products of this nature. The lack of a product certification is mainly based on the fact that to certify handicrafts or textiles is complicated, as the production techniques and specifications are more diverse, and it is nearly impossible to devise and audit certification standards that could be applied to all of them (Nicholls and Opal 2005, 24). In these cases, the WFTO is in charge of monitoring those organizations which are 100 per cent committed to Fair Trade. The WFTO has its own logo that serves to identify the members who are judged to be working according to Fair Trade principles in all their business activities¹⁵. Currently, the WFTO

14 WFTO – World Fair Trade Organization. A Charter of Fair Trade Principles, (accessed January 2011). http://www.wfto.com/index.php?option=com_content&task=view&id=1082&Itemid=334

15 World Fair Trade Organization, (accessed March 2009). <http://www.wfto.com/>

is working to develop a system which aims to verify that an organization practices Fair Trade in all its activities. This system, called the WFTO Fair Trade System, is expected to allow handicrafts and textiles to be identified as Fair Trade.

PERUVIAN FAIR TRADE HANDCRAFTS

Peru is a country with an unlimited number of local arts and craft products that originate in the various towns and particular ethnic groups. Peruvian artisans' products include textiles, pottery, jewelry, woodcarving, sculptures, leather articles, and tapestries (Mittiga 2004, 26-27). All these articles derive from the creative work of artisans, in an attempt to represent traditions and cultures from specific places in Peru. The artisanal work of indigenous Peruvians is seen as a complementary activity to agriculture or grazing, and it is needed in order to compensate for the precariousness of incomes from agriculture.

Traditionally, artisanal activities were oriented towards the farmers' own consumption. However, since monetary economy reached peasant communities¹⁶ cash sales have replaced the traditional barter in craft products. This implies the presence of intermediaries, who tend to exploit artisan workers (Contreras 1982, 101-107). Intermediaries usually visit the peasant communities to collect artisanal products which they then sell in their own commercial stalls in urban areas; however, the majority of them are also representatives for exports agencies. Regarding exchange, the clientele of the peasant-artisans is diverse, from merchants from Lima to international tourists. Nonetheless, the main marketing channel is still through intermediaries, wholesalers, retailers, and artisanal shops that hire some artisans directly. In this way, most of the artisans work by request. Contreras (1982, 110) indicates that despite the increasing commercialization of artisanal production, the living conditions of the peasant-artisans have generally not improved, with some exceptions. The prices of basic sustenance products have increased, as well as the inputs for craft production. However, the market prices for their artisanal products have generally remained the same and are controlled by merchants and intermediaries.

Against this background, Fair Trade represents a welcome alternative

16 A "peasant community" or "Comunidad Campesina" in Spanish is a traditional form of organization of the Andean communities, which has its origins in pre-Spanish times. A Comunidad Campesina is defined by the Peruvian government as an autonomous organization, base for organizing communal labor and land use.

since through practices such as the organization of producers, the access to financial resources, and the sustaining relationships, it eliminates several intermediaries from the commercial chain, thus providing benefits directly to the producers. Additionally, Fair Trade is likely to produce non-pecuniary benefits, such as preservation of indigenous cultures and products (Leclair 2002, 956).

According to the information found in documents provided to me during my field work by the Grupo Red de Economía Solidaria del Perú (GRESP), in the Peruvian artisanal sector there are twelve organizations identified with Fair Trade, some are WFTO members and some are not, but all of them work following the Fair Trade principles. Most of these organizations have central offices in Lima and the associated producers come from several departments, mainly Arequipa, Ayacucho, Cusco and Puno.

Artisanal sales in general consist of exports to U.S.A. and the European Union. The national market only represents a small percentage of turn over. Due to the lack of statistical data regarding Fair Trade exports, the data presented here was obtained from conference minutes from 2003 provided by GRESP and was collected by Mittiga (2004a, 25), who pointed out that the figures obtained are expected to have a high margin of error, because of the difficulty in distinguishing between the traditional market and Fair Trade market. Thus, it was found that in 2003 there was an increase in Fair Trade exports, the Fair Trade exports were US\$ 2'321,433, eight per cent of the total exports of the traditional market US\$ 29'864,000, while WFTO members account for 42 per cent of those Fair Trade exports with US\$ 982,878. The information provided by Mittiga also showed an increase in Fair Trade exports, rising to 19 per cent when compared to 2002¹⁷.

According to the data gathered by Mittiga (2004, 25) the main constituent of the Peruvian Fair Trade exports in 2003 was ceramics, representing 40 per cent of the total Fair Trade exports. The share of textiles reached 30 per cent of the total Fair Trade exports while jewelry crafts accounted for 14 per cent. Other handicrafts exports have remained constant at 15 per cent.

In 2011, the main destination markets for Peruvian artisanal exports (Fair Trade and not) were the U.S.A., Germany, Japan and New Zealand. The most exported products were alpaca textiles (US\$ 4.6 million), and ceramic adornments (US\$ 2.9 million). The U.S.A. represents over 40

17 Fair Trade Sales in 2002: US\$ 1'956,143, source: Mittiga (2004, 25).

per cent of the total artisanal exports with US\$ 22.6 million, followed by Germany with 3.7 million¹⁸.

After reviewing the situation of Fair Trade artisanal products in the Peruvian economy, the next sections present the case studies which aim to explore the implementation of Fair Trade practices. The information presented in the following sections is based on the primary data gathered during my fieldwork in Peru.

CENTRAL INTERREGIONAL DE ARTESANOS DEL PERÚ - CIAP

CIAP is an organization of Peruvian artisans dedicated to the production and export of handicrafts. It was founded in 1992 by five artisan associations with the objective of improving the selling conditions of their products. Nowadays, CIAP counts with 21 base associate organizations ranging from 10 to 70 members; these are located in different areas of Peru. They include 395 family workshops that benefit 1,450 artisans directly and 2,300 people indirectly.

CIAP counts with a democratic structure in which directors are selected every two years among the delegates from the member groups. The organizational decisions are made in a general assembly, which keeps high levels of information available allowing transparency in the activities and the economic management.

CIAPs' main objectives are: to raise the living conditions of artisans and their communities; to promote the organization of artisans, strengthening those that already exist; to protect and preserve the Andean and Amazonian cultural identities; and to support the integral development of the members' communities. In order to achieve these objectives CIAP exports artisanal products made by its members through the company Intercrafts Peru.

Intercrafts Peru was established in 1994 in order to develop commercial activities on a nonprofit basis. The company is in charge of processing orders, tracking products during the production process, quality control, packaging and shipping. Its profits are capitalized and partly distributed between producers. These are also used in training projects, technical assistance and product development. Intercrafts is also a member of the

18 Source: Sistema de Inteligencia Comercial de ADEX (Asociación de Exportadores del Perú).

WFTO and in 2005 it was recognized as one of the three best traders in artisanal goods at the national level¹⁹.

Besides Intercrafts, CIAP counts with other organizations for the support of its members. The Cooperative of Savings and Credit provides loans on the most advantageous conditions (interest rates are considered among the lowest in the micro finance market) as working capital, for establishing workshops, for payment of school fees, health expenses, etc. The Pachamama Turismo Alternativo sells tourist packages, mixing classical destinations with communitarian, ecological and artisanal tourism experiences. Its profits are destined to implement projects that benefit directly the local communities. The Promotora de Economía Solidaria (Pro-Ecosol) is in charge of promoting and managing the retail outlets in Lima and Puno. The suppliers for these shops are the CIAP's artisans, artisans of other Fair Trade and solidarity economy organizations, and organic producers.

CIAP's manager indicated that initially they commercialized their products only through middlemen, who were in charge of gathering products from different areas of Peru, and then they sold those to other intermediaries in Lima, and these did the same, but to middlemen in charge of exporting handicrafts. Hence, the link between the producers and the export middlemen was quite long. CIAP's had some direct customers which were solidarity consumers; thus their products were sold mainly through churches and non-governmental organizations (NGOs). According to CIAP's manager it was thanks to these organizations that they became familiar with the concept of Fair Trade in 1995, which until that moment was unknown for them. It was also through these solidarity organizations that the network of CIAP's contacts and clients grew.

In the year 2000, and after having implemented the Fair Trade principles, CIAP was able to join IFAT (now WFTO). According to CIAP's director Intercrafts has seen its Fair Trade clients increased thanks to the support of WFTO. In the late 2000's Intercrafts Peru was one of the three Latin American organizations selected by the WFTO to work on the Sustainable Fair Trade Management System (SFTMS) pilot project. According to a comment posted to CIAP- Artesanía Peruana Blog on March 3rd, 2011, the implementation of the SFTMS pilot had several stages which began with the study of the Fair Trade standards and the handbook for the SFTMS implementation. After some preparation regarding these topics, Intercrafts elaborated matrices and questionnaires for evaluation. The next

19 Intercrafts Peru, (accessed April 2009). <http://intercrafts.ciap.org/sommaire.php?lang=en>

step was to evaluate the artisans associations from Lima and Puno. After all the data was gathered and processed, an evaluation report was elaborated, and based on it, Intercrafts formulated an improvement plan. As part of this plan, activities were conducted to equip offices and workshops for internal and external auditing. Pamphlets and posters were developed with information related to the SFTMS, the Fair Trade Principles, environmental issues, etc., and were distributed to offices and artisanal workshops. CIAP's strategic plan was then also updated and several documents were prepared: policies, work descriptions and regulations to improve the operations and practices in the artisanal associations and workshops.

During the implementation of the SFTMS pilot project, Intercrafts came across several problems, including the high cost of the implementation process which is beyond the means of small organizations, the use of terms such as "fair price" which creates confusion among producers, and the contradictions between improving the producers' labor conditions and a market that does not permit an increase of production costs. All these issues are expected to be discussed inside the WFTO. In 2011 the SFTMS certification was renamed WFTO Fair Trade System and is expected to guarantee Intercrafts products as Fair Trade and increase its market opportunities.

So far being a member of the WFTO has been beneficial, as CIAP's products are available to consumers in a much more direct way. The middlemen were cut out of the chain, and CIAP is the organization now collecting products from their artisans and selling them directly to international markets. CIAP pointed out that the main destination for its products is Italy, followed by France and the U.S.A. As Jorge Loayza indicated in a *La Republica* article dating from February 15, 2009, CIAP exported handcrafts worth US\$ 900,000 in 2008. Contracts were indicated to last for approximately one year for U.S.A. clients, and between four to five months for European clients. Intercrafts receives their clients' payment in two parts, 50 per cent of the order is paid on advance, and the rest is paid when the client receives the merchandise. As artisans do not have enough resources to wait until the goods are sold in the countries of the consumers, the payment system for artisans is adapted to their needs. Thus, artisans receive pre-payments between 30 to 40 per cent according to their organizational levels. The rest of the payment is done when artisans deliver their products.

CIAP is said to have improved the lives of its artisan members. The director of CIAP mentioned the case of the producers from Vitarte,

who came to live on the outskirts of Lima, escaping from the violence and terrorism in Ayacucho, a department of Peru located in the southern Andes. These producers are organized in an artisan association called Tawaq (Talleres Asociados Wari Ayllu de Quinua) which commercializes ceramics and is composed of 29 associates. Tawaq is one of the funding members of CIAP and was established in 1991. Its associates are originally from Quinua, Ayacucho. According to the information provided by a member of Tawaq, the most sold handicrafts are traditional nativity sets. Through the benefits obtained from the Fair Trade commercialization of their ceramics, several ventures have been undertaken, for example the organization of funds in order to provide loans to their associates for the purchase of land plots. The amount of lending is between 2,500 and 3,000 US Dollars with an interest of one per cent per year. According to CIAP's manager, 90 per cent of the artisans of Vitarte now have their own houses. This information was confirmed by the member of Tawaq who explained that initially artisans purchase land plots where later houses are built gradually according to their possibilities. Other funds are dedicated to cover health and burial expenses. Thus, it is found that artisans from this association are financially independent, and dedicated to ceramics production.

The case of Tawaq is one example where artisans live from handicrafts production, however, in several provinces the main activity of the producers is still agriculture; other activities have not had much effect on their lives. In this regard, CIAP's manager indicated that they are promoting alternative tourism, which is expected to have more effective results, as the artisans would have the chance to sell their crafts directly to the tourists. CIAP is offering credits to producers from regions with tourist potential, in order to improve houses and create accommodation. This is the case with Amantani, an island located on Lake Titicaca, near Puno, whose inhabitants are extremely poor. Nowadays several houses in this area have already been improved in order to accommodate tourists.

CIAP has also been supporting the development of local Fair Trade for more than eight years. CIAP has organized several marches in Lima and other departments of Peru aiming to spread the Fair Trade concept. These marches were organized with the assistance of the WFTO and other organizations. CIAP also conducts campaigns to raise awareness and to reach out to more artisans. Moreover, there is a network of Fair Trade shops distributed across Latin America. CIAP has Fair Trade shops in Lima and in Puno, in this way promoting the development of the internal Fair Trade market within Peru.

Regarding government support, CIAP's manager indicated that Fair Trade is unknown to most government institutions, and it is seen as opposed to the traditional market. The national government supports free trade and private enterprises, and lacks interest in Fair Trade ventures. Thus, a large percentage of the Peruvian population who live in extreme poverty and work producing handicrafts are not being supported by the government, or even face barriers created by governmental tributary institutions. On the other hand, CIAP is supported by NGOs and several municipalities.

MINKA FAIR TRADE

Minka Fair Trade is a nonprofit private organization. It was established in 1977 by indigenous rural producers who were among the poorest in Peru. Minka represents 61 democratic organizations of peasants-artisans producers, consisting of around 3,000 members. The majority of them, 83 per cent are located in Andean rural zones and 17 per cent in the marginal urban areas.

Minka is dedicated to productive commercial and organizational activities aiming to support indigenous artisans. Thus, Minka offers three different lines of products:

- Textiles which are made out of hand-spun and hand-knitted alpaca, like sweaters, knitted caps, gloves, mittens, scarves, shawls, plush animals, arm and leg warmers, bags, etc. Other textile products are made of organic cotton such as sweaters, scarves, shawls, bags, placemats and tapestries.
- Food which consist of grains such as quinoa, kiwicha, kañiwa; and essential oils such as muña, arrayan, hinojo, toronjil, eucalyptus etc.
- Adornments and gifts made out of ceramic, like vases, wall adornments, candleholders, decorations, whistles, tableware and wind-chimes. Others are made from gourds²⁰, vases, ornaments, mirrors, jewelry boxes, and instruments. Minka has also a jewelry line made of woven silver, semi-precious stones, earrings, necklaces, bracelets, pendants, rings, etc. Musical Instruments are ocarinas, whistles, flutes, rain sticks and drums²¹.

20 Gourds are the hard-shelled fruits of a variety of plants related to melons. The dried shell is used for bowls and other utensils, and it is used ornamentally.

21 Minka Fair Trade, (accessed November 2008). <http://www.minkafairtrade.com/home.html>

Initially, these crafts were sold through catalogues and the European market was their main destination. Minka's director pointed out that it was through their clients catalogues that Minka became known as a Fair Trade organization in Europe. Since then Minka has exported handicrafts and food.

Minka was one of the first members of IFAT (now WFTO) to belong to the southern hemisphere. In 1991, in the IFAT general assembly, the Director of Minka became one of the members of the IFAT Directive Committee. During her years as a member of the Directive Committee, she promoted the inclusion of southern producers as IFAT members. Despite being a member and previous director of IFAT, the Director of Minka explained that this membership does not guarantee that WFTO buyers would only buy from other WFTO members. As a result, several middlemen state that they work under the Fair Trade system, and are selling products to WFTO members without giving any proof or accreditation. This situation allows these middlemen to sell their products at cheaper prices than companies working in Fair Trade. Minka indicated that WFTO had refused to make changes regarding this issue, and explained that the reason behind this position was that to demand that WFTO members buy only from other WFTO members would be inconvenient for buyers from developed countries. When Fair Trade producers face this kind of situation, they are not able to compete.

At an international and national level, Minka has worked for the development and growth of Fair Trade, organizing several workshops in countries such as Bolivia, Chile, and Paraguay. Minka's director indicated that they promote Fair Trade by organizing training and conferences, and collecting extensive materials on the topic. At the local level, Minka promotes agricultural and artisanal production, rescuing traditional crops, methods of production, and processing technologies, and offering these products on the international Fair Trade market. In tourism, Minka promotes the development of tourist packages that bring together producers and consumers.

Minka's commercial activities are directed to establish channels for direct sales of improved products that have been adapted to consumer needs in order to augment the income of producers. Thus, Minka has managed to establish strong lasting relationships with clients like e.g. People Tree from the United Kingdom, and Trade Aid from New Zealand. The profits from these commercial activities and other external revenue sources are annually distributed between the producer organizations in order to finance community development projects proposed by each community.

The main beneficiaries of Minka's actions are 3,000 producers located throughout Peru. These producers are grouped in small democratic organizations. Most of them are artisans by tradition, who learned the craft from their ancestors, and who live in the areas in which each artisanal line originated. Additionally, most of them have Quechua ethnicity, and the majority are women. According to the documents provided by Minka, rural producers tend to work also in agriculture and livestock, which allows them to have an income that is complementary to the artisanal activity. The producers from marginal urban areas combine their artisanal activities with informal commerce, basic services (such as maids, guardians, and janitors), civil construction, and temporary jobs in mining.

Producer groups relate to Minka by their own initiative and decision, that is reconfirm each year, delegating in this way commercial representation and requesting technical assistance from Minka. According to information extracted from Minka's documents, classification of producers into categories is based on the compliance to the Fair Trade producer standards. Additionally, a participatory scheme is used, in which producer groups become agents working towards the general goals. Hence, Minka's strategy for working with producers is based on the exchange of knowledge.

In the following section, the focus turns to one of Minka's producer groups.

The Unocolla Community

The community of Unocolla is located northwest of Juliaca, in the Department of Puno, in the south of Peru at 3,800 meters above sea level in the Andes. Most of its members produce textiles made from hand spun and hand knitted Alpaca fabric. The language spoken in this area of Peru is Quechua, an indigenous language of the Central Andes. The community of Unocolla is made up of 500 rural indigenous families, each with no more than two hectares of land. All these families live in extreme poverty and their living conditions have changed little until recent years. Moreover, the weather conditions are extreme in this area of Peru: the severe climate allows only rain fed agriculture. The main agricultural products are potatoes, *quinoa* and *kéwicha* (both grains) and *chuiño* (dehydrated potato), which are typical highland crops. These crops are intended for the community's own consumption and local commercialization.

The main activities of the people of Unocolla are agriculture and cattle rearing. Nevertheless, these activities are not enough for their survival,

so therefore the people of Unocolla have to rely on alternative activities. Knitting represents a convenient alternative as most of the community members are skilled knitters by tradition. In the late 1970s, the Unocolla community started working with Minka producing knitted garments. Minka introduced them to Fair Trade and they have been working together ever since.

However, due to the harsh climate of the Andes highlands and the lack of alternative income generating activities, men from the community tend to migrate to the cities in the off-season, once they have finished harvesting and knitting. In the towns they search for unskilled jobs, and usually work as laborers in construction and digging, which tend to be very low paid. The income received from these activities allows them to survive, to purchase food and housing until the next order for Fair Trade knitting comes in, and they return to the community. According to the information provided by Minka, only in a few cases do Unocolla's men earn enough money to be able to send or bring it home.

Minka's interviewed producers indicated that women are the ones who stay in the community throughout the whole year, taking care of the children and the elderly, as well as the animals and crops. By tradition, the women of the community learn how to do the household chores from an early age, including how to knit, in which they have developed a high level of proficiency. Due to the intensely cold weather in this region of Peru, there is a high demand for warm clothes. Hence, spinning and knitting alpaca wool has become the best income source for the community due to the craftsmanship of their women. Furthermore, the tools they need for such activities consist of a drop spindle (called *pushka* by the locals) and knitting needles. They knit sweaters, caps, gloves, mittens, scarves, shawls, plush animals, arm and leg warmers, bags, and more all made of alpaca, sheep and other fibers.

These products were traditionally sold in the local market until the late 1970s, when the Unocolla community, as a Comunidad Campesina, began working with Minka to overcome the extreme poverty. A Comunidad Campesina is defined by the Peruvian government in the law N° 24656, the General Law of Comunidades Campesinas, which states that a peasant community is a democratic institution, autonomous in its organization, as well as economically and administratively. The Comunidad Campesina should be established for communal work and land use, within the framework of the Constitution and the related provisions.

A peasant community is, in this way, a democratic organization, where leaders are elected by the community. In the case of the Unocolla community,

the leaders of the peasant community are also the ones in charge of different town committees. Thus, the organization facilitates more structured forms of work. Additionally, the democratic organization of the peasant community guarantees that the producers receive the benefits of Fair Trade. According to the information provided by Minka's workers, there is an artisans committee, which is the one in charge of the production of alpaca knits. This committee works with members of the community who agree to join voluntarily. Most of them are experts in ancestral textile production techniques that they have used to produce textiles and clothes for themselves. Their knowledge of the characteristics of alpaca wool has made it possible for the artisans to develop techniques for knitting rapidly.

The women from the community have two types of work routine, one for Fair Trade and a second one for the traditional market. For the Fair Trade market, they work as directed by Minka, which is responsible for sending them detailed information on production. The leaders of the artisans committee are given instructions, and sometimes also samples, and as the next step they convene an assembly in order to divide up the order and to instruct the rest of the community. Once the members of the group have finished their assignments, they bring the finished products to the Artisan Center in order to check them against the quality requirements. The leaders of the committee are also in charge of quality control. When defects are found, the piece is returned to the producer who has to do it again. To avoid the time consuming reprocessing and to reach the quantity ordered on time, Minka always orders some extra pieces just in case, around five per cent more. In this way, the quota can be reached, and even if the production raises some quality issues, the whole batch can be dispatched on time.

I was informed by Minka's director that they only work by order and contracts with Fair Trade clients (who are usually intermediaries in developed countries) tend to last two months. Their clients' payments for the production are made in two parts, the first 50 per cent when placing the order and the rest once the goods are received. Consequently, Minka pays the producers 50 per cent in advance when placing the order and the other 50 per cent when they receive the products. Minka works under these conditions in order to benefit the producers. Because of their extreme poverty, the producers cannot wait until the production is finished, shipped and received by the client to get paid, even though Minka has to wait until the client receives the finished products, usually three months after production is finished, to get the final payment, which does not include

the production costs for the extra pieces made to avoid reprocessing. Minka is also required to work under this system in order to keep the producers from selling to the traditional market, where they would receive payment the same day for the goods produced. Although the price for Fair Trade products is higher, it implies also more work, as producers have to take part in meetings and receive instructions and training.

The director of Minka explained the payment system for the workers from the Unocolla community. She indicated that before, in the traditional market, the payment for an hour of work was US\$ 0.12, but that now, due to the increased competition between producers, this had fallen to US\$ 0.07 per hour. She pointed out that Minka pays them US\$ 0.50 an hour, based on the Peruvian legal minimum wage. However, according to the calculations carried out by Minka, the minimum payment needed to sustain the household should be US\$ 2.50 per hour. Thus, producers are only receiving 20 per cent of what is needed to support their households. Therefore, Fair Trade still does not provide a fair price, despite the improved relationship between producers and buyers. The benefits of this improved commercial relationship go beyond giving producers a better price than the traditional market. Nevertheless a fair price, in her words, is still “years ahead”.

Thanks to Fair Trade, there is an improved relationship between community members. It was found that producers were living before in isolation, as the community is quite spread out, and they had no communication or relations with their peers. While selling their products, producers approached the traditional market as individuals. Lack of contact with other producers put them at disadvantage, as the traditional market buyers forced them to accept lower prices, as they did not have any bargain power. Thus working in the Fair Trade system has given them access to information, which is vital in rural communities, as they can now exchange information, not only about trade, but also about agriculture, cattle, water, or health. The access to information has changed the lives of the Unocolla community members radically.

The community works for the Fair Trade market only three or four months a year and this can vary. According to Minka’s director, only between 20 or 30 per cent of their production capacity is intended for the Fair Trade market and the main reason for this situation is the lack of demand, as Fair Trade purchases tend to be limited. Despite only 20 per cent of their production going to Fair Trade, working within this system has brought several benefits to the community. During three months of production for the Fair Trade market, producers are able

to receive as much as a whole year of income from the traditional market. This allows them to have free time to engage in other activities that can contribute to the household income. When the community members are not working to fulfill Fair Trade orders, most of the women devote themselves to household chores, or alternative activities like selling agricultural products or working in restaurants. These activities allow them to continue knitting in their spare time. They knit from Monday to Saturday, producing several items of clothing. On Sunday, the women from the community go to the city's weekly fair and sell their products there. Thus, the remaining 80 per cent of their production is sold in the traditional market. The people who buy their products are owners of stands in the local market who act as intermediaries. Later they in turn sell the knitted products to city locals or tourists. The traditional market only provides a basic return on costs, enough to buy materials for the next time and some groceries. In the traditional market, quality is overlooked, and the garments sold are usually a mix of alpaca fiber with acrylic. When compare to the traditional market, it could be said that the complete opposite occurs in the Fair Trade market, where quality is highly regarded, the only fabric used is alpaca wool, and returns are also higher.

Minka's workers indicated that the living conditions in the community have remained almost the same. Besides the community center built initially, there have been no apparent infrastructural changes. The construction of the community center is the only physical change in the community. This allows the peasant artisans to have organizational meetings, share their experiences, have their general meetings, and hold training sessions. Now it even serves as a hostel for Fair Trade tourists. Minka's director explained that the lack of security, added to the fear of being attacked and robbed, has stopped them from making any physical improvements within the community, as on numerous occasions armed people have arrived at night time and attacked them.

Although at first sight changes in the community cannot be seen, some have been made. I was told by Minka's director that approximately 20 per cent of Unocolla's producers have been able to acquire an own house in Juliaca, the capital of Puno and the closest city to Unocolla. However, the acquisition of houses is a process lasting several years. It begins with the purchase of a small plot of land, on which later the owner and some family members begin building walls, one by one, until they complete a room. Walls are made of adobe blocks that they make themselves. After the roof, doors and windows are added, the house is livable. Over time, they construct more rooms, and eventually change the adobe walls

to brick walls. The main reason behind building houses in Juliaca is that in the remote area where Unocolla is located children can only access primary education, while in Juliaca they can access high school and even higher education. Before the construction of houses in the city, only the boys in the community were sent to school, whilst girls remained in the village due to the risks of been sent to the city alone without proper accommodation. The boys sent to the city used to rent a room with several of their peers and stay over there during the school year. Owning houses in Juliaca now allows both girls and boys access to school.

Juliaca is quite a commercial city due to its location, as it is the transit point for overland travelers coming or going between Arequipa, Cuzco, Lima and Bolivia. Owning houses there has benefited the community members as now they are closer to the traditional market where they perform informal commercial activities. Furthermore, owning a house in the city has even allowed them to connect with Minka through the internet. I was explained by Minka's producers that thanks to a donation of equipment, information is easily transmitted from Lima to the community members, as the computer is located in the house of one its leaders. Internet has eased communication, which previously was carried on through a payphone. The technology improvements have speeded up many processes that used to take days or even weeks before, like the transmission of evaluation and payment documents such as bills and receipts.

The increased acceptance of agricultural products like quinoa or kañiwa grain on the Fair Trade market, is found to be having positive consequences, the men from Unocolla are able to stay for longer periods in the community, as the cultivation of these products becomes another source of income. In addition to spending more time with their families, men can also support the women in their textile production. The producer families are also increasing their income through tourism without leaving the community, as they can sell directly their products to the final consumers, the tourists. According to Becchetti et al. (2007, 7) "socially responsible tourism transfers even more value to local producers than Fair Trade", which is logical as the price paid by tourists is the final consumer price. The cultural exchange produced through tourism in the community has provided the motivation needed to revive ancestral cultural traditions, and an improved appreciation of their roots. Rural communities previously marginalized are now being embraced by the wider society. This rise in personal and group self-esteem has become a major factor empowering change inside the community.

Minka considers the commercial activity as a strategy for development

rather than an objective in itself. It is through commercial activity that an appreciation of the local culture has emerged, followed by an organizational strengthening of producers who were previously in extreme poverty. In this way, they have become the main actors in the changes to be made, and have not sacrificed their ancient culture as the price to be paid for emerging from poverty.

DISCUSSION OF THE FINDINGS

Initially, it is seen that both organizations became familiar with the concept of Fair Trade through NGOs, solidarity and/or religious organizations. These “intermediaries” in this case, also served as transmitters of the Fair Trade movement. Nowadays, both CIAP and Minka are members of the WFTO, which has allowed them to expand their networks and to have direct contact with northern buyers.

Regarding the premise that the implementation of Fair Trade practices helps producers by enhancing their markets, the next section presents a discussion of the practices observed in the handicrafts producer organizations.

- Democratic organization of workers:
Both of the organizations examined work with artisans that are established under a democratic system. Artisans have a voice and vote to elect the directors of their organizations. The Comunidad Campesina, which is the basic structure for Peruvian communities, is also a democratic organization which adapts quite well to this Fair Trade practice. Moreover, it was found that organized producers have been able to reach the required quantities to export and take advantage of the economies of scale. Even in the traditional market, the organization of artisans into a producer group has allowed them to obtain bargaining power for their products²² as seen in the case of Unocolla.
- Provision of Fair prices:
According to Minka’s information, payments paid to the producers are higher than in the traditional market. However, these payments do not yet enable the production to be socially just. Producers receive

²² According to Becchetti et al. (2007, 8) “58 per cent of Juliaca producers [which include a sample of Unocolla producers] confirm [...] that Fair Trade affiliation improved sale conditions with local intermediaries in the area”.

payments according to the Peruvian legal minimum wage; but these payments are still only a fifth of what they should be receiving for a decent living standard. In the case of Unocolla, artisans working for Fair Trade have improved their household incomes, and through savings, some of them have been able to complete personal projects, such as buying plots and building houses in the closest city.

- Provision of pre-payments:

It is seen in both CIAP and Minka that they receive the first payment from their clients along with the purchase order (50 per cent), and the rest of the payment is made after the clients receive the goods. Accordingly, both organizations have implemented payment systems to support their artisan members, who tend to live in poverty conditions; they provided payments on advance that range from 30 to 50 per cent and the rest is paid when the artisans deliver the products.

- Establishment of direct and long-term trading relationships:

The organization of producers into artisan groups and their consolidation into exporting businesses has resulted in a reduction in the number of stages and consequently profit margins in the value chain. It was found that both CIAP and Minka have established long-term partnerships with their studied producer groups, Tawaq and Unocolla. Both organizations have been working with these producers since years and are committed to supporting them. Similarly, Minka's clients, like People Tree or Trade Aid, have been working with them for several years and have established close relationships.

- Promotion of social justice and sustainability:

In both handicrafts producer organizations there are no cases of slavery or child labor, and it was found that ILO conventions are respected. Children help their parents in domestic chores, such as taking care of smaller children or looking after small animals, usual tasks for Andean children. Moreover, artisanal production enables most of the producers to work in their own homes. In the case of peasant-artisans, they continue living in the same way they have been living for centuries, in harmony with the environment. In this case, no major changes have been implemented to adopt further sustainable practices.

The Fair Trade practices adopted seem to have benefited the studied handcraft producing organizations. Fair Trade has allowed these producer groups to access international markets and reach clients in a more direct way. It has also helped them overcome their financial problems through

the provision of pre-payment. Although the fair price is not yet considered as “fair”, as found in Unocola’s case, the increased payments have allowed producers to build up savings to improve their living conditions.

As seen in the case of Unocola, the income that producers receive from working with Fair Trade during three or four months provides a whole year’s income on the traditional market. This situation has given them free time to pursue other income generating activities which contribute to their household earnings. The overall improved income has allowed producers to build savings and invest them in dwellings, which in turn facilitate their children’s education. However, only 20 per cent of Unocola’s producers have been able to acquire houses in the nearest city. This percentage could be positively affected by an increased demand of Fair Trade products by northern customers. Nonetheless, thanks to Fair Trade and the improved relations between customers and producers there has been a rise of self-esteem and a boost to indigenous culture.

The work done by Minka and CIAP has helped Peruvian artisans to develop and improve their skills and capabilities to participate not only in the national but the international market. Furthermore, CIAP and Minka dynamic advocate work is helping to increase awareness regarding the Fair Trade topic.

CONCLUSIONS

The two organizations studied showed several similarities. Both CIAP and Minka work mainly with poor rural producers and have democratic structures which are organized according to the abilities of their members. They both are WFTO members, and have successfully established channels for direct sales to northern buyers. At present, they are also promoting tourism business ventures and see major benefits for producer groups in these activities. Through tourism initiatives producers would be able to connect and sell their crafts directly to consumers.

The implementation of Fair Trade practices seems to have been useful in overcoming market constraints. Producers from the cases studies have now access to international markets, and are pre-financed by buyers (through pre-payments). Moreover, producers are able, as an organized group, to reach the quantities needed for export, and adapt their production to the design and quality requirements of northern clients. Further acceptance of new agricultural products in the Fair Trade market would translate into another source of income for Andean communities. This would

also allow families to stay together, as there would be no need for the men to migrate in search of job opportunities.

However, there are still some constraints that need to be overcome. The insufficient demand for artisanal products is a major limitation to the growth of Fair Trade and the integration of new producer groups. The modest demand, added to the fact that contracts are only short-term, does not guarantee a constant income flow and forces the artisans to search for other income generating activities. Hayes (2006, 463) makes an additional point that should be considered by organizations like CIAP and Minka, and it is that partnership with one or more buyers should not be the dominant source of demand in the long-term, as buyers cannot make an open-ended commitment to purchase irrespective of the demand in the buyer's market. Similarly Reynolds et al. (2004, 1117) point out that "[a] key test of the [producers'] organizational capacity [...] may be whether they are able to move beyond Fair Trade markets". Therefore, organizations such as CIAP and Minka should aim to be able to compete independently in the international market.

Concern is raised about the interests behind the WFTO, as instead of prioritizing disadvantaged producer groups it is being influenced by northern interests. As indicated by Minka's director, the WFTO does not require that WFTO northern buyers purchase Fair Trade products only from WFTO southern producers, opening the door to many other producers that are not WFTO members.

Overall the case studies of Fair Trade Peruvian handicrafts producers show that Fair Trade provides producers with a fairer system of economic relations and greater self-esteem rather than just a fair price. The earnings could be small, but the benefits are palpable. However, despite the benefits Fair Trade has had in handicrafts producer communities, there is still room for improvement. According to Aageson, an international craft marketing specialist (in Littrell and Dickson 1999, 41), "building strong artisan enterprises requires investment in three critical areas: business skills; creativity for innovative, market driven product development; and marketing to diverse patrons". These points, added to improvement in the quality of products, should be worked out in order for artisanal groups to be competitive and reach new markets.

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