

Equalizing exchange through voluntary certification?

The case of palm oil

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The Fair Trade (FT) system, based on the understanding that unequal exchange is one of several mechanisms in producing and reproducing global inequalities, seeks to counter underdevelopment via restructured trading relationships. Product and organization certifications indicate that goods are produced under favorable labor, economic, and environmental conditions.

As such, FT represents a deliberate attempt to equalize exchange through the shortening and redistributing of profits along commodity chains in order to improve the wellbeing of producers and promote economic and social development in the Global South. However, whether a voluntary certification system can substantially affect development outcomes from within the traditional market remains contested.

A growing body of literature indicates that FT offers positive but limited benefits to participant producers (and even non-participating producers in the vicinity of FT farms) for the production of coffee, bananas, and tea (Jaffee 2007; Ruben 2009). However, skepticism over the system's potential to fundamentally alter global development inequalities remains. Current literature focuses on two key limitations. First, the contradiction of undermining the traditional market while simultaneously located within it undermines the system's transformative power (Bacon 2005). Second, the system's dependence on exclusivity where FT is attractive to customers at least partly because it differentiates them from mainstream consumers, limits the bounds of expansion (Guthman 2009). However, some important limitations of the FT system have remained less scrutinized. For instance, the complexity of production processes and the visibility that component parts take in a final product affects their ability to be regulated via certification.

Tropical commodities generally lend themselves to informative GCC analysis because they have relatively few stages of production and are cultivated in the Global South and widely consumed in the Global North (Talbot 2009). While most certified FT products are tropical commodities, such as coffee, tea, and bananas, not all tropical commodities that are widely consumed in the Global North readily lend themselves to FT certification (or GCC analysis, for that matter). Palm oil highlights the limitations of the current FT system in regulating component products with somewhat complex commodity chains. Here, I briefly explore the importance of palm oil in terms of labor, environmental, and development consequences and the limitations of the current FT system to improve these conditions.

In today's marketplace, palm oil is both ubiquitous and largely hidden. Crude palm oil has at least five different stages of processing depending on the final product. After various stages of transformation, it is found in thousands of products ranging from cooking oils to cosmetics, plastics, textiles, explosives, and pharmaceuticals. However, it is rarely labeled as a separate ingredient even in food items, making its presence unknown to the vast majority of consumers.

Its production has harmful effects on producers, the natural environment and developing economies. Facilitated by the combination of natural, business and political climates, palm oil has become a boom industry across the developing world. The top 20 producing countries in 2008 are all located in South East Asia, Latin America, or Africa (FAO 2009). The clearing of tropical rainforests necessary to establish new palm oil plantations and the application of chemical pesticides to deter predators displaces local populations, further threatens endangered species, facilitates low-paid and child labor, and negatively affects the health of workers and the natural ecosystem (Rosenthal 2007). Current international trade laws do not include provisions for palm oil workers' health and safety despite their exposure to toxic pesticides. Further, export dependence on palm oil has not proven to facilitate economic development (WDI 2010).

Together, these factors make palm oil a key product for FT regulation in order to improve labor, environmental and economic conditions for producers. However, palm oil production does not lend itself to the current system of voluntary certification that distinguishes favorable practices. The many multiple commodity chains involving palm oil are much more complex than tropical commodities such as bananas, coffee, or tea. After harvest, palm kernels must be processed first in mills, then in refineries, transformed to various extents depending on the final product, and then distributed to local manufacturers (Vermeulen and Goad 2006). Because palm oil is largely sold as an ingredient after it has undergone some transformation, the economic, social, and environmental conditions of its production cannot be easily regulated with a single label on the final product.

Despite the limitations of the current FT system in regulating a product such as palm oil, it has adjusted in the past to meet the needs of commodities that challenged previous governance structures. The incorporation of agricultural products spurred the advent of certification systems that currently far outnumber the original system of direct sales networks. Perhaps the problem of regulating palm oil will spur a new form of alternative trade regulation to the (limited) benefit of palm oil producers throughout the developing world.

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