



A JOINT PUBLICATION OF
AFA AND ASIADHRR

INITIATIVES ON PRO-SMALL FARMER TRADE

Initiatives on Pro-Small Farmer Trade
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ISBN No.: 917-92920-1-

Printed and bound in Manila, Philippines

Jointly published by:

Asian Partnership for the Development of Human
Resources in Rural Asia (AsiaDHRRRA) and
Asian Farmers' Association for Sustainable Rural Development (AFA)

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Foreword

“When patterns are broken, new worlds emerge.”

In December 2005 AFA and AsiaDHRRA decided to participate in several parallel CSO events during the 5th WTO MC in Hongkong. One such event was the “WTO, Food Sovereignty, and Alternatives to Globalization” Forum, which involved other social movements in the region. At that forum, we presented the initial results of four case studies of selected experiences of CSOs trying to advance a more holistic approach in responding to the issues and problems faced by farmers -- from input and production, to processing and marketing, in the light of the challenges posed by globalized trade. Our case writers noted that the case models did not focus on specific aspects of the commodity chain but embraced the entire system in one holistic package comprised of interconnected components – with a conscious effort to present a fundamentally different approach to tackling age-old problems of the agricultural sector.

We invite you to take a closer look at their stories in this book. We encourage you to join us in studying these alternatives and to be inspired to support or explore similar undertakings in our collective effort to make farming an economically rewarding adventure, while protecting our environment and community cultures. In addition to the cases, this book includes an overview and a brief analysis of the ASEAN Emergency Food Reserve Scheme to give us a better understanding of what it is, as well as its potentials and constraints in responding to food emergencies in the ASEAN region. The momentum to engage ASEAN on agriculture and food

security/sovereignty issues has to be sustained, especially now that the ASEAN is in the process of formulating its Charter and given the growing realization within the ASEAN of the need to engage CSOs as co-stakeholders to ensure that ASEAN integration responds to the call for more sustainable livelihoods for the rural poor and to ensure the food sovereignty of member nations.

We thank the Open Society Institute for supporting this undertaking as a component of AsiaDHRRA's initiative to harness Asian NGO leadership in the context of globalization, and Agriterria, for its partial support for the publication of this book through its institutional support to AFA. We thank the brilliant team of Ms. Neth Dano and Mr. Ping Feria, research associates, for their hard and inspired work on the case research; project anchors, Lany Rebagay and Esther Penunia, of AsiaDHRRA and AFA, respectively; Ms. Teresa Lingan-Debuque for her editing work and the rest of the secretariat team for the usual support.

And finally, our deepest thanks to the organizations who allowed us to document their stories: The Philippine Development Assistance Program (PDAP), Earth Net Foundation (Thailand), Seikatsu Club Consumers' Cooperative (Japan) and the Oxfam GB Fair Trade Model. Our special thanks to Mr. Jing Pacturan and Mr. Cesar Belangel of PDAP, and to Mr. Vitoon Panyakul of Earth Net for generously sharing their comments, thus enhancing the cases. Our sincere appreciation to Dr. Azmi B. Mat Akhir, of the ASEAN Secretariat for sharing his views and comments on the case study on the ASEAN Food Reserve Mechanism. His responsiveness to our request for support in our work shows his deep commitment to the agriculture sector.

We look forward to more of these models being documented and propagated in aid of our work with Farmers' Organizations, and as development advocates and social entrepreneurs. Please share your views with us.



Marlene Ramirez
Secretary General, AsiDHRRA

The Seikatsu Club Consumers Cooperative:

A Unique Producer-Consumer Relationship in Japan

Consumer activism in Japan emerged in the wake of the devastation of the Second World War. Ironically, it was the American Occupation forces in Japan that had paved the way for the development of such a movement. They encouraged ordinary Japanese to form groups in support of political causes, viewing even radical forms of citizen activism as effective vehicles for grassroots democratization in a country whose people had been accustomed to being governed from above¹. As the Japanese people were granted the rights and privileges of citizenship, many flocked to the labor unions, the political parties, the professional interest groups, and to the consumer cooperatives and women's organizations that eventually assumed a leading role in the post-war consumer movement².

These post-war consumer activists embraced a simple but pressing goal: the improvement of the national standard of living, which had fallen below subsistence level following the war. They formed alliances with workers, farmers and small businessmen against big

¹ Dr. Frank Trentmann and Prof. Patricia MacLachlan, *Civilizing Markets : Traditions of Consumer Politics in Twentieth-Century Britain, Japan and the United States*, Working Paper No. 5, Cultures of Consumption Working Paper Series, Cultures of Consumption, and ESRC-AHRB Research Programme, Birkbeck College, Malet Street, London, WC1E 7HX, from http://www.consume.bbk.ac.uk/working_papers/trentmann_working_paper_5.doc, viewed 6 September 2005

² *Ibid.*

business and black marketers, and in the process they began to form a distinctive image of the consumer, not only as survivor but also as citizen, both of civil society (*shimin*) and of the national polity (*kokumin*).³

The *kokumin* dimension of this new-found consumer identity reflected the activists' concern for the state of the national economy and their willingness to ally with producer groups in order to strengthen the economy⁴. Thus, it was natural for consumers to close ranks with producer groups in Japan. One particular expression of these alliances was the establishment of food cooperatives.

Food cooperatives work by getting good food to urban groups that have no direct access to farms. Direct links between consumers and farmers have had spectacular success in Japan, with the rapid growth of consumer cooperatives, *sanchoku* (straight from the place of production) groups and *teikei* schemes (tie-up or mutual compromise between consumers and producers). This extraordinary movement has been driven by consumers rather than by farmers, and mainly by women. There are now some 800 to 1,000 such groups in Japan, with a total membership of 11 million people. These consumer-producer groups are based on trust, and put a premium on face-to-face contact. Some of these have had a remarkable effect on farming, as well as on environmental matters. One of the largest and best-known consumer cooperative groups in Japan is the *Seikatsu Club*⁵.

The Seikatsu Club

The *Seikatsu Club* is a Japanese food cooperative that aims not only to supply wholesome food to its members, but also to fundamentally change the relationship between producers and consumers and between people and their environment. It started in 1965 when a group of householders formed a collective buying organization to purchase quality milk at lower prices.

3 Ibid.

4 Ibid.

5 Food and Agriculture Organization, MCS Case Studies : Taking Stock of the Multifunctional Character of Agriculture, http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/X2776E/X2776E04.htm, viewed 7 September 2005

They believed then that the companies which dominated the milk market in Japan were offering an inferior product and manipulating prices⁶.

Since that time, the Seikatsu Club has grown and organized itself into a larger tertiary organization of similarly named cooperatives that have been set up since 1990 into the Seikatsu Club Consumers Cooperative Union (SCCU). The SCCU consists of an association of 25 consumer cooperatives active in 15 administrative divisions (or prefectures) of Japan, which altogether have 259,000 members, most of whom are women. In addition, the SCCU has seven associated companies, including a milk factory⁷.

The SCCU undertakes the development, purchasing, distribution and inspection of consumer materials (food, general daily goods, clothes, publications), operates a mutual assistance fund and publishes public relations and ordering information for pre-order collective purchases. In addition, the entire union gets involved in issues, such as genetically modified organisms (GMOs) by setting up committees and establishing projects run by Seikatsu Club members and SCCU staff⁸.

The Seikatsu Club member unit is modeled after the nearly 200 independent branches, all of which have independent management and activities. Seikatsu Club funding comes from the members, who make monthly contributions of 1,000 yen per person. The accumulated contributions total 23,100 million yen, an average investment of approximately 90,300 per member. The turn-over of goods among the cooperatives in the Union as of March 2004 amounted to 76,200,000,000 yen (US\$690,000,000)⁹.

The average Seikatsu Club member spends one-third of their total food budget on cooperative products. Members with the highest utilization rates (the top 25 per cent) spend approximately 70 per cent of their total food budget on cooperative products. These figures are seen as indicating “a partial boycott of the existing

6 Richard Evanoff, A Look Inside Japan's Seikatsu Club Consumers' Cooperative, <http://library.nothing-business.org/articles/all/en/display/247>, viewed 7 September 2005

7 Seikatsu Club webpage, <http://www.seikatsuclub.coop/english/>, viewed 7 September 2005

8 Id.

9 Id.

commodities (food) market” even though the total impact of consumer cooperatives on the Japanese economy is still relatively small¹⁰. Data from the Japanese Consumer Cooperative Union in 1999 show that consumer cooperatives account for some 2.7 per cent of total retail sales and are the largest food retailers in Japan with around 7 per cent of the food market¹¹.

The Seikatsu Philosophy and Practice

At the end of the Second World War, the spirit of enterprise came to dominate the social atmosphere in Japan, encouraging mass production and mass consumption. As the Japanese economy recovered, then grew by leaps and bounds, extravagance and the wasteful use of resources came to characterize the Japanese lifestyle. The emphasis on the outward appearance of most consumer products and the use of agricultural chemicals and additives such as artificial coloring, preservatives, etc., worried the housewives which formed the first Seikatsu Club¹².

Besides, Japanese consumers since the 1950s have paid increasing attention to product safety. This was prompted, on the one hand, by medical advances that had enhanced the population’s awareness of public health hazards, and by the widespread use of synthetic additives in food products. The emphasis on safety and purity was further reinforced by traditional beliefs and values. Shinto, Japan’s closest approximation of a native religion, puts great store on ritual purity, a value that has become manifest in everything from household cleanliness to personal hygiene and food safety¹³.

“No” to a Consumerist Society

The Seikatsu Club eschewed the modern consumerist ethos of buying the “best” product at the cheapest price, without

¹⁰ Id.

¹¹ Richard L. Ada, Japanese Consumer Cooperatives – A Market Entry Opportunity for Queensland Fresh Horticultural Produce, submitted in fulfillment of the requirements of the degree of Master of Philosophy in Agribusiness, School of Natural and Rural Systems Management, The University of Queensland, December 2002, from <http://www.monash.edu.au/casestudies/attachments/620.pdf>, viewed 8 September 2005

¹² Id.

¹³ See Note 1

considering the various processes that go into making the product. The Seikatsu Club checks the source of its goods to ensure their safety and quality¹⁴. It also demands that environmentally sound processes are used at the point of production. Organic farming methods which use a minimum of artificial pesticides and fertilizers are the norm among Seikatsu's suppliers. Moreover, the speed of distribution – direct from the producer to consumer – eliminates the need for chemical preservatives or irradiation¹⁵.

In addition, the Seikatsu Club ensures that the products themselves are environmentally safe. For example, in 1979, the SCCU developed its own original natural soap to replace synthetic detergents. This was part of its campaign to totally ban synthetic detergents¹⁶.

The Seikatsu Club also intentionally uses no labels to indicate that its products are “eco-friendly”. They feel that such labelling has been co-opted by mainstream corporations that are more interested in “greenwashing” their corporate images than in actually reducing their impact on the environment. As there is no need for products to be attractively displayed in stores, packaging can be simple and recyclable, reducing the volume of garbage. Moreover, the efficiency of the system is such that no products are left unsold and to be thrown out at the end of the day¹⁷.

Combining Western and Japanese Values

While cooperatives in Japan can be viewed as extensions of the Western ideals of individualism and freedom, they nonetheless draw inspiration from traditional Japanese cultural values which emphasize group cooperation and social harmony. Thus, the Seikatsu Club combines Western notions of individual autonomy and self-help with Japanese notions of collective efforts and active involvement in local communities¹⁸.

14 Id.

15 Id.

16 Id.

17 Id.

18 See Note 6

Sanchoku and Sustainable Agriculture

One uniquely Japanese system which evolved from the relationship between producers and consumers is the sanchoku. The sanchoku is a movement as well as a coop business that emerged from the cooperation between Japanese consumers and Japanese producers to ensure a stable supply of safe, high quality products at stable and reasonable prices. The sanchoku movement was initiated by the co-ops to check the dominance of the public wholesale market and the major food companies in the distribution of perishable and processed food. To achieve this objective, the movement encourages the development of regional agriculture and industry, and promotes sustainable agriculture while seeking to reform the agriculture system. It aims to support the production of local farmers, keep food costs down, and make sure food is safe to eat¹⁹.

A Seikatsu Club member has said in an interview that they are doing what governments should be doing, which is to sustain farming. The Seikatsu Club believes that they are fulfilling this role everytime they negotiate with farmers to buy their produce, making sure that farmers are paid what they spent on production, and on top of that, paying the farmers to sustain their healthy products and their health²⁰.

Furthermore, the Seikatsu Club supports the notion that all countries should be moving towards forms of self-sufficiency which are both ecologically sustainable and in accordance with local cultural traditions. Katsumi Yokota, Seikatsu Club's well-known spokesperson, has declared that the organization is "against the complete liberalization of agricultural trade, because we believe every nation should support its own basic food production"²¹.

19 Rick Ada, Direct Supply Relationships with Japanese Consumer Cooperatives – A Market Opportunity, study funded by Rural Industries Research and Development Corporation, Queensland Department of Primary Industries, Australia, 200, from http://www.agribusiness.asn.au/Publications_properties/Pub_per_2000/2000AdaJapanCoops.htm#Ada%20and%20Kawasaki, viewed 6 September 2005.

20 Interview with Yoko Nakagawa, Seikatsu Club member, In Motion Magazine, 18 July 1998, from <http://www.inmotionmagazine.com/jfcg.html>, viewed 14 October 2005

21 See Note 6

Approach Adopted by the Seikatsu Club

Strategies and Tactics

The system developed by the Seikatsu Club and similar food cooperatives in Japan is based on the principle of “local production for local consumption”. Most of the suppliers are local farmers and collectives.

The “Sanchoku” System

In the traditional market system the flow is from producers to consumers: producers produce goods which they must then advertise and persuade people to buy. The cooperative system provides an alternative to the market system by reversing this flow: the consumers take the initiative by telling producers exactly what they want. The principle of sanchoku – “direct from the producer” – creates a relationship of interdependence between producers and consumers.

Over time, consistent patterns of consumption and production develop which help to stabilize this relationship. Consumers are supplied with quality products at a fair price while producers are assured of a secure livelihood and a reasonable income. The sanchoku system also eliminates the need for a middle man. While the cooperative functions to coordinate orders, its purpose is not to generate profits but to serve its members²².

Three basic principles which underlie the sanchoku system make it unique²³:

- a. The origin of the product and the name of the producer should be clear to the consumer – the co-op, through newsletters, weekly product catalogues, and signs in the supermarkets, provides co-op members with detailed information. In some cases, producers would visit co-op stores and discuss their products with co-op members;

²² See Note 6

²³ See Note 13

- b. The consumer should be aware of the method of production – information on the method of production is provided to coop members. The products must meet specifications of quality, size and delivery dates, all of which are spelled out in most contracts. In addition to the contractual requirements, producers must also abide by agreed conditions as to how the product should be produced. In particular, there are restrictions on the use of chemicals. Sanchoku is seen as a way of guaranteeing the safety of products for members. Co-op staff or their representatives regularly visit their suppliers and products are tested to ensure that standards are met.
- c. There should be exchanges between consumers and producers – consumers are encouraged to visit supplier's farms and special events are organized by the co-ops to allow members to see how their food is being produced. Producers are also encouraged to meet members and would visit city consumers and home-stay with co-op members' families. The exchange of information between producers and consumers enables both parties to share experiences and better understand and meet each others' needs.

Under the system, it is the organized consumers who contact the producers and in that manner the consumer takes the lead in organizing the producers who can meet their purchase orders. It may happen that the producers organize themselves, but they have to get in touch with an organized consumer group for their produce to have an outlet.

How sanchoku produce is sourced depends on the location and size of these co-op societies. If they are located in a megalopolis like Tokyo, it is not possible to source locally due to the lack of capacity. It is also unrealistic for the large societies to concentrate on a limited number of partners; they need to diversify sources and partners to ensure sufficient supply and hedge the risks of a poor crop. In contrast, those co-ops located in areas where agricultural production plays an important role within the local economy tend to source from local producers. The idea of Chisan Chisho, or “locally consume what is locally grown,” has

special appeal to a bulk of consumers living in the proximity of production areas²⁴.

Pre-order collective purchase through the “Han”

As described in a paper²⁵ and illustratively shown in Annex A, the basic organizational unit of the Seikatsu Club is the han (“small group”- often used to refer to a group of people living in the same area). Ideally, a han consists of seven to 10 households. Its responsibilities include gathering orders from individual members, passing on the orders to the local center, receiving products from the delivery truck and distributing them to the members of the han.

Individual orders are placed a month in advance and forwarded from the local center to a regional center and finally to the cooperative union, which collates them and then places a single order directly with each producer. The goods are delivered bi-weekly by a delivery truck to the neighborhood han, which then distributes them to individual members. Since the food is coming straight from the producer, it is extremely fresh. Eggs, for example, are delivered the day after they are laid and arrive unwashed. The han system eliminates the need for storage and thus also the need for artificial methods of preservation, such as chemical preservatives or irradiation.

Since the producers receive the orders in advance, they can anticipate how much of a given product will be needed in the coming months and are often able to adjust production accordingly. Producers are thus able to fill orders directly to meet actual needs, and are not simply producing vast quantities of a product which they must subsequently try to sell on the open market (with no guarantee that they will be able to sell everything they have produced.) There is no need for expensive advertising.

The cooperative system thus eliminates overproduction and waste, improves efficiency, reduces the stress caused by discrepancies

24 Akira Kurimoto, How Consumer Co-ops Compete by Preserving Community Identity : Case of Tsuruoka Co-op, from http://www.ucc.ie/acad/foodbus/CCS/ICA/Ppr_Kurimoto.pdf, viewed 25 April 2006

25 See Note 6

in supply and demand, and helps to stabilize prices. Ultimately, it provides more security for both producers and consumers. The consumers are assured that their demand for goods will be met while the producers are confident that the goods they produce will be sold.

Since goods are delivered directly to consumers, the cooperative has no stores, giving the han system several advantages over the conventional store system. In the han system there is no need to invest in commercial property and buildings. Even though there are still expenses in maintaining offices and depots for the cooperative, paying salaries to the coordinators and delivery personnel and servicing delivery trucks, overhead costs are still considerably lower for han-based cooperatives than for conventional stores. There is no need to hire managerial experts who must ensure that the supply of goods in the store roughly matches actual consumer demand. Delivering directly to the han also gives members direct involvement in at least part of the labor process. For all the above reasons, overall costs can be reduced and efficiency improved, often resulting in lower prices for consumers.

Low stocking density of basic goods

While the major supermarkets stock 300,000 kinds of merchandise, the Seikatsu Club deals only with about 3,000 general consumer goods of which 60% are basic foodstuffs, such as rice, milk, eggs, frozen fish and vegetables.

The Seikatsu Club also offers only one brand of each type of product it sells. This brand is usually superior to the rest but serves multiple purposes. This practice eliminates competition among the various brands as well as the need for superfluous advertising, whose costs are passed on to consumers. As a result, consumers are less apt to be manipulated and are ultimately more in control of their purchasing choices²⁶.

26 Richard Evanoff, A Look Inside Japan's Seikatsu Club Consumers' Cooperative, <http://library.nothingness.org/articles/all/en/display/248>, viewed 7 September 2005.

The focus on only one type of product gives the Seikatsu Club an advantage over traditional retail outlets in terms of purchasing power as it can place a much larger bulk order. On a per-item basis, the purchasing power of the Seikatsu Club often exceeds that of major retail outlets²⁷.

The standardization of the size of containers makes them easier to recycle. Reducing the number of types of products and buying in bulk means that cooking methods have to be adjusted, however. Traditional cooking methods, while sometimes laborious and time-consuming, are emphasized over the convenience of “heat-and-serve” dishes²⁸.

Independent control and auditing system

The SCCU has also established safety, health, and environmental principles which guide its operations. Producers ratify these principles in order to participate in the system and work with Seikatsu Club members to achieve improvements in terms of the principles. This system is different from general environment and quality control standards and certification systems. Producers make information public based on the independent standards in agriculture, fishery, stock raising and processed food. The Independent Control Committee, consisting of Seikatsu Club members and producers, examines the degree of attainment of standards and revises standards to a higher level. Under the supervision of the Independent Auditing Committee, Seikatsu Club members carry out “mass independent auditing”. This auditing of the sites of production by members is one of the unique activities of the Seikatsu Club²⁹.

Product labeling efforts against genetically modified food and products

In January 1997, the Seikatsu Club, in cooperation with producers, inspected every consumer item in the market and adopted its own labeling system which excludes genetically modified (GM) food, feed and additives. It also conducted a campaign among

27 Id.

28 Id.

29 Id.

local governments in Japan to have GM food labelled as such, submitting a petition signed by 680,000 people to the national assembly³⁰.

Working with other cooperative groups, the Seikatsu Club has formed the “Stop GM Rice Cooperative Network”. It has conducted a national survey of GM food labeling and demanded that the Minister of Agriculture and the Minister of Health and Welfare update the food labeling system in Japan³¹.

It also sent observers to the Codex Ad Hoc Intergovernmental Task Force on Food Derived from Biotechnology (BT Task Force), which formulates international standards for GM food. While there, the Club representatives submitted a petition to have the participating countries of the Codex recognize the establishment of traceability, fully compulsory labeling, full implementation of the precautionary principle, and safety inspections by third parties as a basic principle. It attached with such demands the petition of 600 other organizations³².

The Green System

Aside from food safety, the Seikatsu Club is concerned with the proper disposal of packaging materials after use. As packaging makes up some 60 per cent of household waste (based on Seikatsu Club’s estimates), the Seikatsu Club adopted the use of the “multiple reuse returnable jar/bottle”, in cooperation with the producers and the bottle industry. This activity, begun in 1994, is called the Green System, short for Garbage Reduction for Ecology and Earth’s Necessity. The reuse of milk bottles and the recycling of milk bottle caps and picking bags (personal bags for pre-ordered items) has been recently added to the system³³.

Threats and opportunities

The Seikatsu Club is just one of the many consumers cooperatives that are trying to provide safe food to Japanese consumers. The

30 Id.

31 Id.

32 Id.

33 Id.

others are the Zen-Noh (the National Federation of Agricultural Cooperative Associations) Security System, the Nichirei “Kodawari” (obsession) food and the Oisix e-commerce, among others³⁴. Groups such as these, including the Seikatsu Club, are getting a closer look these days, for their unique approach towards the distribution of safe food products to Japanese consumers.

Recently, there has been increased concern with food safety among consumers in Japan, triggered by the outbreaks of BSE (bovine spongiform encephalopathy, also called “mad cow” disease, a fatal neurodegenerative disease of cattle³⁵) and highly pathogenic avian influenza, as well as problems with fraudulent food labeling³⁶. This has resulted in a loss of confidence in food and undermined the confidence of consumers in the administration of the agri-food industry³⁷. This situation, however, may strengthen the role of the consumer cooperatives in responding to these consumer concerns.

Meanwhile, Japan’s food self-sufficiency (on a supplied calorie basis) has stagnated at 40 per cent for six successive years since FY 1998. This is because the industry has been unable to initiate independent and continuous efforts on issues such as achieving a well-balanced diet and improving the productivity and quality of agriculture³⁸. One major factor behind this decline is the changing agricultural structure, especially the lack and aging of family labor³⁹.

All these trends will have to be considered in the context of the present thrusts of globalization, particularly the liberalization

34 The Zen-Noh System was developed in 2000, it is not necessarily a system of organic farming but a system in which traceability is secured by considering the health and environment of consumers. The system tries to establish the production standards, records all production history and makes the production history known to the public; the Nichirei Kodawari food is food developed by Nichirei, a large warehouse company as well as a manufacturer of frozen food, built on three frameworks : a “kodawari” standard of livestock products, establishing traceability and a quality-guarantee system by an independent body within the company. The Oisix e-commerce is an e-commerce marketing industry of organic and natural food. All these systems are described in Miki Nagamatsu and Yoichi Matsuki, Food Safety and security system in agri-food chains in Japan, from http://library.wur.nl/frontis/food_safety/13yoichimatsuki.pdf, viewed 9 September 2005

35 From Encyclopedia Britannica, 2005, CD Edition

36 Ministry of Agriculture, Fisheries and Food, Annual Report on Food, Agriculture and Rural Areas in Japan, FY 2004, from http://www.maff.go.jp/hakusyo/kaigai/2004a_rep.pdf, viewed 14 October 2005

37 Miki Nagamatsu and Yoichi Matsuki, Food Safety and security syste in agri-food chains in Japan, from http://library.wur.nl/frontis/food_safety/13yoichimatsuki.pdf, viewed 9 September 2005

38 See Note 38

39 See Note 39

of agricultural trade, which are currently being pushed in discussions on the World Trade Organization's Agreement on Agriculture. The pressure to open up Japan's market to foreign suppliers is expected to increase. It remains to be seen how the Seikatsu model will hold up given the influx of exports.

One other factor that they have to take into account is the strong tie-up between the agricultural producers and the political system in Japan. These agricultural producers are organized into what is called the *nokyo*, a system of agricultural cooperatives. The strong relationship between the *nokyo* and the Ministry of Agriculture, Fisheries and Food (MAFF) often results in policies that prevent the consolidation of Japanese agriculture, which mostly consists of small-scale landholdings and weekend farmers. Japan's highly protectionist policies, especially concerning rice, are also an offshoot of this system⁴⁰.

This strong tie-up and attempts to break it down will determine the kind of agricultural policies that would emerge as well as the viability of agricultural producers. When that time comes, the Seikatsu Club and similar food cooperatives will have to develop a similar producer-consumer relationship with producer groups outside Japan.

Political Initiatives Generated by Seikatsu Club's Efforts

The Seikatsu Club has always pursued a sustainable and ecological way of life and production in which people can manage their own lives by themselves. From that experience and in order to solve the problems that people face in their local communities, the Seikatsu Club has given birth to new social movements: the Network Movement and the Workers' Collective Movement⁴¹.

The Network Movement aims to get Seikatsu Club representatives elected to local office and thus to take proactive action in the political arena. Part of the Seikatsu Club's past campaign to ban

40 Yoshihisa Godo, *The Changing Economic Performance and Political Significance of Japan's Agricultural Cooperatives*, Chapter 1 of *Japan Food Market Study*, Report prepared for the Rural Industries Research and Development Corporation, by the Australia-Japan Research Centre, Asia Pacific School of Economics and Management, January 2003, from <http://www.rirdc.gov.au/reports/GLC/02-164.pdf>, viewed 14 October 2005

41 see Note 7

the use of synthetic detergents was to appeal directly to local governments. However, it was felt then that in order for the citizen's voice to be reflected in political work, it was necessary to participate in and reform politics. Groups of Seikatsu Club members therefore began to get together in the regions to form independent political organizations. Thus was born the Network Movement to elect representatives to local governments.

The “Seikatsusha Network” (seikatsusha = people who live, in the sense of “inhabitants” rather than “consumers”) now consists of 141 representatives in local governments who are working to institutionalize policies to protect the environment and improve the welfare system.

The Workers' Collective Movement aims to create a work place in local society. Workers' collectives constitute a new, cooperative style of working, where workers fund, manage and work in their own enterprises rather than being employed by a for-profit corporation. These collectives now number about 400, engaging 15,000 people in enterprises such as box lunch preparation, bread baking and other food processing activities, care for the aged and handicapped, recycling, editing, advertising, designing, sorting and delivery of consumer materials.

Lessons from the Seikatsu Club's Experience

The Seikatsu Club and similar groups in Japan grew out of the unique features of Japanese history and culture. It might be difficult to try to replicate it outside of that particular setting, but it might be useful to note the various elements that could lead to the development and success of a similar consumer-based effort in another country and in a different cultural setting:

- 1) A well-informed consumer sector aware of health and environment issues – Japan's high level of education helped develop a well-informed consumer class that is aware of the need to have a healthy body and sound environment for one's well-being; this kind of consumer may not evolve in a country

which is less affluent, and thus it is a challenge for advocacy groups based in lower-income countries to organize at least a similarly oriented consumers' group;

- 2) An organized community – as the han is the smallest unit of this cooperative endeavor, it might be worthwhile to examine if similar social groupings might be utilized for the same collective ends. The role of culture and similar religious influences may also be considered.
- 3) A similarly organized producer's sector – the Seikatsu Club, and even the sanchoku system, will not be successful if it did not have an equally capable partner in the transaction – the farmers themselves or the producers, who are even better organized and more politically connected than the consumer food groups.

PDAP's Push for Organic Rice:

Enhancing the Survival of Filipino Rice Farmers in a Liberalized Economic Setting

The Philippine Development Assistance Program, Inc. (PDAP) is a consortium of Filipino and Canadian organizations that for the last 19 years has been working to reduce poverty in the Philippines. In partnership with Philippine NGOs and peoples' organizations (POs), PDAP develops and implements socioeconomic projects funded through contributions from Canadian NGOs and Official Development Assistance (ODA). In 1997 PDAP launched a program called "Promoting Participation in Rural Enterprises". This Program which ended in 2004 sought to address rural poverty in agrarian reform communities, with a special emphasis on providing marketing support. While PDAP had previously funded several projects to sell farmers' products, it was through the PPSE program that PDAP first sought to formalize the linkages between the rural communities and the market. Having established such links, PDAP acquired a new perspective on farming. Farming and its related activities were not simply livelihood activities but are an integral part of an industry that encompasses production, processing, marketing and distribution.

PDAP has since gone on to develop a new program called Promoting Rural Industries and Market Enhancement (PRIME), which seeks to create sustainable small and medium enterprises that create

more, better and decent jobs for both men and women through components such as micro-enterprise development, enhancing participation in the market, policy analysis in support of rural micro-enterprises/industries and strengthening of the institutional capacity of PDAP to support the development of rural enterprises as well as to ensure their long-term institutional sustainability. The PRIME Program currently supports the development of organic and natural products, such as organic sugar, organic rice and seaweeds,¹ towards becoming rural industries.

PDAP's First Foray into Organic Marketing

In the course of implementing PPSE, PDAP singled out organic rice as having the greatest potential of becoming a full-scale industry, and aggressively promoted it. At the same time, PDAP identified a number of limitations of the organic agriculture sector in the Philippines², as follows:

- There is no distinct, stable and sustained market for organic products;
- There are no innovative programs to link producers with sustained markets;
- While there are operational certifying bodies for organic production and processing, there are no national basic standards nor a national accreditation service³;
- There are no measures to prevent local prices dropping, especially with the influx of cheaper food from foreign markets.

In 2003⁴ PDAP conducted a nationwide industry appraisal to determine whether its experience in the organic rice industry was shared by other organizations. The appraisal generated important information, especially the number of farmers practicing organic

1 PRIME brochure, graciously provided by AFA, March 2006

2 Agriculture and Rural Development in the Philippines, from <http://www.unescap.org/rural/doc/OA/Philippines.PDF>, viewed 14 October 2005

3 At the time of writing of this case study, the Philippine National Standards for Organic Agriculture (PNSOA) was adopted by the Philippine Department of Agriculture (DA) in 2002 and implemented in 2003. The PNSOA includes a policy/system of organic certification. The Organic Certification Center of the Philippines (OCCP) is so far the first and the only DA-accredited certifying body beginning in 2005.

4 Philippine Development Assistance Program (PDAP), Support for the Institutionalization of the Organic Rice Industry Technical Working Group (TWG), Terminal Report (April 2004 – June 2005), as graciously provided by Mr. Bernie Berondo, TWG Coordinator, 30 September 2005.

rice farming, the number of areas devoted to organic rice and the volume of production. The study was also able to map out the location of organic rice producers in the Philippines. Aside from such valuable information, the study also drew out from farmers the issues and problems besetting this sub-sector of the rice industry.

PDAP conducted two Business Forums on Organic Rice in August 2003 in Cagayan de Oro City and in September 2003 in Quezon City to validate the findings of the study. These forums culminated in a National Forum on Organic Rice Industry in November 2003 which was participated in by more than 80 organic rice producers, NGOs, marketing groups and government agencies. There was unanimous agreement among the participants to aggressively promote and strengthen the organic rice industry. This commitment was concretized through the creation of the Organic Rice Industry Technical Working Group (ORI-TWG).

The overwhelming support of organic rice producers and advocates led to the approval of financial assistance from PDAP for one year to follow up on the recommendations proposed at the national forum, especially with regard to engaging the government in the development and promotion of the organic rice industry.

On January 30, 2004, the First Organic Rice Industry Technical Working Group Planning was conducted in Lake Sebu, South Cotabato. This historic event led to the development of the ORI-TWG Mission and Objectives.

In April 2004, the Secretariat of the Organic Rice Industry Technical Working Group was formed, with four staff members.

In one year, the ORI-TWG made some significant progress, namely, securing approval for a credit window program for organic rice farmers; development of the draft national standards on organic rice, the launch of the Healthy Rice brand at the International Food Exposition in 2004, and membership in the Committee of the International Year of Rice. The ORI-TWG also facilitated the inclusion of PDAP in the newly created Philippine National Organic Agriculture Board (PNOAB).

PDAP's Approach

Strategies and tactics

PDAP, through the ORI-TWG (hereafter the TWG), sought to address the issue of farmers' lack of market linkages through the following⁵:

Opening a Quedancor credit program and other financing facilities for organic rice farmers to increase the production of small farmer-producers.

Credit is a critical element in ensuring the sustainability of farming operations. PDAP sought to improve the farmers' access to credit by establishing a partnership with the QuedanCor, a government financing institution established by law. Through Quedancor Administrative Order 329 dated October 13, 2004 and signed by its President and Chief Executive Officer Nelson Buenaflo, a credit and financing support scheme was made available to organic rice farmer-partners and organizations that were part of the PDAP Organic Rice Program. This program was launched in November 2004 and piloted in three areas where PDAP was operating, including Pecuaría in Camarines Sur, Bago City and La Castellana in Negros Occidental with BIND and Masipag Multi-Purpose Cooperative in Sta. Josefa, Agusan del Sur with Ecotech-Masipag. This credit facility operated until the second cropping of 2004-2005.

Another financing facility tapped by PDAP was the Asia Japan Partnership Network for Poverty Reduction (AJPN)'s Enhancing Capacities on Sustainable Agriculture towards Poverty Reduction Program. This facility provided financial support to 75 farmers in Valencia City, Bukidnon for their organic fertilizer and marketing requirements. The project facilitated the conduct of exposure trips in Cotabato, Mindanao, which were participated in by 68 farmers, as well as a season long training which ended in August 2005. Demonstration farms were also established for organic rice seed production and as a showcase of organic rice farming.

⁵ Ibid.

Together with AJPN and PDAP, the TWG took part in the development of the Sustainable Agriculture and Organic Rice Master Plan Development for Valencia City. The Valencia City Local Government approved a PhP20 million guarantee fund for the conversion of 500 hectares of rice farms for organic rice production, an initial step towards declaring the City as the Organic Rice Capital of the Philippines. The Valencia City government is targeting to convert 6,000 hectares for organic rice production by 2015.

Developing the “green product” seal that would certify the produce of smallholders and ensure the integrity of the organic rice

The “green product” seal is the end-result of the Internal Quality Control System (IQCS) which has been installed within the processes and methods of every PDAP partner in preparation for organic certification. Several IQCS seminars have been participated in by PDAP partners since the IQCS’s institutionalization in 2004.

Three organic rice producers were assisted in the development of their IQCS Manuals. These are the Pecuaría Development Cooperative in Bicol, Macasabat in Iloilo and the Makakabus in Bukidnon. On-the-job coaching and monitoring of the groups’ compliance with the IQCS Manual were also conducted. However, only two of the three organizations have completed the requirements and applied for certification with the Organic Certification Center of the Philippines (OCCP).

Technical and financial assistance for the development of the IQCS Manual was also provided to Negros Green Producers Association (NGPA), a group assisted by BIND. NGPA has already developed a manual that is ready for submission to OCCP. Don Bosco on the other hand has signified their intention to avail of TWG’s technical and financial assistance for the development of their IQCS Manual.

Facilitating the drawing up of marketing contracts between organic rice farmers and marketing arms to improve the viability of small farmer producers

PDAP, in partnership with the Upland Marketing Foundation, Inc. (UMFI) and the Bukidnon Organic Products Corporation (BOPC), was one of the first NGOs working on the organic rice sector to get its products into the big supermarkets in the Philippines. Traditionally, this marketing task is assumed by farmers' cooperatives.

The TWG also assisted organic rice producers in linking up with other marketing groups. Pecuaría was linked to Gratia Plena, aside from its traditional marketing arm, the UMFI. An employee's cooperative of PDAP assisted Pecuaría in linking with other buyers. The producer of DIONYSUS Organic Rice Wine got its supply of organic rice from Pecuaría.

The UMFI was assisted by the TWG in looking for suppliers of organic rice in Mindanao and was thereafter linked to BOPC and Don Bosco. Producers in Agusan del Sur and Cotabato were likewise linked to BOPC for the marketing of their organic rice.

Producers in Negros Occidental and Cotabato were assisted by their NGO partners in the marketing of their organic rice. Don Bosco has established the BioDynamic store in Kidapawan City while BIND maintains its Negros Greenshoppe in Bacolod City.

Adoption of a common brand to facilitate sustained brand management, expansion and identification of additional marketing partners and exploration of export markets, thus making the marketing arms more viable

To assist the marketing arms in the development of more markets for organic rice, the TWG developed a generic brand that could be sold anywhere in Metro Manila, the national capital region, as well as in any part of the Philippines. This generic label is the "Healthy Rice" brand. This brand/label was launched at the International Food Exposition at the World Trade Center on May 28, 2004.

Today, the brand is available in more than 90 outlets in Metro Manila and in neighboring provinces. It is also being used by

Kooperatiba Sto. Niño in Koronadal City, South Cotabato. UMFI had received PhP180,000 from the TWG to produce the Healthy Rice brand. This seed capital was managed and revolved for the production of the label. The UMFI in turn pays the TWG a P0.25 royalty fee to help sustain the latter's operations.

The TWG facilitated the conduct of the Export Seminar for Organic Rice to acquaint potential exporters of organic rice with the requirements of the export market. The seminar was conducted in coordination with the Centre for International Trade and Exposition Missions (CITEM).

BOPC was given financial assistance amounting to PhP230,000 for the expansion of its marketing activities in Bukidnon. BOPC was also linked to Gratia Plena and now regularly (every month) supplies Gratia Plena with organic rice. BOPC has identified and negotiated with potential institutional buyers to expand its market reach. For instance, it is eyeing Cebu as a potential market, and has entered into talks with the Philippine Business for Social Progress (PBSP)'s member-companies.

The TWG's assistance was extended to Pecuaría Development Cooperative, Inc., which was recommended for inclusion in the CITEM/CBI program. This program provides technical assistance to organic producers in the Philippines wishing to break into the EU market.

Continued advocacy, networking and promotion of the organic rice industry

PDAP has sustained its advocacy, networking and promotion of the organic rice industry through the following initiatives⁶:

1. Drafting of the National Standards on Organic Rice Production and Processing

In coordination with the Broad Initiatives for Negros Development, the TWG drafted the National Standards on Organic Rice Production and Processing (NSOR). The NSORs

6 Ibid.

were developed on the basis of outputs of the IQCS Orientation and Trainers' Training, and the current National Standards on Organic Agriculture of the IFOAM.

2. Regional Consultation on the NSORs

The NSORs were submitted to two regional consultations in Quezon City in October 2004 and in Makilala, Cotabato in November 2004, which were participated in by organic rice producers, government line agencies, funding institutions and marketing arms. The NSORs were also submitted to the Bureau of Agriculture Fisheries and Product Standards (BAFPS) for committee review and approval. The BAFPS held regional consultations in the 3rd quarter of 2005 to have the draft standards evaluated by key stakeholders in the organic rice industry. Once approved, the NSORs will serve as a guide in the production, processing and marketing of organic rice in the Philippines.

3. Participation in the First National Consultation on Organic Agriculture and the Creation of the Philippine National Organic Agriculture Board (PNOAB)

As the lead organization promoting the development of the organic rice industry in the Philippines, the TWG took part in the First National Consultation on Organic Agriculture on June 9-10, 2004 in Manila. The activity was sponsored by PDAP, the Organic Products Trade Association and the DA-BAFPS. The Chair of the TWG led a forum to talk about the organic rice industry in the Philippines and the TWG's experience. Representatives of the organic sector and DA personnel participated in the conference.

Subsequently, the creation of the PNOAB was approved under Department of Agriculture Administrative Order 01 Series of 2005. PDAP was appointed to the PNOAB, owing partly to the TWG's active involvement in the meetings and planning of the interim PNOAB. The TWG also recommended PhilDHRRRA and BIND to be part of the new agency.

On December 27, 2005, the President of the Philippines further institutionalized the PNOAB by establishing the NOAB through Executive Order 481, the Promotion and Development of Organic Agriculture in the Philippines. Its implementing rules and regulations are currently being developed with the active participation of the members of the TWG.

4. International Year of Rice

The TWG played an active role in preparations for the International Year of Rice (IYR). It was part of the committee that prepared the program of the IYR Forum in November 2004. It also participated in the booth display during the IYR 2004 at the Philippine International Trade Center where the Healthy Rice was prominently displayed along with other products from across Asia.

5. Sustainable Agriculture and Organic Rice Master Plan Development

The implementation of the AJPN Project in Valencia City, Bukidnon has encouraged the City Government to declare the city as the Organic Rice Capital of the Philippines. To realize this vision, the City Government passed City Ordinance No. 03-2005 to develop the sustainable agriculture and organic master plan for the city. Meanwhile, the AJPN and PDAP committed to prepare the organic rice component of the master plan and provided financial counterpart of P300,000.

6. Second Organic Rice Festival and World Food Day 2004

The holding of the Second Organic Rice Festival was facilitated by the Youth for Sustainable Development Assembly-Pilipinas on behalf of the TWG, PDAP, and ANGOC. It was held on October 16, 2004 in commemoration of World Food Day at the Quezon City Memorial Circle. Topics ranging from organic rice marketing, sustainable agriculture from the Asian perspective, GMOs in Philippine agriculture and urban food production were tackled in presentations given by the Asian Farmers Alliance, PDAP, South East Asia Regional Initiatives

for Community Empowerment (SEARICE), Sibol ng Agham at Teknolohiya and MASIPAG. The event also featured an organic rice taste test and poster making contest.

7. Newsletter and organicrice.org website and other advocacy activities

The TWG sought to promote the organic rice industry through the mass media, and other media forms. Radio interviews, newspaper articles, brochures, newsletters, speaking engagements and a website were some of the tools it used to get its message across.

The Chair of the TWG was interviewed during the Mindanao Consultation for the Development of the Philippine National Standards on Organic Rice conducted in November 2004 in Makilala, Cotabato. He was also one of the resource persons during the First National Consultation on Organic Agriculture in June 2004. PDAP was invited as a resource person for a World Food Day event in October 2004. The Coordinator of the TWG made a presentation on the status of the organic rice industry in the Philippines during the Asian Farmers Assembly held in Manila in 2004 and during the KALAHI-CIDSS Donors Forum in Esperanza, Agusan del Sur on June 16, 2005. The Coordinator was also a resource person during the Sustainable Agriculture and Organic Rice Master Development Planning held in Bukidnon on March 10, 2005.

News articles about Healthy Rice, the organic rice industry and the Quedancor project came out in the Daily Inquirer, a national daily newspaper, and in Mindanews, a regional daily in Mindanao.

Three issues of organic.update, the TWG newsletter, were produced and distributed. The articles featured in the organic.update were also uploaded in the <http://www.organicrice.org>, the official website of the TWG.

Brochures of the Healthy Rice Brand and the TWG were produced.

8. Memorandum of Understanding between PDAP and Philrice

A Memorandum of Understanding between PDAP and Philrice is being finalized. It outlines the role of the TWG, PDAP and Philrice in the organic rice industry. For a start, Philrice distributed free organic breeder seeds to Pecuaría, Kool-NE, BIND, Makakabus and Ecotech-Masipag for variety trial, testing and eventually mass propagation.

9. Networking and linkage building with funding institutions, organic rice producers and government line agencies

The TWG was able to link up with other organic rice producers, government line agencies, and funding institutions to get support for the industry. Among these are Quedancor, AJPN, the National Food Authority (NFA), the City Government of Valencia, Bukidnon, the Organic Certification Center of the Philippines (OCCP), CITEM, Mancor, Catholic Relief Services (CRS), Philrice, Philam Foundation, SIBAT, and YSDA.

10. Support for Marketing Arms

TWG gave its endorsement for UMFI when the latter needed a letter of certification to authenticate the integrity of the organic rice from Pecuaría. The letter of endorsement was forwarded to Shopwise when the supermarket questioned the integrity of the organic rice being marketed by UMFI. A letter of certification was also submitted to HEKS in Switzerland to inform them of the ongoing activities of the Negros Green Producers Association in line with their application for certification.

11. International Food Exposition, Bio-Search and Social Development Week

The TWG has promoted organic rice through its participation in various trade fairs. The IFEX 2004 and 2005 which were held back to back with the annual Bio-Search at the World Trade Center, and the Social Development Week held annually at the Ayala Center were participated in by the TWG and its member-networks.

Challenges and Opportunities

Threats and constraints

The Philippine rice industry continues to be hampered by the lack of government support in terms of infrastructure, post-harvest facilities, irrigation and technology. This nonchalance on the part of the government mocks the country's failure to meet the domestic demand for rice⁷.

At the same time, the Philippines is under pressure to open up its rice sector, as part of its commitments to the World Trade Organization (WTO). The Philippine government has requested an extension of its policy of imposing quantitative restrictions (QRs) on rice imports, but even if it were to get such an extension, it would simply be delaying the inevitable. Nonetheless, the government should maximize the time it still has to work out a contingency plan with rice farmers.

The development of the country's organic agriculture sector is also limited by the fact that large portions of potential areas for conversion are not being farmed by owner-cultivators. The lack of support services for the sub-sector is another problem⁸.

It remains to be seen whether NGOs and POs, working together, would be able to break the stranglehold of vested interests in Philippine agriculture, such that the policies adopted by the Government would be the kind that truly responds to the needs and priorities of the majority of the rural population

The other threats relate to the current marketing efforts of the partners of PDAP, especially those that deal with big supermarkets. Among these threats are: the limited scale of operations of UMFI and BOPCI, which makes them unable to meet the increasing demand among health-conscious consumers; the lack of

7 Jessica Reyes-Cantos, *The Role of the State in the Philippine Rice Trade*, from *State Intervention in the Rice Sector in Selected Countries, Implications for the Philippines*, Southeast Asia Regional Initiatives for Community Empowerment (SEARICE) and Rice Watch and Action Network (R1), 2005

8 *Agriculture and Rural Development in the Philippines*, from <http://www.unescap.org/rural/doc/OA/Philippines.PDF>, viewed 14 October 2005

capitalization of these partners which makes it difficult for them to sustain their operations especially considering the payment terms demanded by the supermarkets, and their constant need to build up their inventories to deal with periods when they are not yet harvesting their produce, or the so-called non-harvest periods. Challenges like these need to be responded to concretely within the present financial and marketing set-up of the organic rice marketing system. It will take a while before they can be efficiently handled by PDAP's partners.

Opportunities and facilitating factors

PDAP's Program for Organic Rice has generated the following insights which can be useful in furthering the development of the organic rice industry in the Philippines as well as in encouraging community-based organizations working in Asia⁹:

The commitment of organic producers to the IQCS

The organic rice producers' (cooperatives, organizations, associations) internalization of the importance and benefits of the IQCS is important in maintaining the quality and acceptability of the produce. The IQCS is a crucial tool as it is a preparatory step to organic certification. It is also indispensable to gaining market acceptance for the organic product, and to fetching a higher selling price for the product.

It is also important to define the maturity level of producers before installing the IQCS. Organizations that are not ready to install quality systems in their organizations tend to halfheartedly accept the responsibilities associated with the IQCS, thereby causing failure all-around. In contrast, mature organizations readily recognize the importance of the IQCS, thus facilitating the systems' installation.

9 Philippine Development Assistance Program (PDAP), Support for the Institutionalization of the Organic Rice Industry Technical Working Group (TWG), Terminal Report (April 2004 – June 2005), as graciously provided by Mr. Bernie Berondo, TWG Coordinator, 30 September 2005.

Strong collaboration and support from various stakeholders and industry players

The multi-stakeholder approach is a common strategy employed by organizations to achieve a bigger impact. Simply put, cooperation and not competition is now the name of the game.

The TWG has done its share of promoting collaboration among key stakeholders in the organic rice industry. It has engaged the government and collaborated with producers, non-government organizations and funding institutions to promote and sustain the development of the organic rice industry. This collaboration has generated very significant accomplishments that have helped sustain the individual efforts of producers and advocates, like the approval of the Quedancor Program for Organic Rice Farmers, the drafting of the Philippine National Standards on Organic Rice, and the linkages/networking that have facilitated the marketing of organic rice in major cities in the country.

The role of consumers

Consumers are indispensable to the development of the industry. As consumer demand for organic products increases, organic farmers are encouraged to produce and supply more. There is however a need to educate consumers. The organic sector in the Philippines comprises a still insignificant share of the total market.

Exposure (trade fair, participation to forum and conferences) and linkages with support agencies

The participation of the TWG and its network members in trade fairs, seminars, training and consultations has broadened the perspective of the organizations of the challenges and potentials of the organic rice industry. Networking and linkages have facilitated the collaboration for the benefit of the industry.

The role of local government units in fostering local agricultural development

Aside from providing resources and programs, such as agricultural extension, local governments have a critical role in local policy development.

The Philippines has devolved its key government services as a result of the general policy of decentralization ushered in by the Local Government Code of 1991. In the field of agriculture, however, the national agency, the Department of Agriculture, has devolved its operations to the local government units without turning over the tasks of planning and preparation nor the resources these require.

Hence, local government units have entered into partnerships with NGOs and community-based organizations or peoples' organizations to access the necessary technical assistance and even resources to build up the capacity of the local bureaucracy to deliver services to the constituents. This approach is exemplified by the experience of the Valencia City local government unit in its bid to develop Valencia as the Organic Rice Capital of the Philippines.

Feasibility for Rural Communities in Asia

PDAP's model, which is currently being implemented in other areas of the Philippines, requires the involvement of strong civil society organizations with a long track record in Philippine rural development work. It must be realized that the push for organic rice happened in spite of the lack of explicit government support for its initiation and conceptualization. It must also be acknowledged however that in the succeeding phases of program implementation, the support of key government agencies, such as Quedancor and the Department of Agriculture proved pivotal.

The experience of PDAP can be replicated in other countries in Asia, but one element of it that may need some adaptation, especially in countries where civil society is not yet well developed, is the role of civil society organizations and how they can best be organized to work together to achieve common objectives.

The role of government in the development of the respective countries' rice industries, particularly the organic agriculture sub-sector, needs to be examined, because even without full

government support, other forms of input from the government, such as credit, could still help the model along.

Perhaps we would need to wait several more years to see how this model of market linkaging would help small farmers in a liberalized economic environment, and capacitate and enable them to survive the ups and downs of the local and international market.

Green Net:

A Trailblazer in Organic Marketing in Southeast Asia

Thailand has traditionally been a major exporter of rice and other major agricultural products such as sugarcane. As much as two-thirds of the country's population live in the rural areas and depend on agriculture for their livelihood. However, agriculture accounts for a mere 10 per cent of Thailand's gross domestic product (GDP), well behind the contribution of the industrial and service sectors to the Thai economy¹.

It has been observed that Thailand's agriculture sector is not as thoroughly integrated into the world market as are those of other Southeast Asian countries. This is credited to the fact that Thailand has never been colonized, in contrast to its neighbor countries. Indeed, there is less concentration of land in the country. Its agricultural economy is not as dependent on plantation crops; small farms devoted to the cultivation of rice, vegetables, fruits and fruit crops dominate the agricultural landscape.

But while it had been spared the legacy of colonialism, Thailand has not escaped the impact of the Green Revolution technology, which swept across Asia in the 1960s and led to the transformation of agricultural economies in the Region. This technology fostered a crippling dependence among Thai farmers on chemical farm inputs, causing chronic indebtedness. Thousands of hectares

¹ Association of Southeast Asian Nations (ASEAN), Statistical Pocketbook, 2005

of land were converted to the production of rice and corn, particularly their modern and hybrid varieties, leading to the massive erosion of the plant genetic base. Among countries in Southeast Asia, Thailand was recorded as having used the most pesticide from 1980 to 1996, with rice pesticide sales averaging US\$60 million per year and reaching as high as US\$95 million in 1992². This figure does not include sales of herbicides (US\$18 million per year), insecticides (US\$31 million per year) and fungicides (US\$12 million per year) – which were used in rice production alone.

The Green Revolution package of technology has been so successfully propagated in Thailand that the use of chemical inputs has become the norm, especially among rice farmers. At the height of the Green Revolution in the 1970s, the Thai government—perhaps unaware as were many governments at the time of the adverse effects of long-term chemical use on the farms—eagerly promoted the technology and saw no need to regulate the use of chemical pesticides.

Starting in the 1980s, however, a number of non-government organizations (NGOs) in Thailand had started to talk about the adverse impact of chemical use in agriculture and about the need to promote alternatives to chemical-based farming. Groups such as the Alternative Agriculture Network (AAN) were formed.

The AAN was established in 1984 by a group of Thai individuals and NGOs that were concerned about the impact of chemical-based agriculture and the increasing disempowerment of Thai farmers due to indebtedness and lack of control over the marketing and trade of agricultural products. AAN is composed of a number of local and national NGOs working directly with farmers on alternative agriculture technologies. AAN has had vast experience in various alternative agricultural systems, such as agro-forestry, organic farming, natural farming and integrated farming, and has developed an extensive network of local organizations working directly with small farmer-producers, particularly in the major rice-producing provinces in Thailand, such as Khon Kaen and

² Rice Facts, International Rice Research Institute (IRRI), www.irri.org

Surin in the northeast. AAN has served as a “mother organization” to many NGOs and groups working on sustainable agriculture in Thailand. Among these offspring organizations is Green Net.

What Makes Green Net different?

The movement for sustainable agriculture in Thailand started as a search for alternative farming systems. However, those in the movement soon realized that they needed to upscale and mainstream such models and that an essential part of the effort was the systematic marketing and promotion of non-chemical/organic products. Moreover, the development of alternative marketing channels for organic agriculture would complete the crucial production-to-marketing loop necessary to provide a holistic and economically viable alternative to conventional chemical-based agriculture.

Green Net was an early leader in this effort. Green Net was established in October 1993 by individuals from the civil society movement in Thailand and socially and environmentally concerned members of the business community. It was originally called Nature Food Cooperative before it changed its name to Green Net in the year 2000. Initially, its main preoccupation was establishing a fair trade cooperative in the country in order to respond to interest among fair trade organizations in Europe to import rice from Thai producer groups.

The founding members of Green Net pooled together their personal funds to come up with the start-up capital for the project, amounting to US\$48,000. This seed money financed the initial operations of Green Net in 1993.

Green Net’s start-up capital has grown exponentially since then. Today, Green Net’s business operations are fully financed from the income of its business activities, from consultancy services within Thailand and other countries, and from its various activities in organic product marketing, and organic production and certification. Its thriving economic enterprise has allowed Green Net to diversify its products and operations, broaden its network, and expand its market over the past 12 years.

Green Net's founding members also identified and developed a small cadre of young development workers and advocates who have had some experience in working with farmers on organic agriculture to form the core of Green Net's marketing experts. Part of this core group was Vitoon Panyakul, who became Green Net's (and Earth Net Foundation's) longest-serving Executive Director and who emerged as a highly respected figure in the international organic certification circle.

Green Net's Approach

Strategies and tactics

The key strategies employed by Green Net in its organic product marketing can be largely categorized into two complementary approaches: adopting mainstream marketing approaches and building a reputation based on international organic certification.

The Green Net Cooperative employed marketing strategies based on empirical studies conducted on marketing channels employed by mainstream traders, wholesalers and retailers. Guided by marketing studies, Green Net adopted the following approaches which are strikingly similar to the marketing strategies of private enterprises:

- Home delivery of organic merchandise to consumers/customers, especially highly perishable fresh vegetables which are then packed and delivered to offices and homes once a week;
- Opening up of organic shops in Bangkok and other key cities;
- Linking up with other organic shops in Thailand, and creating an affiliate group of around 40 organic shops;
- Wholesaling of organic produce;
- Export of organic produce (Green Net continued and expanded the rice export initiatives started by local producer organizations, as well as ventured into the export of processed products from organic raw materials.)

To build its reputation as a prime source of organic products for major destinations, especially Europe, where there is a flourishing market for organic agricultural products, Green

Net worked to improve the quality of its products and to meet international certification standards. To gain some recognition for itself, it actively participated in international events, volunteered to work with international institutions working on organic farming and fair trade, and sought international organic certification, eventually becoming a full fledged member of the International Federation of Organic Agriculture Movements (IFOAM). Since 1998, Vitoon has served as a member of the Board and Accreditation committee of the International Organic Accreditation Service (IOAS), an international body founded by IFOAM to provide IFOAM accreditation service to organic certification bodies around the world.

As its operations expanded to the export of organic products and as it diversified its activities beyond marketing, Green Net reviewed and restructured its organization in the year 2000 to improve transparency in its operations. The restructuring gave birth to two spin-off groups, namely the Green Net Cooperative and the Earth Net Foundation, whose functions complement each other's and cover the two distinct aspects of Green Net's operations in the years that followed.

The Green Net Cooperative handles the domestic marketing and export aspects of Green Net's operations, guided by the Fair Trade philosophy. The Earth Net Foundation, on the other hand, took charge of the farm-to-the-table aspects of the work, providing technical assistance to producer groups that serve as the base of Green Net's business operations, including capacity building, consultancy services, enterprise development and assistance in organic certification.

Green Net's operations and activities are guided by the principles of Organic Agriculture and Fair Trade. Following the principles of Organic Agriculture, Green Net promotes sustainable development, ecological balance, a healthy environment and farmer empowerment. According to the Fair Trade principle, Green Net aims to provide a fair and just price for organic produce under terms agreed with producer groups and to promote the participation of farmers in decision-making.

Green Net's Activities

Green Net has embarked on a number of activities since 1993. The following is a summary of the activities that it has undertaken in the past 10 years³:

Direct marketing of organic products

Domestic market

Over the years, Green Net has experimented with a number of marketing strategies to sell and promote organic products in the domestic market. It set up its first “green shop” in October 1993, and has since adopted a number of retailing strategies, including the establishment of mobile stalls in the vicinity of government offices, office buildings and business establishments.

In 1994, Green Net pioneered the direct delivery of fresh organic vegetables to regular customers. To date, Green Net delivers packs of selected fresh organic vegetables to customers at their homes or offices.

Aside from retailing, Green Net has also ventured into the wholesale marketing of organic vegetables and products to privately owned and NGO managed organic shops in Bangkok and other major cities. It currently supplies organic products to more than 40 affiliate organic shops across Thailand.

Export market

Green Net has been exporting organic and fair trade products, mostly rice, to major export markets, especially to European countries such as Switzerland, German, Belgium and Italy. Its rice export business actually built on the initiatives of European fair trade organizations which had preceded Green Net.

Some NGOs under the AAN have been involved in the export of rice as early as 1988, with support from European NGOs.

³ Based on a listing and description of Green Net's important activities, 1993-2002, <www.greennetorganic.com>

Under AAN's banner, Green Net has set up a more systematic and efficient mechanism for NGO-initiated rice exports, namely by dealing in bulk and by expanding its export market across Europe. In 1995, Green Net, which then went by the name Nature Food Cooperative, received a rice export license registration from the Department of Foreign Trade of the Thai Ministry of Commerce. The export license allowed Green Net to start exporting rice to European Fair Trade organizations and to other supermarkets in Switzerland, Italy, France, Germany, Austria, Sweden, UK, Canada, and Belgium⁴. Expanding its export line beyond organic food products in later years, Nature Food Cooperative then changed its name to Green Net Cooperative. In 2002, it was registered as the first fair trade rice producer in the world by the Fairtrade Labeling Organization International (FLO). Such registration allowed Green Net to put the FLO label on rice produced under the organic and fair trade project. In Europe, the FLO label certifies that a product was produced and procured under fair and equitable terms between the producer and the trader.

Awareness raising and capacity building

Green Net participates in and organizes various trade fairs, exhibits and fora showcasing organic products. The first public forum that it participated in was the "Free-Chemical Food for Health and Environment" forum organized in 1995 by the Fold Doctor Foundation at Lumpini Park. Green Net also regularly organizes local fairs to promote organic agriculture and green products during important festivals such as New Year and Christmas. It also holds product-specific fairs, such as the "Organic Rice Day" in 2002 which it co-organized with other sectoral organizations to broaden its support base and reach the different sectors in society. These organic fairs are sustained through follow up activities, such as in-depth training of farmers who are interested to pursue organic agriculture.

To raise the awareness of consumers on the nature and importance of organic agriculture and to familiarize urban-based advocates to rural development activities, Green Net started organizing eco-tour

4 Green Net Cooperative Annual Report 2004

activities in 1997. Many of the earlier eco-tours were organized in collaboration with local partners in Chiangmai involved in organic vegetable production and community forestry activities, and in Suphanburi where local partners are involved in organic fruit and vegetable production.

Beyond organic fairs, Green Net also aims to link awareness-raising with policy advocacy, aimed particularly at influencing the development of policies supportive of organic agriculture. In 2001, Green Net organized a pioneering public seminar on “Entering World of Organic Agriculture”, with resource persons from the IFOAM and the IOAS. The seminar aimed to raise the awareness of the consumers’ and producers’ groups and of policy makers on issues related to organic standards, certification, and accreditation, and to influence the formulation of the Thai government’s policies in support of organic agriculture and trade. In November 2003, Green Net hosted a series of international conferences and workshops with IFOAM and FAO on organic vegetable production and export.

Product diversification

While Green Net’s initial focus was on the marketing and export of rice, it has quickly diversified into other organic agricultural products in the course of its business. The growth of its product lines since 1995 has been very impressive, from rice to vegetables, sugar and fruits, processed food products and handicrafts.

Building on its success in marketing organic agricultural products, Green Net Coop and its sister Earth Net Foundation ventured into higher value products and launched an eco-textile program in 2000. The program links eco-textile production with consumer marketing, and aims to promote local natural-dyed textile.

In 2001, Green Net also explored venturing into organic shrimp production by organizing a broad consultation with relevant sectors and government agencies in Thailand, in collaboration with Earth Net, the Ministry of Agriculture and Cooperative, the Organic Society (Thailand), IFOAM and KF Supermarket (Sweden). The consultation discussed experiences in organic shrimp farming,

organic shrimp standards, and specific recommendations to the IFOAM Standards Committee on organic aquaculture standards. Preparations for the production and marketing of organic shrimps are underway.

National organic certification

Through its initial efforts in 1995 to come up with a draft policy on organic certification for Thailand and by drawing comments and feedback from the different stakeholders, Green Net has played a critical role in the development of a local organic certification body-- the Organic Agriculture Certification Thailand (ACT) --in 2000. Aware that this new certification body needs to get involved in policy development with relevant authorities, Green Net worked closely with key agencies at the Ministry of Agriculture and the Ministry of Domestic Trade of the Thai government, nurturing good relations with key officials in the process.

The pivotal role of Green Net in ACT has in fact extended beyond its establishment. The initial management and supervision of the national organic certification system was left in the hands of Green Net's executive director Vitoon Panyakul, who served as manager of ACT in its first three years of existence. When ACT became fully functioning, Vitoon turned over his management responsibilities so that the organization could grow on its own.

Technical assistance to other NGOs

Despite its successes and accomplishments in the area of organic product marketing, Green Net remains conscious of its role as a leading member of the civil society movement in Thailand. Through the years, the organization has generously shared its expertise, skills and lessons with other NGOs involved in organic production in Thailand as well as in other countries.

Green Net's efforts in providing technical assistance and sharing its expertise with other NGOs, however, are most active at the national level. Since 1998, it has organized trainings for a wide array of audiences on practical knowledge and thematic areas in organic agriculture. Among the topics tackled in these trainings

are “How to Open a Green Shop” and “Herbal Products” for organic shop operators and interested entrepreneurs; compost making and Bokashi farming methods for producers and NGOs involved in organic agriculture; and natural dyeing methods such as ikat and indigo for interested producers and entrepreneurs. To systematize its training program for organic production, Green Net developed training and extension methodologies for organic farming in 2000 under its “Organic Competency Project”, and adopted the farmer field schools (FFS) approach in organizing organic rice farming communities.

Green Net has also gone beyond the Thai borders to share the lessons that it has acquired. Three years after it started operating, Green Net organized a regional workshop on “Certification for Organic Agriculture and Alternative Market” in 1996 in collaboration with AAN and IFOAM-Asia. The workshop aimed to present working experiences in organic agriculture, certification and standards, including alternative marketing procedures in Asia. In 1999, Green Net started hosting an annual international training on “Organic Agriculture Development” in partnership with Grolink, an international organic consultancy company. The training was an intensive program that involved reviewing how the participants have been able to implement their respective development plans as part of a professional competency and institutional engagement in organic agriculture.

Currently, Green Net is implementing a “Rice Chain” project which provides a two-year training program for NGOs and farmers’ organizations from across Asia that are interested in implementing organic agriculture and fair trade initiatives in their respective countries.

In an effort to instill professional discipline in organic products marketing among producers and NGOs involved in the business in Thailand, the Earth Net sister of Green Net hosted a pilot audit for organic rice producers in 2002. The initiative, held in collaboration with four major international organic agriculture organizations, aimed to develop guidelines and tools for the implementation of social audits in sustainable agriculture.

Networking

Green Net works closely with partner NGOs in Thailand, particularly those that are part of the AAN. Building on the field experiences of AAN partners in implementing sustainable agriculture systems and on its own experiences in marketing organic products, Green Net has reached out to a broad network of NGOs and farmers' organizations beyond Thailand by actively participating in and sharing its experiences in various conferences and meetings across Southeast Asia and other parts of the world. Its leaders have made various presentations on organic agriculture and the experiences of Green Net in marketing.

Since it became an IFOAM member in 1995, Green Net has become a key anchor for the mainstreaming of organic products in Thailand and has continued to broaden its network among various sectors. In 1999, Green Net organized "Half a Decade of Green Net" to review the experiences and lessons learned as an alternative market organization with participants from organic farmers, green shop operators, NGOs, consumers and the interested public.

Green Net and Earth Net Foundation were requested by the United Nations' Economic and Social Commission for Asia and the Pacific (UN-ESCAP) to host a regional workshop on "Exploring the Potential of Organic Agriculture for Rural Poverty Alleviation" in 2001. The workshop was attended by participants from governments, NGOs and farmer organizations from across Asia and the Pacific. This has further affirmed the wide recognition of Green Net's success in breaking into the mainstream market for organic agriculture.

Partnership building

Green Net has managed to establish various partnerships and alliances with different actors and stakeholders in the organic agriculture and fairtrade movement in and out of Thailand. Some of these partnerships are described below:

Producer-Groups

The most important partnership developed and nurtured by Green Net is with producer-groups. These producer-groups are located across Thailand, particularly in the major rice-producing provinces in the northeastern part of the country. The first producer group partners of Green Net were the Non-Toxic Vegetable Producer Group in Mae Ta district of Chiang Mai and the Kok Ko Taw Producer Group in Suphanburi, the palm sugar growers of Amphur Singhnakorn village, the shrimp paste makers of Bangsakom Village Songkhla, and the Free-Chemical Sesame Oil group from Thai Yai village Ban pangmoo Maehongson, among others. Many of the original producer groups that Green Net had worked with in the early 1990s are still part of its current network of organic producer groups.

Some of the original small, village-level production groups have since grown into bigger, provincial level organic producers' groups or federations, such as the group in Yasothorn province. Green Net has anchored its marketing efforts on its long-term partnership with a number of local NGOs working directly with farmers, such as the Technology Resource Education and Enlightenment (TREE) in Suphanburi province.

Table 1 provides a list of the producer group partners of the Green Net Cooperative, including the key crop or product that each local group deals with.

Producers-Consumers

Green Net is also instrumental in building closer partnerships between producers and consumers. The fair trade principle allows producers to directly participate in setting the price of their products, given sufficient market information. Through its direct relationship with producer-groups and its innovative marketing schemes, such as home deliveries, and sustained efforts in urban consumer education, Green Net is bringing these two segments of the market closer together.

Green Net Organic Marketing in Southeast Asia

Name of Participating Organization	Province	Producers (Families)	Area (Rai) (6.25 rai = 1 ha)
Nature Care Club of Kut Chum Farmer Organization	Yasothon	345	9,768.65
Bak Rua Farmer Organization	Yasothon	244	6,768.00
Leng Nok Ta Farmer Organization	Yasothon	232	6,270.00
Rice Fund Organic Cooperative Surin	Surin	289	5,701.00
Isan Mulberry Silk Network	Khon Kaen	18	112.00
Agriculture Development Cooperative	Chiang Mai	32	92.10
Mae Ta Sustainable Agriculture Cooperative	Chiang Mai	107	476.70
Organic Agriculture Group Sanam Chaikhet	Chachengsao	26	756.00
Forest Network of the East	Chachengsao	-	-
Organic Agriculture Society, Suphanburi	Suphanburi	19	189.75
Dong Bang Herbal Group (Together with the Chao Phraya Apaipubej Hospital Foundation)	Prachinburi	17	113.44
Organic Agriculture Development Group Bang Saphan	Prajuab Kirikhan	24	635.01
Total		1,353	30,882.75

Table 1. Producer Group Partners of Green Net Cooperative⁵

NGO-Government

Through its efforts to assist in the development of a national organic standards and certification system in Thailand, Green Net has earned the respect and trust of government agencies in Thailand working on these areas. The government has relied heavily on Green Net's expertise in organic certification and accreditation to formulate and implement the national standards. The Earth Net Foundation in particular is in charge of providing technical support to personnel of various government agencies responsible for implementing organic agriculture projects.

⁵ Earth Net Foundation Annual Report 2004

IFOAM

Green Net's full membership in the IFOAM since 1995 and Vitoon's volunteer work with the IFOAM accreditation programme have helped to develop Green Net's internal expertise in organic certification and standards. Also, through active participation in IFOAM activities and in other events organized by the international fair trade groups, Green Net has built a long-term partnership with the international organic agriculture movement and its partners worldwide. The partnership has opened up a number of opportunities for Green Net, which served as IFOAM's principal partner and focal organization in Asia.

International Fair Trade Network

Green Net works extensively with a number of fair trade networks in a number of countries in Europe. These fair trade networks import organic products from Thailand through Green Net based on fair trade prices and terms. Through this scheme, Green Net brings together the producer-groups and the importers of organic products, cutting away the many layers of traders and middlemen that are usually involved in such transactions.

Information Dissemination

The first Green Net publication, a booklet on "Alternative Agriculture Standards" came out in 1995. Co-published by AAN, it was the first draft of organic standards in Thailand which was circulated for public consultation. Green Net later published five other booklets in Thai, among them the IFOAM Basic Standards of Organic Production, an alternative market booklet based on lessons from Japan, and another one on Organic Inspection.

In 1996, Green Net published a book on gender and organic agriculture entitled "On One Land and One Livelihood". In the following year, it published a book on "Indigenous Knowledge and Biodiversity". Other publications followed in succeeding years, such as the book "Sustainable Agriculture: Future Agriculture" and the comics on "Organic Agriculture Standards" both published in Thai and launched in 2001. The handbooks

on “Introduction to Organic Agriculture” and on “Organic Jasmine Rice Production and Management” were published in 2002. Meanwhile, “Organic Market”, “The Situation of Organic Agriculture in Thailand and the World”, and “The Organic Rice Farmer” came out in 2003. The most recent, “Organic Agriculture: What to do to get certified,” was published in 2004.

The Public’s Response

The favorable response of the domestic and international markets to Green Net’s alternative marketing of organic products can be gleaned from its outstanding economic performance in the past 10 years. The growth of shops around Thailand, especially in key cities such as Bangkok, is strong testimony to the Thai public’s positive response to the dynamic marketing approaches and promotion of local organic products by Green Net.

The public awareness-raising, broad networking and proactive mainstreaming schemes adopted by Green Net have created a wider mass base of domestic consumers of organic products and has given birth to a sustained fashion for “green shops” and “health shops” in Thailand. There are currently 40 green shops across the country.

Lessons from Green Net’s Experience

Like many other pioneering development initiatives, Green Net has learned from mistakes committed along the way. Its leader has acknowledged that it is these lessons that have made Green what it is today and which it wants to impart to other groups venturing into alternative marketing of organic agriculture and fair trade⁶.

Need for reliable supply

A limiting factor in Green Net’s alternative marketing efforts, especially in the first few years, was the unstable supply of organic agricultural products. While the AAN has provided the links with

6 Informal conversation with Mr. Vitoon Panyakul, Executive Director, Earth Net Foundation, 13 October 2005, Suphanburi, Thailand

producer-groups and organizations involved in organic production, the demands of both the domestic and international markets were initially not sufficiently met. The situation was addressed through the years by expanding the network of producer-groups and local organizations to meet the economies of scale required especially in organic exports. As the production base increased, Green Net gradually expanded its domestic and international market for organic products by linking with Fair Trade groups in Europe and by building partnerships at IFOAM activities.

Meeting Organic Standards

Like most organic producers in developing countries, Green Net experienced difficulties in meeting international organic certification standards in its earlier attempts to export organic products. These initial hurdles were overcome by imposing internal standards among producer groups, and by developing the capacity of producers. At the same time, it set up local organic certifiers, and invested in basic technologies, such as mechanical sorting and modern packaging techniques, to ensure that its products conformed to high international standards.

Challenges and Opportunities Facing Green Net

The Green Net initiative faces a number of threats and opportunities in its continuing efforts to provide alternative marketing channels for Thai organic products as well as in its complementary activities, such as providing technical advice and sharing experiences in organic production, certification and marketing. These challenges and potentials are discussed in this section.

Opportunities and facilitating factors

Growing international market for organic products

The international market for organic products, which is growing at 10 per cent per year across Europe, presents the biggest opportunity for Green Net's organic product export business. Green Net has an edge over many NGO-led organic product export initiatives because it has already carved an international reputation for

itself in marketing a wide array of organic products. Its wide international network of partners, developed mainly through the IFOAM and fair trade networks, also provides a reliable market for its products.

Growing market for organic products in Asia

Green Net is also looking at the potentials of the Asian market with its rapidly growing niche market for organic products, especially in urban centers where young professionals are becoming more and more conscious of the health benefits of organically grown food products. Next to Europe, Asia, particularly China and India, has the fastest growing market for organic products. With Thailand being a major economic hub in Southeast Asia, Green Net's prospects would be better improved by lower transport costs.

Diversification of products and services

Consumer demand in Asia is expected to grow beyond food to other items such as clothing and home products. With its ability to respond to market developments and trends, Green Net is expected to take full advantage of this opportunity. Its continuous efforts to diversify its products is a good strategy to respond to market demands and consumer preferences as well as to promote community enterprises based on the country's rich tradition in handicrafts.

Emergence of a regional network of organic producers and advocates

The Green Net model has served as an inspiration to many NGOs and peoples' organizations across Asia that are interested in implementing viable economic enterprises based on organic agriculture. Green Net's attempts to link these initiatives (via its Earth Net Foundation), specifically by providing intensive technical training, may serve as the foundation for a regional network of organic producers that can meet the demands of the growing market for organic products in the region. Green Net has clearly seen this opportunity, as can be gleaned from its active efforts to extend technical services to interested groups.

Threats and constraints

Corporate interest in organic production

The rapidly growing domestic and international market for organic products has not escaped the attention and interest of corporations engaged in agricultural production. Charoen Pokhpand (CP), the largest food and agricultural conglomerate in Thailand, for example, has ventured into organic production in recent years to take advantage of the growing European market. Other small companies in Thailand have followed suit. These well-financed and technically capable private entities are direct competitors to NGO-led initiatives like Green Net. These companies are also well-equipped with modern technologies and facilities, and have far more resources and personnel to allow them to meet international organic standards, not to mention their international business network that provides a steady export market for their products.

Lower prices of organic products

While the growing demand for organic products in Europe and Asia provides a big opportunity for Green Net's economic enterprise, the accompanying increase in the production base and the supply of organic products may lead to declining prices for organic products in the long term. On the other hand, this would help to broaden the market since lower prices would make organic products more affordable to wider segments of the market. In the medium term, however, it is possible that the growing market for organic products can still accommodate more players at sustained prices, and hopefully give better returns for the farmer-producers.

Bastardization of organic certification standards

With the increasing number of players in organic production and marketing, both in the private sector and in civil society, a number of organic certification standards are being adopted in different countries, one less stringent than the next. Corporations involved

in the large-scale production of organic agricultural products are lobbying strongly for the easing of organic certification standards.

In the US, for example, the corporate agriculture lobby is moving for allowing the use of a certain amount of inorganic fertilizers in organic production and the use of certain antibiotics for organic dairy production. These alarming trends and developments pose a real threat to Green Net and similar organizations whose market reputation and price margins would be affected by the move towards less stringent certification standards.

NGO “baggage” regarding economic enterprises

Within the civil society movement, both in and outside of Thailand, economic enterprise initiatives such as Green Net are perennially challenged by a general perception among NGOs that successful economic enterprises that reap profits usually come at the expense of social responsibility and community empowerment.

On the other hand, it is just as widely believed that socially responsible efforts often jeopardize sound business principles. Green Net has so far shown that the concerns for social responsibility and economic viability can both be served through conscious planning and continuous assessment with the full support of the Thai civil society movement.

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The Fair Trade System:

Focus on the Oxfam-GB Model

The Fair Trade initiative was conceived more than 40 years ago as a response to concrete problems facing commodity producers. It is an alternative approach to conventional international trade dominated by big traders and in later years, by big agribusiness. It seeks to ensure that producers, the bulk of whom are poor and located in developing and underdeveloped countries (generically referred to in this paper as the “South”), are paid and treated fairly by providing, among others: (1) a fair price for their goods to cover both the cost of production and guarantees for a sustainable living; (2) long term contracts that provide real security; and (3) support to help them gain the knowledge and skills needed to develop their business, increase their sales, and therefore, work their way out of poverty¹.

Fair Trade is defined by most of its proponents as “trade which promotes sustainable development by improving market access for disadvantaged producers. It seeks to overcome poverty through a partnership between all those involved in the trading process: producers/workers, traders and consumers”². The definition is based on the shared analysis that, while international trade has flourished, its benefits have become unequally shared often at the expense of poor and small-scale producers of raw agricultural products. The emergence of large transnational companies with

¹ <http://www.fairtrade.net/>

² Linda Mayoux and Peter Williams, Case Study: Oxfam Fair Trade, October 2001, p. 3

more resources, capital and capacity, has distorted the original trading system. In agricultural trade, transnational corporations produce agricultural inputs such as fertilizers and pesticides required in the farm and on which producers have come to depend to attain optimum production. In many developing countries, large traders often provide the capital to producers in the form of such inputs and have also taken an active role in marketing farmers' produce since they have the resources to transport products from the farms to the markets.

On the other hand, small traders, given their limited resources, cannot compete on an equal footing with big traders and companies. Thus, trade, once considered as a powerful engine of economic growth, has now become a tool for taking advantage of others, often the resource-poor. As big companies and traders have increasingly prospered, small traders and producers have been pushed further on the brink of poverty.

The proponents of the Fair Trade Model believe that as trade becomes more skewed for the benefit of a few, the different sectors in society must work together to ensure that trade fairly and equally benefits poor producers as well as rich ones.

The Fair Trade model was developed by a consortium of development organizations based in Europe which have had long experience in working in developing and underdeveloped countries in Africa, Asia and Latin America. Oxfam International, a confederation of 12 independent development organizations worldwide dedicated to fighting poverty and injustice around the world, is one of the pioneers of Fair Trade, along with CAFOD, Christian Aid, TraidCraft Exchange and the World Development Movement.

Among the groups involved in promoting the Fair Trade system, different models and approaches are adopted based on the experiences and capacity of the proponents and their partners. In most parts, this study will highlight the model adopted by Oxfam-Great Britain which is one of the oldest and most established among the Fair Trade organizations. The study will, at the same time, look at the overall goals, strategies and approaches

adopted by the international Fair Trade network which is largely comprised of development organizations in Europe.

The choice of Oxfam-GB is also based on the rich experiences and lessons that it has gained in promoting its Fair Trade model which has evolved through the years in response to global trade developments and response of the market. Notably, too, Oxfam-GB has a highly institutionalized mechanism for monitoring and evaluating its Fair Trade model in collaboration with its partners which has served as the basis for the evolution of its strategies and approaches over the decades. In that light, the model adopted by Oxfam-GB is a very useful example of how the Fair Trade system operates in reality and the lessons drawn from its experiences would be very valuable for other development organizations intending to develop alternatives to the current iniquitous trading arrangements.

Fair Trade as an Alternative to Conventional Trade: The Oxfam Model

It is very important to note that while the Fair Trade system offers an alternative to conventional trade – specifically to trading relations dominated by big agribusiness and traders at the expense of small-scale producers – it does not in any way challenge the paradigm that trade is an important activity for economic growth and stability. While believing trade patterns and unfair trading can create massive inequalities, Fair Trade believes that trade can offer a possible solution to poverty if only trade patterns and ways of trading are changed.

This dictum provides the context in forging collaboration among producers, small traders and consumers to empower each sector to challenge the way conventional trade works. In the Fair Trade concept, small-scale producers and traders can improve their livelihood by gaining more power in the markets, while consumers play an active role in the trading system by using their purchasing power to tilt the balance, however slightly, in favor of poor producers and traders.

In increasing the power of small-scale producers and traders in the market, Fair Trade believes that dialogue and transparency

among the actors in setting the price, providing work standards and fulfilling their responsibility to society are indispensable.

In specific terms, Fair Trade is guided by the following goals:³

1. To improve the livelihoods and well-being of producers by improving market access, strengthening producer organizations, paying a better price and providing continuity in the trading relationship;
2. To promote development opportunities for disadvantaged producers, especially women and indigenous people, and to protect children from exploitation in the production process;
3. To raise awareness among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively;
4. To set an example of partnership in trade through dialogue, transparency and respect;
5. To campaign for changes in the rules and practice of conventional international trade; and
6. To protect human rights by promoting social justice, sound environmental practices and economic security.

In the case of Oxfam-GB, its model echoes the basic principles of Fair Trade which serve as its process standard which producers must commit to in the organization's Fair Trade initiatives in the developing countries:⁴

1. Fair wages in the local context;
2. Participation in decision-making;
3. Safe working conditions and practices;
4. Positive/improving situation of women;
5. Protection of children and young workers;
6. Protection of the natural environment.

Notably, Oxfam-GB's Fair Trade model has gone beyond the traditional fair trade concept of providing fair terms for small-scale producers, as reflected in the above set of goals, to cover the provisions of "market access" to poor producers. It states the

³ <http://www.fairtrade.net/>

⁴ Linda Mayoux and Peter Williams, Case Study: Oxfam Fair Trade, October 2001, p. 4

aims of its Fair Trade model as: “To help overcome poverty by enabling poor producers or workers to access markets on terms which enable them to obtain a fair return from the product they grow or make”⁵. The evolution of the aim of Oxfam-GB’s Fair Trade model can be attributed to its thorough analysis of the current trading system within the aegis of the World Trade Organization (WTO) where the market access for agricultural products from developing countries is severely curtailed by their inability to compete with the agricultural produce from industrialized countries where agriculture continues to be heavily subsidized despite international agreements to the contrary.

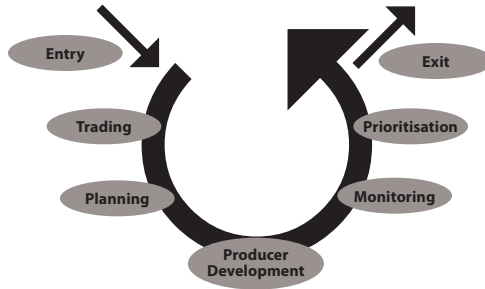
Social Infrastructures and Institutions in the Fair Trade System

While the principles, goals and aims of the Fair Trade system are clear and quite easily comprehensible, the social infrastructures and institutions that have evolved to implement the system itself can only be understood and appreciated by studying how Fair Trade is actually implemented by a specific organization and in specific contexts. A look at how Oxfam-GB implements its own model of Fair Trade would be instructive.

The Oxfam Fair Trade Program Cycle

The Fair Trade model adopted by Oxfam-GB follows this simple cycle which is notably derived from the conventional paradigm in community development that starts from social analysis and preparations and targets a phase-out scenario with planned development interventions in between designed for the specific needs, conditions and capacities of the local partners. Planning, monitoring and evaluation are considered as crucial components of the program cycle.

5 Linda Mayoux and Peter Williams, Case Study: Oxfam Fair Trade, October 2001, p. 3



Source: Oxfam Fair Trade (2001) Programme Manual (Issue 1.0) Peter Williams, in Linda Mayoux and Peter Williams, Case Study: Oxfam Fair Trade, October 2001, p. 6

In addition to the overall marketing strategies adopted by the international Fair Trade network, the specific strategies and approaches adopted by Oxfam-GB in promoting its own Fair Trade model merits a close scrutiny for a more holistic appreciation of how the system is actually implemented in specific contexts.

Oxfam-GB follows a Fair Trade Project Cycle which is largely based on conventional processes followed by most development organizations in implementing community development interventions applied in the trading context and guided by Fair Trade principles. It is premised on the objective of empowering poor producers by providing access to commercial markets and improving their bargaining position. Oxfam-GB works with producer groups, either directly or through intermediary organizations, from whom they buy particular products at fair terms and prices while at the same time providing capacity building for producers to hone their skills and improve the quality of their products.

As producer groups succeed in accessing and competing in the commercial market, Oxfam-GB gradually phases out its interventions by buying significantly fewer products and providing less development intervention. The objective is for the producer groups to develop their own markets independently of Oxfam-GB while adhering to the Fair Trade principles, while new producer groups enter the program and benefit from the Fair

Trade system. This local trading arrangement then feeds into the Fair Trade strategies, approaches and schemes at the international level aimed at facilitating trade among small-scale producers, intermediary organizations, alternative trading organizations and consumers.

Under Oxfam-GB's Fair Trade model, fair price, while being the cornerstone, is determined following processes that consciously lead to the empowerment of small-scale producers. Fair prices for products are set in joint agreements with the producer groups and the intermediary organizations, based on reasonable returns to producers and their organizations and an acceptable margin to the marketing organization/exporter (in cases where the marketing part is not within the capacity of the producer group)⁶. The Fair Trade model also involves trading policies that include the payment of hard currency to trading partners to ensure that they benefit from the devaluation of the local currency, extension of pre-financing to trading partners, and prompt payments for goods and advances.

In sum, the actors and institutions involved in Oxfam-GB's Fair Trade model are categorized broadly as follows:

1. **Producer Groups:** local groups of small-scale producers or community-based organizations involved in the production of a particular product to be traded under Fair Trade terms.
2. **Intermediary Organizations:** usually local non-government organizations (NGOs) involved in organizing or dealing with the Producer Groups, playing the role of facilitator between the local groups, partner traders and Oxfam-GB. In cases where the Producer Groups have the capacity and human resources to organize themselves and deal directly with the other partners, Intermediary Organizations are not among the actors involved in the Fair Trade project.
3. **Marketing Organizations/Exporters:** could be local NGOs or private traders who adhere to the principles and terms of

6 Linda Mayoux and Peter Williams, Case Study: Oxfam Fair Trade, October 2001, p. 7

Fair Trade, acting as the direct buyers and/or exporters of the products of the Producer Groups largely because of their existing capacity and trading networks. In a few cases, Producer Groups or Intermediary Organizations themselves have evolved the capacity to market and even export their products without depending on Marketing Organizations/Exporters.

The different actors work together under the principles, goals and terms of Fair Trade. With Oxfam-GB's guidance, the actors level off on the concepts and practical translation of Fair Trade and enter into a Trading Agreement where the terms are clearly set. The most notable innovation in Fair Trade that may be gleaned from this collaborative agreement-- which is completely absent in conventional trading system-- is transparency and dialogue among the actors. This transparent arrangement even extends to agreements in setting the price of the final product and discussion on profit margins, as well as the work conditions of the small-scale producers. Unlike in the conventional trading system, where the actors in production and marketing are completely detached from each other and decisions are made by a few in the name of the "market", under the Fair Trade system, the producers, intermediaries and traders all operate as partners and as persons who know each other. The principles of check-and-balance and social responsibility are therefore deeply ingrained in the system.

Apart from the obvious benefits derived by small-scale producers from the fair prices and trading policies offered by Oxfam-GB, more long-term benefits are actually provided through proactive capacity building and development programs. The areas covered by these competence development programs are aimed at honing the capacity of poor producers to develop their marketing skills, improve the quality of their products and hone their capacity to compete in the commercial markets. Among the development areas covered are market information and assistance, product development, design and technical assistance, business and organizational development, social development and networking.

An important component of Oxfam-GB's Fair Trade model is monitoring and impact assessment which has helped the organization adopt changes and innovations through the years in

response to the actual experiences and direct feedbacks coming from the different actors and institutions involved in the program cycle. The monitoring and impact assessment components of the cycle include an appraisal of the partners involved in a particular fair trade project, monitoring of compliance and implementation of the Fair Trade principles, and assessment of partners' compliance with the Trading Agreement signed with Oxfam-GB at the onset of the project.

Challenges Faced by Fair Trade

The experiences of organizations implementing the Fair Trade system over the past four decades have shown that while the system is theoretically sound and conceptually just, there are a number of challenges and realities that directly affect the outcomes. The major challenges faced by the Fair Trade system, which can be gleaned from the scant literature available on the experiences and lessons learned by implementing organizations, are outlined in this section of the report.

Fair prices and over-production

One major concern often raised against the Fair Trade system, particularly the aspect involving the extension of fairer (often higher than in conventional trading terms) price for the products of small-scale producers, is the danger that it may result in over-production and worse, it may encourage the production of cash crops to suit the demand of consumers in the North. This concern is grounded on past experiences in conventional agricultural trading where the international prices and demand for a particular cash crop or product determine the production patterns across the world. In times when the price of coffee, for example, is high in the international market, farmers in coffee-producing countries shift to coffee cultivation to take advantage of the good export price. When coffee prices drop in the international market, coffee farmers are widely devastated and those who have the resources to do so would shift to other cash or food crops as a survival strategy.

Fair Trade proponents, on the other hand, claim that based on their experiences, by working with small agricultural producers (either directly or through intermediary organizations) and offering a fairer price, Fair Trade actually provides farmers other options such as to invest in improving the quality of their products and gain access to specialty mark offered by the FAIRTRADE Mark, or to diversity into other crops to reduce dependence on a single crop⁷. A closer analysis of the approaches and practices adopted by Oxfam-GB, as a pioneer in espousing the Fair Trade system, suggests that this may be a fair claim.

The concerns on the dangers of over-production, dependence on cash crops and crop uniformity are actually addressed by the other components and social infrastructures in implementing Fair Trade partnerships anchored on community-based development interventions of the local producers themselves or by intermediary organizations working with small-scale producers. It should be noted that the payment of fair prices for the produce of poor farmers is not a stand-alone strategy, but a mere component of an overall development approach towards promoting fair and equitable terms in international trading relations.

Competing in the international market

Since the Fair Trade system is based on the belief that it is the unequal terms and iniquitous arrangements in the conventional trading system that disadvantages small-scale producers and not trade itself, it competes in the international market on the same footing as conventional traders. Fair Trade proponents are also confronted by most problems faced by mainstream traders, especially outside the big transnational agribusiness, such as fluctuation of prices in the international market, compliance with trade rules and standards, stiff competition and instability of sources.

However, by working together at the global level, Fair Trade Organizations have managed to adopt measures and strategies that allowed them to cope with these challenges. The most notable

⁷ <http://www.fairtrade.net/>

mechanisms, strategies and approaches include establishing international Fair Trade networks to attain economies of scale, streamlining products offered by each organization to avoid counter-productive competition, innovations in product development, and sharing sources and suppliers of products. The details of these strategies and approaches are presented in a latter section of this study.

Culture of dependence

Perhaps the biggest challenge faced by the Fair Trade system revolves around concerns on dependency that it encourages among local producers and partners. The experiences of Oxfam-GB in implementing Fair Trade in the Philippines bear out these concerns where many local partners have depended on Fair Trade as the sole trading channel for their products even after many years of collaboration which made the arrangement unsustainable and unprofitable in the long term⁸.

Despite the social preparations and infrastructures put in place and the strategic development interventions in the form of capacity building and networking, many Fair Trade organizations have failed to wean out their local partners as independent traders who can ably compete in the international market and reap the benefits of trade.

In many cases, such as in the Philippines, where there but a few exceptions, local partners are able to produce good products that can compete in the international market but many have depended heavily on Oxfam-GB to market their products and facilitate their international trading networks.

While this arrangement may work for a number of years, even for a few decades, it is obviously not sustainable especially in the case of Oxfam-GB where Fair Trade is but one component, albeit important, of the overall development strategy towards making international trade fair and genuinely beneficial for small-scale producers.

⁸ Personal interview with Ms. Rory Urgel, Oxfam-GB Philippine office on 22 September 2005, Quezon City

Approaches and Strategies of Fair Trade

The international Fair Trade network adopts a market-based development approach in promoting its alternative trading system. A trading partnership was developed based on dialogue, transparency and mutual respect for each sector that seeks greater equity in international trade.⁹

Focus on a few agricultural products which have the most widespread impact on the livelihood of small-scale producers in developing countries, such as coffee and tea. Other products with great importance to poor producers, such as rice, cotton and fruits, are slowly being introduced over the years, especially by the smaller Fair Trade organizations with partners in the South that can meet the demand of consumers in the North.

Over the years, a number of Fair Trade organizations have joined hands, with some of them specializing in particular products and others, like Oxfam-GB, offering diverse products sourced from local producer organizations in the South. At present, there are more than 17 national Fair Trade organizations around the world which operate independently but often in collaboration with each other¹⁰. The European Fair Trade Association (EFTA) was set up to facilitate inter-organization cooperation among Fair Trade groups as well as to attain economies of scale in production and trade.

For its marketing and trading approaches, the international Fair Trade network adopted the following unique schemes that came to be associated with the system through the years:

Establishment of Fair Trade Labeling Organizations (FLOs)

A standards body was established to monitor Fair Trade criteria. It ensures that producers adhere to the criteria set by the FLO. The FLO conducts extensive research in the major producing countries of a particular product. Interviews with various worker representatives and farmers' organizations allow them to identify

⁹ Linda Mayoux and Peter Williams, Case Study: Oxfam Fair Trade, October 2001, p. 3

¹⁰ <http://www.fairtrade.net/>

the problems faced by these groups. Based on these assessments and interviews, criteria are developed to address the issues that surfaced.

Producers who meet the following criteria can be registered with the FLO. These criteria are notably based on fair trading relations, such as:¹¹

1. A price that covers the cost of production;
2. An additional social premium for development purposes;
3. Partial payment in advance to avoid small producer organizations falling into debt;
4. Contracts that allow long term production planning;
5. Long term trade relations that allow proper planning and sustainable production practices; and
6. Fair production conditions which include a democratic participative structure for small farmers' cooperatives, and reasonable working conditions with minimum environmental standards for plantation factories.

Environmental concerns are also considered as part of the Fair Trade criteria. Over the years and as the demand for organic products increased in the North, especially in Europe, some Fair Trade products have also been labeled as organic.

As an international standard-setting and monitoring body, the FLO incorporates various stakeholders, including producers and commercial representatives who are elected every two years to the Board. As of September 2004, there are 422 Fair Trade certified producers organizations in 49 countries.¹²

The Fair Trade Foundation

In 1992, the Fair Trade Foundation was set up by alternative traders and non-government organizations in the UK, including Oxfam. As the UK-based labeling organization, the Fair Trade Foundation controls and awards the FAIRTRADE Mark to products that have been bought from internationally-recognized Fair Trade sources. It

¹¹ <http://www.fairtrade.net/>

¹² <http://www.fairtrade.net/>

also coordinates the discussion of trade issues among its members and partners, and promotes Fair Trade endeavors.

In the case of Oxfam-GB, its Fair Trade model has developed direct trading relations with more than 140 suppliers in Africa, Asia and Latin America, comprised mainly of producer organizations who export their own products. Their partners also include non-government organizations (NGOs) and alternative trading organizations (ATOs) acting as intermediaries in Oxfam-GB's trading relations with producer organizations and providing services to producer-groups.

The FAIRTRADE mark

The FAIRTRADE Mark is an independent consumer guarantee that goods labeled as such and sold in mainstream shops or retail outlets have been fairly traded. Brands that use Fair Trade products from FLO-registered producers are licensed to use the FAIRTRADE Mark by national organizations.

The FAIRTRADE Mark is awarded by the Fair Trade Foundation. At present more than 250 different products bearing the FAIRTRADE Mark are sold in wholesale and retail outlets worldwide.¹³

Fair Trade cooperation

Over the years, various Fair Trade organizations have bonded together into networks to facilitate collaboration especially towards attaining economies of scale and avoiding duplication in markets which could be economically counter-productive. One example is the establishment of the European Fair Trade Association (EFTA), which was set up to facilitate cooperation among Fair Trade organizations, assist in joint sourcing, conduct joint monitoring and information sharing. Another example of a successful collaboration among Fair Trade organizations is the setting up of CafeDirect, a joint enterprise of Oxfam, Traidcraft, Equal Exchange and Twin Trading (all UK-based organizations), which aims to provide high-quality fair trade coffee products

¹³ <http://www.fairtrade.net/>

which are sold at competitive prices in mainstream channels across Europe.¹⁴

Campaigning for Fair Trade

Strong advocacy, campaigns and lobbying for Fair Trade at the national and international levels are important elements that actually set Oxfam-GB apart from many Fair Trade organizations around the world. While most Fair Trade organizations are directly involved in the fair trading system and work directly with local producers and partner organizations, not many are actively involved in advocacy, campaigning and lobbying for policies that promote the principles and goals of Fair Trade.

A pioneer in adding this dimension to the conventional Fair Trade approach is Oxfam-GB. It should be noted too that while Oxfam-International (the international network of independent Oxfam offices in different countries) is actively involved in international campaigns and advocacy on Fair Trade in various multilateral platforms, only a few Oxfam offices are actually involved in Fair Trade projects with partners in developing countries.

Oxfam-GB is considered a trailblazer among development organizations in openly advocating for a Fair Trade system to take advantage of the potential benefits of conventional trade. While mainstream NGOs lambast the WTO-dominated trading systems and rules and noisily demand the dismantling of the WTO, Oxfam-GB pushes for the view that there are opportunities for poor producers and developing countries to benefit from the current trading regime only if the big players will follow what they preach in equalizing the playing field.

Oxfam-GB has led the development community in calling for the immediate removal of agricultural subsidies to allow the products of poor countries to compete fairly in the international market and for a stop to the dumping of heavily-subsidized agricultural products from industrialized countries. These policy demands at the multilateral level are notably consistent with the principles espoused by Oxfam-GB in its Fair Trade model.

14 Linda Mayoux and Peter Williams, Case Study: Oxfam Fair Trade, October 2001, p. 5

Recognizing the fact that Fair Trade alone cannot address the crisis faced by millions of small-scale farmers and producers, Oxfam launched the Make Trade Fair campaign in April 2002 in 12 countries around the world which was aimed at changing the unfair rules of world trade. Real change will come when large numbers of people from both rich and poor countries really demand it. The Make Trade Fair calls on governments, institutions, and multinational companies to change the rules so that trade can become part of the solution to poverty, not part of the problem.

A key component of this campaign has been the multi-lingual, interactive website, www.maketradefair.com. Through the site, Oxfam, in alliance with others, encourages people to participate in the BIG NOISE: a unique petition of sound and signatures, featuring the voices of people from around the world all calling for the rules of trade to be changed. The campaign has generated more than 10 million signatures from across the globe. In other countries like Bangladesh and Zambia, popular approaches like radio, music and media were utilized to stage the campaign.

A major highlight of the campaign was the Coffee Campaign which urged companies and governments to look seriously at the failure of the international coffee market. When Nestle demanded a six million dollar compensation claim against the Ethiopian government after a coffee crisis and drought, over 40,000 people took e-action in protest, forcing the giant company to back down after 10 days. At the launching of the Make Trade Fair, Oxfam also launched a report entitled “Rigged Rules and Double Standards”, which examined the trade policies of developed countries especially in relation to agriculture. The report has gained wide recognition, becoming a reference point in debates on trade worldwide.

Partnerships and activities

Direct intervention with producers

While most of the activities under the Fair Trade system involve the trading of goods in the international market, it also directly

assists producers in forging partnerships with alternative trading organizations and in the development of their products to make them more competitive. Fair Trade organizations like Oxfam-GB provide producers with technical assistance to develop their skills needed to improve their products and obtain greater economic value in the market.

Partnerships with Food Shops, Companies and Organizations

While the Fair Trade Foundation operates to set the criteria and standards required to award their stamp of approval - the FAIRTRADE Mark – on fairly traded products, other companies and organizations sell these goods in different outlets and through various schemes. In 1991, Oxfam helped found a Fair Trade coffee company called Cafédirect, which is now the UK's sixth-largest coffee brand. Cafédirect functions as a mechanism to attain economies of scale in coffee production among producer groups all over the world, upgrade the quality of coffee products and create a niche market in the international market. Fair Trade products are also available in most major supermarkets, health and food stores.

Today, there are around 70 Fair Trade food products available in over 450 Oxfam shops in the UK¹⁵. Other Fair Trade organizations also maintain their own Fair Trade shops in many countries across Europe, while at the same time opening up marketing channels in mainstream retail shops which makes Fair Trade products readily available to consumers. Food products include chocolate, honey, jam, marmalade, coffee, tea, juice, cookies and sugar. Some non-food products are also becoming fairly traded.

Awareness campaign and promotion

Fair Trade organizations adopt various strategies in raising the awareness of consumers on the principles and dynamics of the Fair Trade system, as well as to promote Fair Trade products among mainstream consumers. Fair Trade shops, like those operated by Oxfam-GB in the UK, are the main avenues for these awareness-raising campaigns and promotion activities.

15 Ibid.; <http://www.fairtrade.net/>

Shop teams organize events and testing to promote Fair Trade, especially during special occasions and events.

Some Fair Trade organizations have also established partnerships with mainstream retailers and manufacturers who adhere to Fair Trade principles, such as Max Havelaar in the Netherlands for coffee and Marks and Spencer in the UK for many consumer products such as chocolate.

Fair Trade universities

Partnerships with different universities were also established. Staff, students and Student Unions were encouraged to participate in the Fair Trade campaign by purchasing Fair Trade foods or by stocking and promoting Fair Trade food lines. The partnership is premised on the belief that students and academic staff, as consumers, can play a significant role in improving the balance of global wealth and power through simple day-to-day transactions.

Some of the existing Fair Trade University efforts in the UK are in Nottingham University, Loughborough University, Oxford Brookes University, and Aberdeen University.¹⁶

Responses of Producers and Consumers

With a reputation built over 40 years, Fair Trade is now considered an established movement that continues to grow internationally. Sales across the 18 countries that license the FAIRTRADE Mark are growing at around 20 per cent every year. In 2001, sales of food products with the FAIRTRADE Mark increased by 40 per cent, reaching an unprecedented level of Euro 46 million.¹⁷

In most countries that license the FAIRTRADE Mark, Fair Trade products are already considered as mainstream products readily available in major supermarkets and independent shops. Fairly traded coffee, for example, now accounts for eight per cent of the roast and ground coffee market in the UK with an estimated 1.3

¹⁶ <http://www.fairtrade.net/>

¹⁷ <http://www.fairtrade.net/>

million consumers¹⁸. In Switzerland, Fair Trade bananas account for one in every five bananas sold in the market.

On the producer side, Fair Trade claims to be working with some 500,000 workers and farmers in developing countries who have benefited from better terms of trade and decent production conditions¹⁹. In a case study on Oxfam-GB's Fair Trade experiences worldwide, it was shown that local Fair Trade partners earn on average 28 per cent higher than other available alternative sources of income²⁰. The survey among Oxfam-GB's local Fair Trade partners also showed that capital and physical assets have increased as well as investments in other assets, such as improved housing, livestock and off-farm income sources, and an overall decreased vulnerability to economic shocks.

The case study on Oxfam-GB's Fair Trade experience also showed that the local interventions have undoubtedly provided new skills to small-scale producers. However, despite the explicit emphasis on promoting gender equality among local producers, the study found that gender inequalities persist and in some groups the impact on gender relations has been shallow and limited²¹. Furthermore, while Fair Trade activities have provided employment to many local women, their workload increased because there was no corresponding reduction in their household work. Notably, this is a typical phenomenon in many development projects involving the provision of livelihood for women outside the home which fails to address the inequality within the home where women take up most of the burden of workloads.

External Environment

To summarize, it can be said that the Fair Trade system is a non-conventional development-oriented solution following conventional community development approaches to address conventional trading problems. It is an unconventional solution to the problems besetting the international trading system since the Fair Trade principles and mechanisms are the complete

18 <http://www.fairtrade.net/>

19 <http://www.fairtrade.net/>

20 Linda Mayoux and Peter Williams, Case Study: Oxfam Fair Trade, October 2001, p. 10

21 *Ibid.*, p. 1

antithesis to the pro-agribusiness, strictly market-oriented, highly skewed and non-transparent trading system.

On the other hand, its operationalization adheres to the conventional paradigm in community development traditionally followed by development agents worldwide and applied in a trading context. This development formula aims to address the flawed traits of the conventional trading system, based on the belief that by making the terms fair, equitable and transparent, trade could also benefit small-scale producers. Fair Trade does not challenge the paradigm that trade can bring economic growth, but only questions the unfair and inequitable trading system. Thus, it aims to correct the unfair trading relations but continues to work within the mainstream trading rules.

A notable innovation in this formula is the model espoused by Oxfam-GB that extends beyond the Fair Trade arrangement with local producers, intermediary organizations and alternative trading organizations to include policy advocacy, lobbying and campaign in an attempt to influence and effect policy changes and adoption. In Oxfam-GB's model, the local Fair Trade partnerships and the policy advocacy efforts are twin components that complement each other towards the goal of making international trade fair and equitable to benefit small-scale producers.

The collective muscle of Oxfam-International, a network of well-established independent Oxfam organizations in some countries in the developed world, in campaigning and lobbying for Fair Trade rules and regime has addressed the criticisms on the flaws of the Fair Trade system as narrow, unsustainable and fails to challenge the unfair rules in the current trade regime.

The network of Fair Trade organizations worldwide, on the other hand, provides a strong base working directly with producer groups in developing countries that lend the living experiences on how unfair trade rules adversely impact on poor producers and how efforts like Fair Trade can make a difference in their lives and impact on consumer awareness and behavior in developed countries. The international solidarity of Fair Trade organizations and the coordinated campaigns of Oxfam-International have

shown that concerted actions and close collaboration are critical factors in enhancing the overall impact of any development initiative that aims to challenge and provide alternatives to conventional systems.

Threats and Opportunities

The mainstream agribusiness dominated international trading system continues to be the biggest challenge to Fair Trade. The institutionalization and strict global enforcement of trade liberalization under the auspices of the WTO has increased the burden on producers and small traders rather than deliver the promised benefits from increased trade. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), for instance, requires poor countries to enforce the same stringent patent, copyright and trademark protection that rich countries adopt, without considering the lack of sufficient capacities and resources and vast difference in economic development and cultural context of developing countries as against industrialized countries.

While developing and underdeveloped countries are obliged to eliminate subsidies to their producers, most industrialized countries, especially in the European Union and the United States, continue to subsidize the production of major farm products like corn, rice, sorghum, fruit juice, canned fruit, tomatoes, dairy products, tobacco and wine.

This condition allows them to sell their products lower than the world price and effectively dump their surpluses in the markets of developing countries thus depressing the world prices of these commodities and promoting unfair competition which gravely undermines the livelihoods of millions of smallholder farmers in poor countries that simply cannot compete.

Fair Trade addresses these threats using the opportunities from working directly with local producers and partners who adhere to common principles and goals that basically provide an antidote to the current inequitable trading systems and rules. The community development processes followed by Fair Trade organizations such as Oxfam-GB provide an opportunity

for implementers to raise the awareness of local partners and communities on the issues affecting international trade and the root causes of the problems faced by small-scale producers such as domination by agribusiness and self-serving trade policies in developed countries.

The principles of transparency and partnership that guide the Trading Agreements help guarantee that fair terms are accorded to the producers and fair prices are given to the actors at different stages of the trading process. Policy interventions and campaigns at the national and international levels provide the complementary strategies to optimize the opportunities in the growing dissent among developing countries on the unfair trade regimes dominated by industrialized countries that violate trade agreements in multilateral platforms. Together, the opportunities at the local level and policy sphere work will contribute towards a future where Fair Trade brings benefits to those who carry the heaviest burdens.

Emergency or Expediency?

A Study of Emergency Rice Reserve Schemes in Asia

In this era when disasters and calamities have become both more frequent and more intense, maintaining a national food reserve is a practical and forward-looking strategy for governments to adopt in order to ensure food security for the people and as a means to minimize the adverse impacts of unexpected events. Regional food reserves in particular not only benefit countries facing food emergencies but are one way of promoting cooperation and mutual assistance among countries, especially developing ones, amid the challenges posed by globalization.

Unfortunately, and despite the logic behind food reserves, not many governments have established such schemes. The few that have been set up by governments have not fulfilled their purpose, primarily because of trade-related concerns and constraints at the national and international levels.

In 1979 the Association of Southeast Asian Nations (ASEAN) set up an Emergency Rice Reserve as part of the implementation of the ASEAN Food Security Reserve Agreement (AFSR) signed by the ASEAN Ministers of Foreign Affairs in that year. Under the AFSR, member countries commit to voluntarily contribute rice stocks towards building a regional stockpile for the purpose of meeting emergency requirements resulting from severe fluctuations in the production and supply of rice at the national level. Twenty-five years after its establishment, the ASEAN Emergency Rice Reserve

(AERR) had only 87,000 tons of rice stock, or less than half a day's rice supply for all the 10 ASEAN countries¹. Notably, the total commitment of ASEAN governments to the AERR did not actually go beyond the 50,000 tons originally earmarked in the AFSR, nor were the initial commitments of the member-states increased, utilized or replenished.²

Due to the insignificant volume of its rice reserve and, perhaps because of the onerous request and delivery procedures, the AERR failed to address any of the food emergencies that struck the region since the scheme was established, such as the serious rice shortage in Indonesia in 1997.³

Nevertheless, the AERR has inspired other regional groupings to come up with their own rice reserve schemes. For example, the South Asia Association for Regional Cooperation (SAARC) adopted a similar scheme in 1987.

More recently, the biggest trading partners of the ASEAN in East Asia, namely Japan, China and South Korea, which comprise the ASEAN +3, have established the East Asia Emergency Rice Reserve (EAERR) scheme, to pump life into the dormant AERR. The idea of reviving the AERR came up at a special workshop on Food Security Cooperation and Rice Reserve Management System in East Asia which was held in Nakhon Pathom, Thailand in April 2001. The workshop recommended that a study team be established to review the possibility of establishing a new rice reserve scheme in East Asia, beyond the original ASEAN coverage. The proposal was endorsed by the Senior Officials Meeting-ASEAN Ministers on Agriculture and Forestry (SOM-AMAF) "Plus-Three" (which includes South Korea, China and Japan)⁴.

A study team was formed with support from the Japan International Cooperation Agency (JICA). The team then came up

1 Ministry of Agriculture, Forestry and Fisheries of Japan, *Toward a World Free of Starvation and Poverty (Introductory Information on the International Food Stockholding Scheme and East Asia Emergency Rice Reserve)*, from <http://www.maff.go.jp/eaerr.pdf>

2 Agreement on the ASEAN Food Security Reserve, New York, 4 October 1979

3 Ministry of Agriculture, Forestry and Fisheries of Japan, *Toward a World Free of Starvation and Poverty (Introductory Information on the International Food Stockholding Scheme and East Asia Emergency Rice Reserve)*, from <http://www.maff.go.jp/eaerr.pdf>

4 From <http://www.eaerr.org/history>

with a proposal for a three-year pilot project on the East Asia Rice Reserve scheme.

The East Asia Emergency Rice Reserve

Taking off from the discussions and research proactively initiated by Japan, the EAERR which is still in its pilot stage, has been adopted as a component of a broader Strategic Plan of Action on ASEAN Cooperation in Food, Agriculture and Forestry. The Strategic Plan of Action, covering the period 2004-2010, was endorsed by the ASEAN Ministers on Agriculture and Forestry in Yangon in 2004. It is regarded as the latest manifestation of ASEAN cooperation in agriculture, which started in 1968.

The thrusts of the Strategic Plan of Action⁵ are as follows:

1. Strengthening of food security arrangements in the region;
2. Enhancement of the international competitiveness of ASEAN Food and Agricultural products/commodities;
3. Enhancement of ASEAN cooperation and joint approaches on international and regional issues;
4. Development and acceleration of transfer and adoption of new technologies;
5. Enhancement of private sector involvement; and
6. Management, sustainable utilization and conservation of natural resources.

The establishment of the EAERR is provided for in Action Program 3 of Strategic Thrust 1 of the Special Plan of Action on the strengthening of food security arrangements for the region, with the following details⁶ :

Review of the ASEAN Food Security Reserve to realize effective cross-supply arrangements of food, especially rice, from food surplus countries, or other Member Countries, to food-deficit countries during normal conditions and during times of emergency. This review is in turn implemented through the following:

⁵ Ibid.

⁶ Ibid.

- 3.1 Review of the earmarked quantity for the ASEAN Emergency Rice Reserve (AERR) to cater to the development of the East Asia Emergency Rice Reserve (EAERR);
 - 3.11 The establishment of a Pilot Project of the East Asia Emergency Rice Reserve (EAERR) to confirm mechanisms and workability of the EAERR (2005-2010)
- 3.2 Establishment of plans for renewing Food Reserve Arrangements from the Surplus Member Country(ies) to the Deficit Member Country during normal conditions as well as in times of emergency and/or justifiable conditions
 - 3.21 Establishment of a guideline for the emergency rice reserve as operational activities to respond to emergency situations with particular emphasis on strengthening household food security (2005-2010).

A shift in mindset can be gleaned from the stated rationale behind the two rice reserve schemes. In 1979, the AERR regarded food security as key to attaining political stability. Twenty-five years later, the EAERR reflects policies supportive of the liberalization of agricultural trade. While largely maintaining the scheme established by the 1979 AERR, the EAERR is essentially broader, covering emergency situations as well as normal times, and maintaining physical stocks rather than mere earmarked stocks. The East Asian scheme is also geared more towards intra and inter-regional rice trade and towards developing the international competitiveness of the member-countries through technology transfer, regional cooperation and private sector participation, over and above the food security objective. The EAERR has also adopted more concrete mechanisms and measures to implement the ideals of the AERR in ensuring food security in the sub-region and towards strengthening the rice trade linkages among the member-countries and with the rest of the world.

Food Security in the EAERR model

The most immediate and explicit challenge that the 1979 AERR aimed to address was ensuring food security among its member-countries. The challenge was a very real and serious one at the time, in the aftermath of the worldwide oil crisis in the early 1970s which wreaked political havoc across the region.

The food security challenge was carried through in 2003 when the EAERR was adopted in the ASEAN Action Plan for 2004-2010. What is causing some concern, however, is how the ASEAN, and subsequently the ASEAN+3, defines food security. Neither the AERR nor the EAERR provides an explicit definition, but it is clear that ensuring self-sufficiency at the national level is not part of their agenda. The 1979 AFSR had made some mention of the factors that need to be addressed at the national level to ensure food security, but it did not provide for a mechanism to operationalize the proposals. On the other hand, given the liberal references to bilateral and regional trade in rice, it is not difficult to assume that food security in the EAERR scheme is not about developing the capacity of local rice farmers to make decisions concerning production nor about increasing the capacity of each member-country to produce its own food, which are being advocated by many civil society groups working on food security.

No substitute for trade

A key challenge underlying the objectives of the AERR and which was even more highlighted in the EAERR is rice trade. East Asia in general, and Southeast Asia in particular, is home to the world's biggest rice producers and importers, namely, Thailand, Vietnam and China. Ironically, some of the world's biggest rice-deficit and exporting countries are also found in East Asia, such as the Philippines, Malaysia and until recently, Indonesia. Least-developed countries in the region, such as Cambodia, Laos and Myanmar are perennially dependent on rice food aid, a condition which is not necessarily due to shortage in production but is more often an offshoot of distribution problems, poor infrastructure and political instability.

The 1979 AFSR, while emphasizing the need to ensure food security in the sub-region, was actually rather cautious about the potential negative consequences of maintaining a rice reserve within the region. Measures such as limiting the use of the rice reserve to emergency situations and relying on earmarked stocks rather than maintaining physical rice stocks, were explicitly provided for in the AFSR to avoid causing domestic supply distortions.

The pact provided that the emergency rice reserve “is not intended to fill continuing food deficits of individual ASEAN Member Countries, which normally are met through imports, commercial as well as concessional. The elimination of such deficits should, where appropriate, be attempted through increased production at an accelerated rate”⁷. While promoting regional cooperation, the AFSR made it clear that the emergency rice reserve scheme was not a substitute for rice trade in any way.

On closer scrutiny, the AERR sought to address the challenges of rice trade in a situation characterized by vast differences in rice production among its members. However, it went about this task in a schizophrenic manner. That the rice reserve could only be tapped in emergency situations was probably the reason why the AERR was never put to use in its 27 years of existence. No government worth its salt would admit to experiencing an emergency, as doing so would almost certainly exacerbate an already bad situation and undermine its standing in the region. This was clearly the case in Indonesia in 1997.

Rather than tapping the ASEAN rice reserve to address the serious rice crisis it was facing, the Indonesian government opted to turn to the IMF-WB for loans to import food from other countries. Indonesia might have even purchased rice from Thailand and Vietnam at the time, but it would have done so only as part of a regular bilateral trade arrangement and thus outside the purview of the AERR. After all, the latter does not offer any preferential or special terms to fellow members, but rather leaves the terms to be negotiated between countries.

7 Agreement on the ASEAN Food Security Reserve, New York, 4 October 1979. Article 3, Section 2.

The pilot phase of the EAERR appears to be trying to correct the flaws of the 1979 AFSR by way of more explicit mechanisms geared towards the promotion of intra-regional trade. Beyond earmarked stocks, the EAERR aims to maintain physical rice stockpiles in various locations in the sub-region, which would be more accessible to members facing emergency situations. The terms of procurement and pricing would also be addressed at the regional level by a management team to be created for the purpose. In terms of the legal stature of the two schemes, however, while the provisions on the AERR are enshrined in a formal agreement signed by Member Countries, the current arrangement is a mere management scheme albeit one that was initiated by an ASEAN engagement partner.

Beyond the trappings of regional cooperation, the EAERR is more straightforward about the trade-related objectives of the scheme. Fluctuations in rice production and supply are attributed more to low levels of production, poor technology, inadequate infrastructure and investments in the rice sector and less to natural calamities. Thus, interventions under the EAERR are geared more towards enhancing international competitiveness through technology-transfer and greater investments in the sector.

Goodwill vs. Competition

Both the AERR and the EAERR seek to address the challenges of regional cooperation in the face of threats to food security. How the principle of regional cooperation is operationalized, however, differs in the two models.

While it purports to promote regional cooperation, the AERR is not truly regional in character. The mechanisms for implementing the scheme are largely bilateral in nature. The mandate of the ASEAN Food Security Reserve Board is limited to receiving information on which countries need to tap the emergency rice reserve and which ones would provide the required volume. But the process is largely bilateral, with the country-in-need directly informing the provider-country that it is facing an emergency situation and that it needs a specific volume of rice. The terms of procurement, delivery and pricing are settled on a bilateral basis,

with the ASEAN Food Security Reserve Board serving merely as an information clearing-house. The Agreement does not even provide for preferential pricing for the earmarked rice stocks that will be utilized by a member-country for emergency situations. On the other hand, the EAERR has clearer mechanisms to operationalize regional cooperation in implementing the scheme. The rice reserve scheme will be coordinated and implemented by a regional team rather than being left to bilateral negotiations.

The shift in the paradigm for regional cooperation, from focusing on food security to promoting trade, is related to developments in the trade arena at the regional and international levels. Regional trade regimes such as the ASEAN Free Trade Agreement and international trade rules set in the World Trade Organization (WTO) are consistently guided by neo-liberal trade paradigms premised on the central role of liberalized trade in promoting economic development and political stability.

Regional cooperation has evolved into another means to promote trade rather than as a platform to ensure collective self-sufficiency as espoused by the ASEAN in the 1979 AFSR. The value of goodwill, which was the rationale behind the call for regional cooperation as exemplified by the establishment of rice reserves—even if merely for emergency situations—has been replaced by the value of competition among the member-countries, which now characterizes the current rice reserve scheme.

While issues critical to ensuring food security, such as production and post-harvest technologies, food supply and production information, stable national food stockpiles, and national rice price stability, among others, were explicitly identified in the 1979 AFSR, the measures it prescribed were to be implemented only at the national level, and only “as appropriate”—a provision common to ASEAN agreements, following the group’s policy of “non-interference”⁸. None of the key issues behind food security is proposed to be addressed through regional mechanisms. In fact, the Emergency Rice Reserve scheme does not at all address the underlying issues of food security but merely provides a regional

⁸ Ibid.

safeguard mechanism which member-countries can resort to in times of food emergencies.

The EAERR is apparently aware of such lapses and is anxious to learn from them. The analysis done by Japan which served as the empirical basis for adopting the EAERR examined the following trends in the global rice market⁹:

1. Rising competition among rice exporters, especially China, India, Vietnam and Pakistan, for Thailand's dominant position;
2. Non-trade concerns, issues on food security and food safety of rice as well as issues on regional cooperation are becoming more important in international trade negotiations;
3. Scientific discoveries in hybrid and high-yielding rice are expected to alter rice production and trade in the near future by delivering more advantages to those nations willing to spend more on research and development.

The manner in which the foregoing issues are defined in the EAERR suggests that the latter is anchored on international trade. While the EAERR has attempted to look into the limitations and shortcomings in the implementation and operationalization of its precursor, the way in which it has formulated the issues and identified the needed interventions is clearly within the framework of neo-liberal trade. The premise that rice production is directly correlated with the level of production technologies is evident in the EAERR's framing of the issues, as are its acknowledgement of the competition among rice exporters and the importance it accords to trade regimes in defining the parameters of "non-trade concerns" such as food security and food safety.

Strategies and Tactics

The 1979 AFSR clearly identified the areas that member-states need to deal with to ensure food security at the national level, namely¹⁰:

⁹ From <http://www.econ-chula.cic.th/publication/project/2003/4605e.pdf>

¹⁰ *Ibid.*, Article 1

1. The strengthening of the food production base of the ASEAN Member Countries;
2. The prevention of post harvest losses of food grains;
3. The establishment of a food information and early warning system;
4. The adoption of effective national stock holding policies and improved arrangements for meeting requirements of emergency food supplies;
5. The promotion of stability of food prices;
6. The adoption of policies and programs for improving consumption and nutrition, particularly of the vulnerable groups within each ASEAN Member Country;
7. The promotion of labor opportunities especially in rural areas and increasing the income particularly of the small farmers; and other measures, including possible long-term trade arrangements.

While these measures would have addressed concerns for ensuring food security, the AFSR stopped short of providing any mechanism for how the ASEAN can assist or enable its member-states to adopt measures at the national level in accordance with these prescriptions. The only concrete mechanism at the regional level provided for in the Agreements is the establishment and operation of the Emergency Rice Reserve Board.

On paper, the AFSR provides a straightforward mechanism for releasing the rice stocks earmarked by the member-states to meet the emergency requirements of another member, as follows¹¹ :

1. The ASEAN Member Country in need shall directly notify the other ASEAN Member Country or Countries of the emergency it is facing and the amount of rice required.
2. The other ASEAN Member Country or Countries on being requested shall take immediate steps to make the necessary arrangements to ensure immediate and speedy release of the required rice.
3. The prices, terms and conditions of payments in kind or otherwise, in respect of rice so released, shall be the subject

¹¹ Ibid., Article 5.

of direct negotiations between the ASEAN Member Countries concerned.

4. The requesting ASEAN Member Country shall at the same time inform the ASEAN Food Security Reserve Board of its request to the other ASEAN Member Country or Countries.

The bilateral nature of the operations of the Emergency Rice Reserve scheme clearly reveals itself as one goes into the details of how it was supposed to work. The spirit of regional goodwill and cooperation on which the Agreement was supposed to have been built is undermined by the fact that the members-in-need had to deal bilaterally anyway with the provider-country, with the ASEAN playing no role at all in the negotiations. This fact partly explains why no member-country has ever tapped the Emergency Rice Reserve despite the various food emergencies that certain member countries had experienced in the past 27 years since its establishment.

The inherent flaws of the original 1979 rice reserve scheme have been duly acknowledged by the ASEAN, on the instigation of its powerful partners in East Asia. Keeping faith with the concept and value of maintaining a regional rice reserve scheme while improving its operationalization, the EAERR identified the following strategies¹²:

1. To establish a reserve stock both as earmarked and physical stocks stored at various locations either in surplus or deficit countries backed up by strong political will in each country;
2. To smooth out erratic price fluctuations in the region and increase rice trade in the ASEAN +3 areas;
3. To improve farmers' income and welfare.

Recognizing the need to maintain physical rice stocks in various locations across the region is a key revision in the original scheme. Beyond the food security rhetoric in the AFSR, the EAERR has also added as a key strategy the improvement of the income and welfare of farmers.

12 From <http://www.eaerr.org/how>

In terms of operational mechanisms, the EAERR scheme works as follows¹³:

1. A Member Country of the ASEAN +3 pledges a specific amount of rice as an earmarked emergency rice reserve;
2. A Member Country of the ASEAN +3 voluntarily pledges to contribute stockpiled emergency rice reserve;
3. Among other things, the Management Team (MT) analyzes the rice supply and demand in both deficit and surplus countries;
4. A Member Country encountering disaster will undertake the following :
 - Report to the MT EAERR the extent of its rice shortage brought about by the calamity and the amount of rice emergency they require to meet the demand in emergency conditions;
 - Request the MT EAERR to release the earmarked emergency rice reserve to meet the demand for rice in the disaster area; the country requesting shoulders the transportation and operational costs in this instance;
 - If the rice needed to meet the emergency requirement exceeds the earmarked amount of rice reserve, the Member Country requests the MT to provide additional amounts of rice from other countries' earmarked reserve stock.

This process is graphically presented in Diagram 1.

The bilateral nature of the original emergency rice reserve scheme has also been addressed by providing a regional mechanism to take stock, coordinate and facilitate the stockpiling of earmarked and physical rice stocks, and more importantly, to oversee the release of the rice reserve to countries in need. The proactive nature of the MT of the EAERR in terms of monitoring and analyzing the rice supply and demand among the Member Countries, and its mandate to move stockpiles between countries in times of food emergencies, is a noteworthy innovation on the previous scheme.

13 From <http://www.eaerr.org/how2>

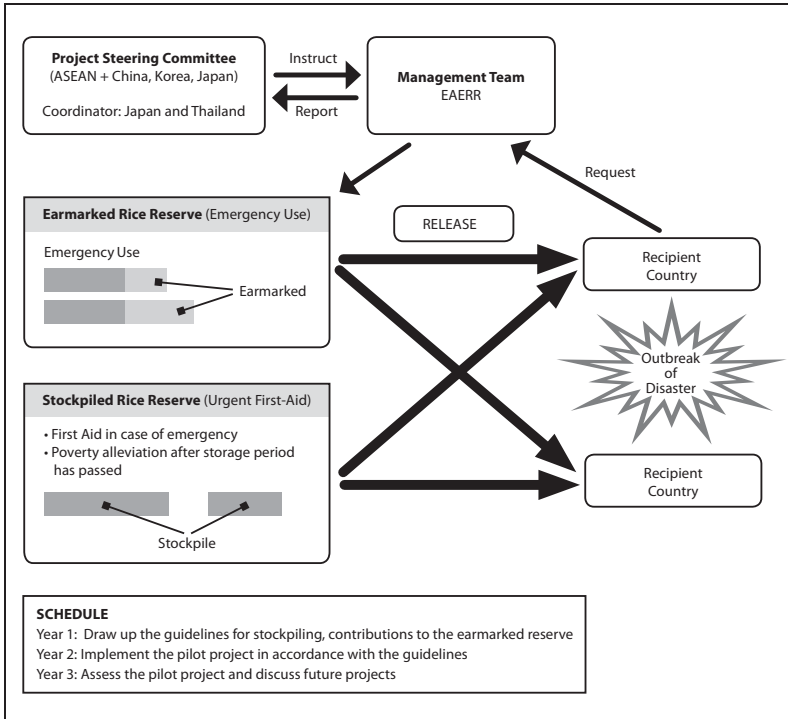


Diagram 1. Process Flow in the Operation of the East Asia Emergency Rice Reserve Pilot Phase

To see through the implementation of the pilot scheme, Japan has taken on the role of Coordinator-Country of the EAERR Pilot Project and has provided about US\$ 380,000 (Yen 40 million) to finance the EAERR Secretariat’s expenses for 2004 and 2005. The AERR did not assign a specific Member Country to take principal responsibility for coordinating the scheme, although the chairmanship of the ASEAN Food Security Reserve Board was rotated among its members, representing all the member-states. With Japan playing the pivotal role in the EAERR, and even allocating resources for its initial implementation, some concrete results can probably be expected from the pilot phase that would give form and shape to future mechanisms and processes that would be adopted by the ASEAN+3 in operationalizing its revised model of a regional emergency rice reserve.

Threats and Opportunities

Calamities and disasters

The East Asia region, being part of the Asia-Pacific's so-called "Rim of Fire" and "typhoon belt", is highly susceptible to natural disasters¹⁴ which can potentially reverse the progress of development and poverty reduction efforts. This means that the need for an emergency food reserve system, especially of rice, is ever present, and may need to be further strengthened.

In addition to these external challenges are the recent trends in the regional security situation and political stability at the national level. Southeast Asia has been identified as a major hub of international terrorist groups, particularly of the Al-Qaeda-linked Jemaiah Islamiah (JI) which operates in the Philippines and Indonesia. Counter-terrorist operations launched by governments against suspected areas of operations of these groups, in collaboration with the US armed forces, such as in the southern Philippines, could trigger widespread internal displacement and food emergencies.

Perversely, both natural- and man-made calamities and disasters could provide the opportunities for the regional emergency rice reserve schemes to operate and demonstrate their usefulness. However, while those situations may require national governments to declare food emergencies, whether or not they will tap the regional emergency rice reserve to respond to the domestic problem is another matter.

The experience of the AERR has shown that Member Countries may not resort to this scheme regardless of their need. Indonesia did not, even at the height of its severe crisis in 1997. The Philippines did not send any SOS signal to the ASEAN during the series of natural calamities that hit the country nor despite the widespread internal dislocation caused by the anti-secessionist war in Mindanao which started in the 1980s. Instead, recent history shows that ASEAN countries experiencing food

¹⁴ Jakarta Joint Ministerial Statement on Regional Partnerships towards the Achievement of Food and Livelihood Security and Rural Development in Asia and the Pacific, 28th FAO Regional Conference for Asia and the Pacific, 15-19 May 2006, Jakarta, Indonesia.

emergencies have opted instead to increase their rice imports and to depend on foreign loans to enable them to purchase imported rice. Notably, a good bulk of the rice imported by rice-deficit countries like Indonesia and the Philippines was actually sourced from Thailand and Vietnam.

Financial resources

An important opportunity available to the EAERR that did not exist at the time when the AERR was operating is the cooperation, leadership and financial resources of Japan as the prime mover in the ASEAN +3. Without Japan's interest and resources, the ASEAN would not have bothered to look at how the original emergency rice reserve scheme had performed nor would the ASEAN have recognized its potentials in the current context. With Japan acting as the Country-Coordinator of the EAERR's pilot phase and with substantial funds having been allocated for it, the pilot phase should at least yield results that would establish the feasibility and usefulness of a regional emergency rice reserve scheme to the ASEAN in view of the challenges in the Region.

The importance of Japan's leadership role and resources in exploring the potentials of a regional emergency rice reserve scheme is underlined by the weakening financial resources among intergovernmental institutions involved in responding to food emergencies and ensuring long-term food security. The steadily dwindling resources of the United Nations Food and Agriculture Organization (FAO)¹⁵ is also a concern as this has reduced its capacity to effectively respond to the food and agriculture-related needs of its members, particularly in East Asia, where most of the countries are facing challenges in food security.

It is also ironic to note that half of the Member Countries of the ASEAN are still receiving food aid, especially rice, from the United Nations' World Food Programme (WFP). The three least developed countries in the region – Cambodia, Laos and Myanmar – are among the top recipients of rice food aid from the WFP. Even middle-income ASEAN stalwarts Indonesia and the Philippines are recipients of rice food aid from the WFP, especially the calamity-

¹⁵ Ibid

affected provinces in the former and the war-torn Muslim south in the latter. These examples show that member-states would rather extend their begging bowls to UN agencies and receive free rice food aid for their poor and hungry populations rather than maximize the so-called regional goodwill behind the regional emergency rice reserves (as this would require them to deal bilaterally with the country-provider and pay for the rice stocks).

The EAERR offers a mechanism where food aid for national emergencies would be readily accessible, with physical stocks being kept in actual locations, while the costs of handling and distribution would still be borne by the country-in-need. In reality, however, countries that find themselves needing emergency assistance are also most likely to be the ones without sufficient financial resources to provide for their own needs. Hence, an emergency rice reserve scheme whose sole concern is to facilitate the rice trade would defeat its purpose of providing a safeguard for food security among Member Countries.

Less than pure motives

A potential threat that the ASEAN needs to watch out for concerns Japan's motives for taking the lead in resuscitating the emergency rice reserve scheme. There are speculations that Japan is seeking to protect its long-term interests in regard to rice security by nurturing the position of ASEAN as a key production and export hub for rice for the rest of the world and by ensuring its leadership position in the region in the process of reviving the regional emergency rice reserve scheme.

Informants in the ASEAN note that Japan and Thailand are the most enthusiastic promoters of the EAERR scheme; the rest have committed to taking part in the pilot project for the sake of diplomacy and to benefit from the resources being made available by Japan. It is evident to the Member Countries and to the other ASEAN +3 partners - China and South Korea - that Japan's agenda is to safeguard its domestic interests in the face of its obligations to the WTO to open up its market, including rice—a highly protected sector in Japan—to imported commodities. Since allowing a considerable stock of imported rice in its market would seriously

hurt the Japanese rice farmers, the EAERR scheme would give Japan an excuse to keep stocks of rice elsewhere which it can resort to as domestic demand dictated, while allowing it at the same time to comply with its multilateral trade obligations.

Trade agreements

The restrictive rules in the Agreement on Agriculture (AoA) of the WTO remain as the major threat to operationalizing the spirit of regional cooperation and collective self-sufficiency embodied in the AFSR. While the Member Countries and the ASEAN itself still uphold these ideals, their hands are tied in fully implementing these due to the commitments they made in the WTO. Among the ASEAN members, only Laos and Myanmar, remain outside of the WTO; Vietnam is in the process of acceding to the WTO. The ASEAN too has adopted the rules and restrictions set in the WTO in its own ASEAN Free Trade Agreement (AFTA), which could be the reason behind the lack of interest in fully implementing the Food Security ideals to assist members facing food emergencies and the reluctance of members themselves to utilize the scheme.

While specific preferences, such as those provided in regional free trade agreements (FTAs), are allowed under WTO rules, mechanisms that would cause price distortions are strictly prohibited. Among the potential implications of fully implementing a genuine emergency rice reserve is the distortion in rice prices, which the EAERR pilot phase, and the AFSR before it, is careful to avoid.

However, being too cautious in this regard and leaving the operationalization of the rice reserve scheme to bilateral negotiations, could render the EAERR useless as happened with the AERR. Thus, the innovations, namely operating the scheme through regional mechanisms and maintaining physical stocks, are noteworthy and would put to a test just how flexible the current trade regimes are with regard to ensuring food security at the national level.

Another threat in the region is the proliferation of FTAs. Besides creating a regional FTA among themselves, the ASEAN is keen on

establishing strategic and economic linkages with its neighbors. In fact, the ASEAN is seen as a “hub” for a number of regional FTAs not only among East Asian countries, but also with countries outside the region, viz., India, Australia and New Zealand¹⁶.

The proliferation of FTAs in East Asia could give rise to a host of technical and administrative complications, including mismatches in the phasing of tariff reductions under overlapping arrangements and differences in rules under separate FTAs. This is the so-called “spaghetti-bowl effect”, which may turn out to be a stumbling block to regional economic integration. Uncoordinated proliferation could also lead to inconsistent provisions between FTAs, especially with regard to the rules of origin, hampering the cross-border production networking process, which has been crucial to the region’s economic development¹⁷.

The opportunities presented by a well-integrated East Asian region, especially in the area of food security, are enormous. They could promote political and economic stability which could be the foundation of a higher level of economic development in the years to come. Japan, which has provided substantive economic and political leadership in pushing the ASEAN to make some changes in its rice reserve system, stands to gain also in terms of ensuring its access to the region’s markets for its own manufactured products, be it food or industrial goods.

Another bounty from this project is the establishment of a Food Security Information System, a companion project to the EAERR pilot scheme. This system could generate information on how food is produced, distributed, marketed and consumed in the region. This information is crucial in determining the possible strengths and weaknesses of the countries in the region as far as food security is concerned and in enabling food producers to align their production and marketing methods with current trends.

16 Denis Hew, *Economic Integration in East Asia : AN ASEAN Perspective*, UNISCI Discussion Paper No. 11, May 2006, Institute of Asian Studies, Singapore, from <http://www.ucm.es/info/unisci/UNISCI-11Hew.pdf>

17 *Ibid.*

Conclusion

As the EAERR scheme is still in its pilot phase, it is imperative for civil society groups working on food security in the region to monitor developments in this regard and to gather more data to facilitate a more extensive multi-disciplinary analysis of the concept and implications of this system, especially on small-holder farming systems and on consumer participation in the choice of food that is made available in the market.

It may not be too late to submit the views and perspectives of small farmers and civil society groups on how this scheme would actually be implemented, as the ASEAN +3 countries are piloting the scheme through their own government instrumentalities and organizations only.

On an issue as supremely important as food, decisions should not be left to government officials alone. Ensuring food security at the national and regional levels should in no way be left at the mercy of trade regimes.

Initiatives on Pro-small Farmer Trade

A Synthesis

Case Studies on Alternatives to Agricultural Trade Globalization

Agricultural trade globalization under the present neo-liberal economic regime has disempowered and alienated farmers and producers from the rest of the commodity chain. Farmers find themselves out of the loop as soon as their produce leaves their farms. They have been reduced to being end-users of agricultural inputs produced by companies and as producers of raw materials that are processed and manufactured by other companies and thereafter sold to consumers in the domestic and export markets.

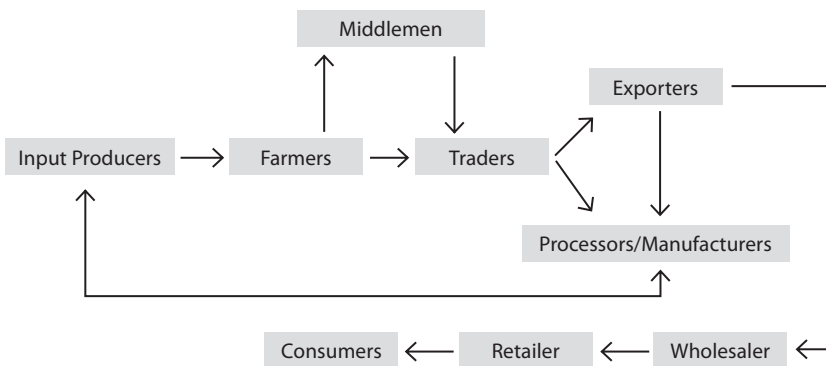
“Middlemen” and traders continue to play a significant role in transporting farmers’ produce to the markets, especially in areas where farmers are unable to do so themselves. In fact, in many rural areas across Asia, middlemen and traders do not just buy the farmers’ produce and bring it to market, but provide the production inputs. They have replaced the landlords as the farmers’ main source of credit, either in cash (in times of emergency) or in kind (usually farm inputs on credit or food during the lean seasons). Given the farmers’ dependence on them, these middlemen and traders are able to dictate farmgate prices.

Meanwhile, in recent years the world has witnessed an unprecedented consolidation of agrochemical companies into a few giant entities that now control the world’s supply of seeds and chemicals. Bayer, the biggest of these giants, sold \$6.12 billion

worth of agrochemicals in 2005 while Monsanto sold \$2.28 billion worth of seeds¹. This consolidation has gone beyond mergers and the acquisition by giant corporations of smaller companies involved in the same business, towards the expansion of their business interests, from the production of inputs to their processing, distribution and export. The integration of the forward and backward linkages in the agricultural commodity chain has made the influence of these corporations so pervasive that their smallest decisions impact on the lives of farmers everywhere.

With the ever-rising cost of agricultural inputs and the steadily declining decreasing prices of their products in the domestic and world markets, farmers have been condemned to a life of poverty. It is this situation that entices farmers to sell their lands at the first opportunity or else lease it out to corporations involved in large-scale commercial crop production. Without land to till and without viable livelihood opportunities, thousands of farmers across the region leave their farms and join the multitudes of urban poor in the cities where they continue to be economically, socially and politically marginalized. The situation sets off a bigger cycle of marginalization, disempowerment and poverty in rural and urban areas in many developing countries across Asia.

Diagram 1: The Dominant Agricultural Commodity Chain



1 Action Group on Erosion, Technology and Concentration (ETC Group), Communiqué, November/December 2005, p.6

Meanwhile, the strategies that governments have taken in the past to address this poverty cycle have tended to create more problems than solutions. The monoculture production of high-value commercial crops, which governments in the region had enthusiastically promoted as a way of raising farm productivity, has made farming less economically viable, not more, and caused farmers to leave their lands or reduced them to being agricultural workers. Land management schemes, such as contract farming, have further marginalized farmers, both economically and politically.

The liberalization of domestic markets has aggravated the situation of Asian farmers, rather than more widely spreading the benefits of economic trade as promised. Pursuant to their commitments to the World Trade Organization (WTO), governments have eliminated trade barriers, either by substantially reducing tariffs on imported goods or slashing subsidies to farmers. Left on their own, with neither the capacity nor the resources to fend off competition from the heavily subsidized producers in developed countries and from farmers in other developing countries, local farmers find themselves more deeply in debt and are eventually driven off their lands.

As a result, the income gap between rich and poor countries has widened even more in the past decade, a trend echoed by income discrepancies within developing countries. Agricultural trade liberalization under the neo-liberal economic framework has aggravated the poverty situation across the developing world. The rosy economic figures that trade enthusiasts hold up as proof of the benefits of liberalized agricultural trade are but a mask, hiding deep inequalities among the population.

Poverty translates to food insecurity. It is ironic that food producers go hungry, yet among Asia's farmers this is the grim reality of their lives. With very little income, their capacity to buy food also weakens considerably. While farmers can indeed grow food for their family instead of buying it, this is not always possible since much of their land has been given over to the production of cash crops, with little land left over to grow their own food. Thus, it is

not uncommon to see farmers selling their premium rice harvest then buying a much cheaper kind of rice to feed their families.

The low level of education among the rural population only aggravates the situation. Conditioned by exposure to the western media, the rural poor thumb their noses at traditional food items in favor of processed food, which they have come to regard as superior, sacrificing family nutrition and food self-sufficiency in the process. Traditional knowledge and practices, such as backyard cultivation of vegetables and fruits, have been abandoned, with serious consequences on rural health and biodiversity. The diverse food base that used to characterize the traditional rural diet has been undermined by the introduction of uniform commercial hybrid seeds catering to market demands and of cheap imported fruits and vegetables flooding the local markets.

The impacts of agricultural trade liberalization are also felt by consumers who are supposed to benefit from cheap imported products, wider choices and access to products that were not available to them before. While urban middle-class consumers may indeed reap these purported benefits in the short-term, this may not always be true for the urban and rural poor, majority of whom do not have the means to buy these goods.

While the pros and cons of agricultural trade liberalization are still subject to debate, there is no doubt that the current mode of production and consumption has severely alienated consumers from producers and from the agricultural production system itself. Consumers buy agricultural products without knowing how or where these were produced. Like farmers, consumers too do not have any active role in determining the price of the products that they buy and how they should be produced. In an era of global integration and consolidation of interests of transnational corporations, the same companies that supply agricultural chemicals and seeds to farmers are oftentimes the same ones that process or manufacture the end-products sold to consumers.

These harsh realities of agricultural trade liberalization provide the common context to the five case studies that the Asian Partnership for the Development of Human Resources in Rural

Asia (AsiaDHRRRA) and the Asian Farmers' Association for Sustainable Rural Development (AFA) have prepared in an effort to contribute to the search for alternatives that will free poor farmers in Asia from the bondage of poverty. The five case studies portraying actual initiatives in alternative agricultural trading are: (1) the successful efforts of Green Net in Thailand to market organic products; (2) the initiative by the Philippine Development Assistance Programme (PDAP) to link up NGOs involved in organic production and to facilitate the development of markets for organic produce in the Philippines; (3) the direct producer-consumer collaborations in Japan under the Seikatsu Club Consumers' Cooperative; (4) the pioneering work of Oxfam-Great Britain in Fair Trade; and (5) the food security schemes adopted by the Association of Southeast Asian Nations (ASEAN).

The first four case studies were initiated by civil society organizations, while the last one is a regional initiative of governments in Southeast Asia. It is important to note that the efforts documented in these case studies did not all happen at the same time, but were a reaction to specific stages in the liberalization of agricultural trade. Green Net and PDAP's models of linking production (particularly of organic products) to the market came at a time when tariffs and other protectionist measures were being abolished by governments under pressure from multilateral forums. The Seikatsu and Fair Trade models were introduced long before the WTO came into the picture but even then the effects of the General Agreement on Tariff and Trade (GATT) and the aggressive corporatization of agriculture had already started to hurt farmers and consumers in both developed and developing economies. The ASEAN food reserve scheme was introduced and revived at two different junctures in the history of agricultural trade liberalization.

On close analysis, these initiatives may be regarded as alternatives to the dominant agricultural trade liberalization model, yet they continue to operate within the neo-liberal economic system that underpins the current rules and policies of agricultural trade. All of these models adhere to the rules of domestic and international trade since they operate within the legal system. While this is the reality that they have to operate in, these alternative models seek to

advance development paradigms that are fundamentally different from the current neo-liberal framework. They aim to free farmers from the different forms of dependence that the dominant trade paradigm has fostered. By engaging the system, these alternative approaches hope to ultimately change the system and introduce radically new paradigms that serve the interests of the people.

The commonalities that cut across these five case studies are discussed in the following sections of this Synthesis Report, with particular consideration given to the differences in context and time when the alternative models were introduced. The peculiar context, strengths and weaknesses, challenges and opportunities faced by each alternative are discussed in detail in each case study. The analysis of the commonalities and distinct contributions of the case studies serves as the basis for the identification of the key elements that characterize viable alternative models to agricultural trade liberalization. The last section of this Synthesis Report discusses the common challenges faced by alternative models to agricultural trade liberalization.

Breaking Free from the Trap

Oxfam's Fair Trade, Japan's Seikatsu Club, Thailand's Green Net and the Philippine's PDAP all started as conscious and direct responses to the realities of the dominant agricultural system in the particular context in which they were initiated. All involved efforts to free farmers from the debt-poverty cycle, and to provide consumers with better quality and fairly traded products. Using different approaches, the four models eliminated, or at least significantly reduced, the role of traders and middlemen by directly linking or facilitating the linkage of farmers with consumers and the market.

Oxfam introduced the Fair Trade concept in the late 1950s in a pioneering effort to give a fairer price for the products of farmers in developing countries. This was a departure from the relief mentality that characterized the activities of charity organizations at the time. The Seikatsu Club started offering fairer prices and better terms to farmers in the 1960s, mainly to sustain farming in Japan in the midst of the government's aggressive push for

industrialization after World War II. Thailand's Green Net promoted organic production among farmers to get better prices for their produce. PDAP likewise banked on the market edge of organic products to provide higher returns to farmers.

While there are very few independent studies to verify claims of successes in terms of increasing farmers' income through these interventions, the internal evaluations conducted by the proponents showed significant increases in the income and overall standard of living of the farmers that they have worked with. The internal assessments of these alternative models also took into account problems and challenges faced by the model which all point to the fact that breaking free from the bondage of debt and poverty takes a long, difficult process.

Long years of being trapped in the debt-poverty cycle and being dependent have molded farmers' perspectives and largely eroded their confidence in their capacity to improve their lives. Dependence on a system that provides farm inputs on credit, cash in times of emergencies and a ready market for their harvest, even at exploitative prices, has severely stunted farmers' skills as rural entrepreneurs and as active stakeholders in the commodity chain.

Beyond offering higher prices and fairer terms to farmers, all four alternative models initiated by civil society groups encouraged farmers to add value to their products to increase their price and to expand their off-farm income sources. The Green Net and PDAP models promoted value-addition among farmers by shifting to organic agriculture. The Seikatsu Club experience encouraged farmers to diversify to the production of high-quality farm products to provide better choices to consumers. The Oxfam Fair Trade model supported farmers' efforts to process their own produce into value-added products that command higher prices in the market, such as roasted coffee and muscovado sugar, as well as farmers' ventures into traditional craft production.

All these efforts showed that giving higher prices for farm produce and extending fairer terms to farmers can only be sustained by encouraging farmers to think beyond merely producing raw materials towards adding value to their products and widening

their income base through off-farm livelihood enterprises. With increased income from various sources, farmers are able to pay off the debts that they have accumulated through decades of entrapment in the debt-poverty cycle.

Reconnecting with Consumers

The four case studies all share the objective of closing the gap between farmers and consumers and of eliminating, or at least significantly reducing, the influence of middlemen and traders. *(See Diagram 2 for the illustration of these alternative agricultural trading models in terms of farmer-consumer relationships.)*

The Seikatsu Club Consumers' Cooperative in Japan is a shining example of directly establishing linkages between farmers and consumers through its *sanchoku* system. Through sustained efforts since 1965, the Seikatsu Club has totally eliminated the need for traders by building mechanisms that allow consumers and producers to share information, discuss their respective concerns and aspirations, and negotiate on quality, price and terms of production.

The PDAP, Green Net and Oxfam Fair Trade models, on the other hand, facilitate farmers' access to markets either through direct contact with consumers' groups, domestic retailers or the export market. All three models involve intermediaries between the farmers and consumers, which in general are either non-government organizations (NGOs) supporting the production efforts of farmers or peoples' organizations (POs) directly representing the farmers themselves. Oxfam-Fair Trade has the most defined relationship with intermediary organizations, with clear standards on profit margins, relationship with farmers and concrete criteria on what constitutes "Fair Trade". Green Net functions like a central marketing mechanism that deals either directly with farmers' groups or with support NGOs.

Both Oxfam-Fair Trade and Green Net facilitate the marketing of farmers' products, either procured directly from farmers or through intermediary organizations, in the export market. Oxfam-Fair Trade especially has a vast network of Fair Trade organizations

in many developed countries, especially in Europe, where Fair Trade products from developing countries are marketed. In both set-ups, farmers can directly or through support organizations market their products in the domestic market if they opt to do so outside of the Green Net or Oxfam-Fair Trade channels. There are partners of Oxfam-Fair Trade too that have managed to tap the export market through other channels, hence broadening the market for their products beyond the Fair Trade network and increasing their chances of becoming independent.

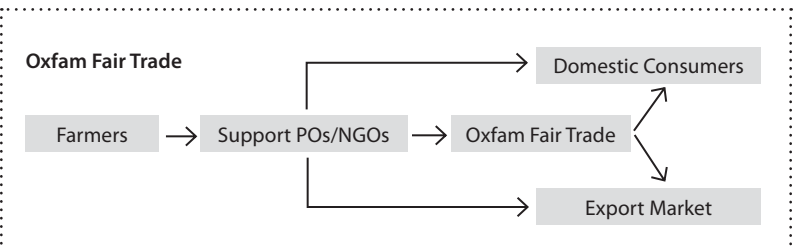
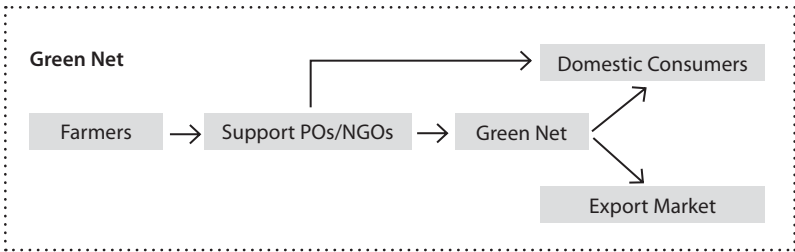
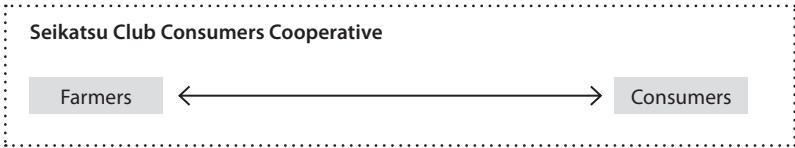
A very interesting feature of these models with regard to establishing farmer-consumer linkages is their flexibility to respond to specific situations and opportunities that arise. Farmers and intermediary organizations are not locked into an exclusive relationship with the proponents. In the PDAP and Oxfam-Fair Trade models, for example, farmers' groups and intermediary organizations are encouraged to explore other marketing channels for their products, both domestic and export, and to establish direct linkages with consumers and retailers. It is common among PDAP partners, for example, to have their own marketing outlets or to maintain direct relationships with consumers and retailers outside of the channels facilitated by PDAP at the national level. In the case of Oxfam-Fair Trade, the most successful partners that were able to sustain their production and marketing efforts are those that have successfully opened up other channels to sell their products to consumers locally or abroad.

Some may argue that the intermediary organizations that provide the link between farmers and consumers in these alternative agricultural trading models are essentially acting as middlemen/traders. This may be true if there had been no change in the paradigm involved in the entire scheme and in the orientation of the actors involved. The Oxfam-Fair Trade model takes this concern seriously by defining clear rules and standards that govern the relationship between farmers and intermediary organizations, including the level of profit margin allowed to sustain the operations of the intermediary groups. Such may not be as clear cut in the examples of PDAP and Green Net, but the overall paradigm that underpins the agricultural trading models that they are following is undoubtedly different from the kind that governs

the traditional relationship between farmers and middlemen/traders. The active participation of farmers and the transparency that characterizes the setting of prices for farm products distinctly set these alternative schemes apart from the traditional mode that has entrapped farmers in a cycle of debt and poverty.

Diagram 2: Farmer-Producer Links in Alternative Agricultural Trading Models

By cutting off, or at least significantly reducing the role of middlemen and traders, farmers have a more direct relationship with consumers and better bargaining power in the commodity chain. The Seikatsu Club sets an ideal example, through the sanchoku movement, of how farmers and consumers negotiate



closely and regularly in setting the price and defining the quality of farm products. The Oxfam-Fair Trade model also provides a mechanism to give farmers access to information on the factors that affect the setting of prices for their products as well as makes them active partners with the intermediary organizations in determining the price for their products.

The efforts meant to empower farmers did not come easily, as the experiences of these models have shown. Accustomed to having a string of middlemen and traders between them and the consumers of their products, farmers generally do not have the skills nor the confidence to deal directly and negotiate with consumers. A lot of effort went into building the capacity and confidence of farmers in this regard. The Seikatsu Club model has proven that, given an effective mechanism and long years of sustained cooperation, the interests of farmers and consumers can become complementary.

Cutting the Cords of Dependence

All four case studies point to the urgency of addressing the roots of the debt-poverty cycle by weaning farmers from different forms of dependence. First is the dependence on expensive farm inputs such as agricultural chemicals, fertilizers and commercial seeds. The PDAP and Green Net models tackled this dependence by exclusively promoting organic production in agriculture among farmers. Both models, through their partner organizations working directly with farmers, actively promoted on-farm compost production, use of organic fertilizers, adoption of ecological pest management methods, revival of traditional and indigenous farm practices, among other approaches aimed at reducing dependence on commercial inputs. With less chemical inputs, the profit margin of farmers on the same piece of land would be higher even with increased labor costs. In the Seikatsu Club model, it is the demand from consumers for high-quality, ecologically sustainable and culturally-consistent products that has actually driven farmers to reduce their use of chemical inputs and completely shun genetically modified seeds.

The other form of dependence has to do with credit, which is closely tied to farmers' dependence on external inputs and partly due to their lack of financial capacity to meet household emergencies. PDAP addressed this concern by providing a special credit window, in partnership with a government financing corporation, for farmers involved in organic production. Oxfam-Fair Trade extends financial grants and loans directly to farmers' groups and intermediary organizations to support their production efforts, which is the same approach adopted by Green Net. Consumer power served as Seikatsu Club's main resource in supporting farmers' production of high-quality and safe food.

All these financial and credit schemes are intended to support farmers' production activities and immediately cut their dependence on usurious loans. In general, credit support for production under the alternative models comes in the form of loans which farmers, who would not normally be eligible for under the criteria set by government lending agencies and private banks, can easily access, or which do not require collateral and charge affordable interest rates. By complementing the financial scheme with marketing support involving fairer terms, farmers are expected to pay off their old debts and gradually gain financial independence.

The third form of dependence addressed by these alternative models is the farmers' dependence on middlemen and traders to gain access to the market. The four alternative schemes tackled this particular form of dependence through various approaches described above, all aimed at eliminating or significantly reducing the role of traders and middlemen by forging closer links between farmers and consumers.

Building Capacity, Confidence and Trust

Notably, all four models include various processes and mechanisms to build the capacity and confidence of farmers as the most important actor in the commodity chain, as well as to build the trust among farmers, consumers and intermediary organizations. The people-based development paradigm that guides these models is very evident in the strategies and approaches to community

organizing, community development, capacity building and education that are integrated in their activities.

The PDAP, Green Net and Oxfam-Fair Trade models involve sustained development of the capacity and skills of farmers in the entire process of production and marketing. Training, forums and meetings are part of their regular activities, as well as frequent farmer exchange visits to expose farmers to successful farms and pilot areas. The Seikatsu Club model, on the other hand, has built in exchanges and exposure between farmers and consumers into its normal operations.

All four models are undeniably based on strong community organizing strategies, with their respective successes hinging on the strengths and potentials of the farmers, people's organizations and intermediary organizations that they work with. Seikatsu Club organizes its farmer and consumer base directly, while the other three models involve intermediary/ support organizations that are directly involved in organizing farmers and communities towards development goals.

Setting a Distinct Mark

The four alternative models involve the use of distinct marks to promote their products. The distinct marks also come in the form of product brands or labels that reflect the alternative process of production and marketing. These brands or labels aim to distinguish these products from mainstream goods, and also to leave an indelible mark on the consciousness of consumers, just like mainstream media advertising does.

The Seikatsu Club has a distinct product label indicating the origin, process of production and name of producer of each product, with the aim of building pride and confidence among farmers and providing information to consumers. In recent years, it has also included the "No GMO" tag in its product label to assure Japanese consumers of the integrity and safety of the food that they buy. PDAP has registered its "Healthy Rice" label to set its organic rice products apart in the mind of consumers. Green Net has its own prominent "Green Net Organic" label on its products.

Undoubtedly, the most prominent alternative brand among the four models is that of Oxfam's "Fair Trade" mark which has been around for a few decades now. Across Europe, especially, "Fair Trade" is not just a brand but represents in the consciousness of consumers a set of standards in production, marketing and trading. The "Fair Trade" label has been so successful and widely embraced by the European consumers, and to a more limited extent by consumers in countries such as Japan, Hong Kong and South Korea, that it has evolved its own protocols and standards managed under the Fair Trade Label Organization (FLO).

The "Fair Trade" label also supported the promotion of the Max Havellaar coffee brand as guaranteed fairly traded, in response to consumers' concerns on the documented exploitation of coffee growers by traders and processors. In recent years, "Fair Trade" has also been tagged on products of known food processors as Sarah Lee and Nestle based on their adherence to the Fair Trade standards and criteria.

Building Awareness

As part of their aim to facilitate markets for farmers' products, all four models have adopted different approaches to building consumer awareness about their respective products and initiatives. Building consumer awareness performs the dual role of promoting the products of the initiative while at the same time educating consumers on the development paradigm that underpins these alternative models of trading. Education involves not just consumers but farmers as well, and results in the strengthening of community values, self-help, commitment and sociopolitical awareness.

The Seikatsu Club has evolved into a consumer movement and a political forum over the past four decades of its existence. Awareness building and education among consumers and farmers are integral to the processes that led to the growth of this movement based on the sanchoku system of cooperation between consumers and farmers. The traditional Japanese values of community cooperation and social harmony form the foundation of this movement.

Notably, the values at the core of the Seikatsu Club model are the same values fostered in the approaches initiated by PDAP, Green Net and Oxfam-Fair Trade among farmers and consumers through such means as community organizing, information and education campaigns, and even media projection. PDAP and Green Net, for example, have enjoyed a considerable amount of media exposure in the Philippines and Thailand, respectively, in the process of promoting their products as well as the paradigm and values that underpin their initiatives. Oxfam-Fair Trade, being the oldest among the four models, has enjoyed high consumer recall in many parts of Europe over the years. The “Fair Trade” label, consistently promoted through years of sustained campaigning by Oxfam, has been an effective vehicle to raise the awareness of consumers on the concept of Fair Trade and the values that go with it.

Brand-association is the same route being explored by PDAP to raise public consciousness of their products and the inherent values that they carry. Seikatsu’s unique labeling system, which includes information on the origin of their products, the production system involved and the name of the producer, is a more straightforward means of educating the consumers on the production profile of the products that they buy as well as of bringing consumers closer to the farmers who produced the goods. This has brought pride to farmers who are no longer anonymous producers, as well as boosted the growth of the *sanchoku* movement in Japan.

Another common vehicle for the four models in promoting consumer awareness of their products as well as of the underlying messages that come with the initiative is the establishment of shops and stores where farmers’ products are sold. Seikatsu has a wide base of consumers’ cooperatives across Japan, accounting for a 7 per cent share of the food retail business in 1999. Oxfam has its own vast network of Fair Trade shops all over Europe. Green Net has dozens of “green shops” across Thailand.

PDAP does not yet have its own shop but it has managed to get the big supermarket chains in key cities in the Philippines to carry their products; at the same time it utilizes the other alternative retail channels mostly initiated by civil society organizations.

These shops and stores generally function as direct outlets for farmer' products, as information centers and as a venue to educate consumers, especially in the urban areas.

While Seikatsu products are sold exclusively in consumer cooperatives, the three other models have entered the mainstream retail marketing channels to sell their products to mass consumers, besides participating in consumer exhibitions and producers' fairs. All four models use conventional channels of information sharing and education among consumers and farmers, such as through regular newsletters, forums and discussions.

Going Beyond Borders

Not all models operate within national borders. Green Net, for example, brings farmers' products to export markets. It has also crossed national borders in terms of sharing its experiences, capacity and skills in the entire process of the commodity chain, particularly involving organic products. Being a pioneer in organic marketing and trading in Southeast Asia and a successful model at that, Green Net has conducted training courses for organic agriculture practitioners from all over the world. Oxfam-Fair Trade definitely goes beyond national borders, being an international network of organizations that support and promote the Fair Trade concept. This vast network of Fair Trade shops, particularly in Europe, has provided the market base for products produced by farmers in developing countries around the world.

Questions have been raised regarding the export-orientation of Green Net and Oxfam-Fair Trade's alternative models, mostly involving concerns about the food security situation in many farming communities in developing countries. Critics say that these export-oriented approaches undermine the alternative development paradigm that these models are promoting for they do not actually veer away from the dominant trade schemes. Green Net addressed this by stressing the important contribution of its "green shops" in key cities across Thailand in its overall business portfolio. Oxfam-Fair Trade's efforts, on the other hand, also involve non-food products of farmers and rural women

and hinge on international cooperation and solidarity between consumers in rich countries and farmers in poor ones.

The fifth case study explored in this Research, the ASEAN Emergency Food Reserve schemes, in contrast, purports to be solely concerned with ensuring food security among the Member Countries of the ASEAN. It was established in 1978 specifically to support the food security requirements of Member Countries in times of food emergencies. The scheme was never implemented in reality, not even during the food shortage in Indonesia in the early 1990s.

Even on paper, the ASEAN Emergency Food Reserve is very cautious about the danger of affecting trade among countries in the region, especially in rice, which is a principal export crop of countries like Thailand and Vietnam, and which others like the Philippines and Malaysia regularly import. Despite its nature as an emergency support mechanism, the rules of bilateral trade obviously govern the negotiations for volume and price of rice stocks required by a country suffering from food emergency. The scheme also did not maintain physical stocks of rice to ensure that the local price of rice would not be affected by excess supply.

The Japanese government, under the umbrella of the ASEAN+3 (which includes China and South Korea apart from Japan) has initiated efforts to revive the emergency rice reserve scheme in the region by addressing the flaws and weaknesses of the original set up. Under the new proposed scheme, physical stocks of rice will be kept in different locations across the ASEAN to be supervised and managed by a regional body to be created for the purpose, to underline the value of regional cooperation. Japan's interest in the new scheme is purely self-interested; by proposing to keep the physical stocks of rice elsewhere, Japan would ensure that its domestic rice supply would not be affected and thus protect its own farmers.

Unlike the four civil society-initiated alternative models, the ASEAN Emergency Food Reserve schemes do not challenge the neo-liberal trade paradigm that underpins the current agricultural trade liberalization. It is only an alternative to the dominant

system in the sense that it puts food security prominently in the agenda of a sub-regional economic grouping as well as fosters regional cooperation and solidarity by providing a mechanism to support Member Countries facing food emergencies. The entry of Japan into the picture further reinforces the schemes' neo-liberal nature. In the process of serving its own self-interests in trade, Japan has in any case paved the way for a mechanism that would benefit the poor country Members of the ASEAN in times of emergency. Yet, not even their obvious benefits can mask the self-serving motives behind these food schemes.

Commitment, Skills and Resources to Support and Sustain

A very important common factor behind the four alternative models advanced by civil society is the strong commitment and capacity of the proponents in supporting and sustaining the initiatives. While commitment to the cause of improving the lives of farmers may be a given, the capacity and competence to operationalize such commitment requires sustained hard work and significant investment. The long years of experience that all four models have gone through in implementing their approaches have allowed them to gain lessons in doing their work effectively. Each of these initiatives has built in the development of the capacity of their staff and personnel in production and marketing processes, as well as in such support components as education, information and skills development.

While financial resources are undeniably important to the success of these alternative models, they are not indispensable. Green Net, considered as the most successful civil society effort in organic products marketing, started out with a few thousand Thai bahts pooled together by its core founders. Seikatsu Club started and is still sustained by the resources of Japanese consumers who collectively believe in building a farmer-consumer movement. PDAP and Oxfam-Fair Trade, on the other hand, represent clear examples of how solid financial support can jumpstart and sustain alternative agricultural trading schemes. Both experiences nevertheless showed that external support coming from the proponents/support organizations will never be sustainable in the long-term, no matter how much resources are put into the effort.

The presence of a strong network of support organizations and constituent base together make up an important element in the success of an alternative trading model. As an initiative of Japanese consumers themselves, the Seikatsu Club has a natural constituency for its products. Green Net and PDAP count on the growing network of civil society organizations as their primary consumers, expanding to the educated middle class, largely based in urban areas in Thailand and the Philippines, respectively, as their niche market. The increasing health consciousness and environmental concerns among the educated and middle class have contributed to the growth of the constituent base for these models.

Oxfam-Fair Trade also works with the same constituency and targets the same consumer niche, but has the edge of legitimacy in the eyes of the European public, owing to its long history of charity work in Great Britain and in the rest of Europe. As one of the oldest and biggest charity organizations in Europe, Oxfam has a vast network of partners and constituents across the world, which provides a very good foundation for its Fair Trade model.

Coming from different experiences, all four models point to the conclusion that the sustainability of an alternative agricultural trading scheme rests on the strength of the constituent base, be it consumers or farmers, coupled with the long-term economic viability of the endeavor.

Earning Respect and Support of Government

Through long years of implementing their respective alternative models, the four proponents have gained the respect and even the support of governments in their specific contexts. Such support, of course, did not come automatically or easily. The viability and successes of the models have increased the credibility of the initiatives, while the competence of the proponents has earned the respect of governments. While acceptance by and support from the government is not widely considered an important measure of the success of an alternative model in agricultural trade, it is a key factor in any attempt to mainstream an approach that has proven to be viable. PDAP, for example, has explicitly aimed to mainstream its alternative approach to developing

rural enterprises, hence its conscious efforts to collaborate with relevant government agencies.

The Seikatsu Club has long been considered an institution in Japan, with the government providing incentives and support mechanisms for its various initiatives. Green Net has earned the respect and support of the government of Thailand such that its expertise in the production and marketing of organic products is regularly tapped by government agencies. Green Net was instrumental in the drafting of Thailand's organic certification standards and even supervised the initial years of its implementation. PDAP follows the same path by engaging the Philippine government closely in the formulation and implementation of policies and programs in organic agriculture. Both are aiming for the mainstream adoption of their respective models by governments, and convincing governments to support and promote their initiatives. As an international organization, Oxfam-Fair Trade does not engage national governments in terms of development of policies and programs to support fair trade, but is actively involved in international advocacy on the issue.

Holistic Approach

The alternative models advanced by civil society organizations involve holistic approaches to the problems facing small-scale farmers, from inputs and production, to processing and marketing. Interventions are not solely focused on specific aspects of the commodity chain but embrace the entire system in a holistic package comprised of interconnected components. All four models involved interventions concerning agricultural inputs, credit or financial support mechanisms, production assistance, technical support, capacity building, access to markets, linkages with consumers and even facilitating exports – in a conscious effort to present a fundamentally different approach to tackling old problems.

Challenges Facing the Alternative Models

Aside from sharing common elements that could serve as the foundation for other alternative approaches to agricultural trade

globalization, the four models initiated by civil society, and even the ASEAN scheme on food security reserve, face common challenges. While there are peculiarities in the particular contexts and environments where they are implemented, all these initiatives are happening in a world governed by the rules of the neo-liberal trade paradigm, as symbolized by the dominance of the WTO in multilateral trade and by the emergence of fair trade agreements in the bilateral sphere.

Based on the five case studies, the following are seen as the major challenges confronting alternative models of agricultural trade:

Multilateral and Bilateral Trade Regimes

The increasingly stringent trade rules set in multilateral and bilateral trade regimes betray their real nature. While developing countries are being pressured to bring down all barriers to agricultural trade, industrialized countries continue to protect their own agricultural interests through innovative subsidies and such non-tariff trade barriers as sanitary and phyto-sanitary standards that limit the entry of organic products from poor countries to rich markets. Proponents of alternative trading models may not easily hurdle these technical barriers as they still need to comply with the trade rules in their quest to penetrate international markets. Similarly strict sanitary and phyto-sanitary standards are set in bilateral and regional free trade agreements despite the attraction of preferential access to developed country markets to partners in developing countries.

Competition from Corporate-led Agriculture

With the rapid growth of the domestic and export markets for organic agriculture products, vast opportunities are opening up to proponents of alternative trading models, such as Green Net and PDAP. Such opportunities are also accompanied by big challenges related to capacity to compete with the big players in the organic products market. Major agricultural transnational corporations are already engaged in organic food production in an effort to expand their business and to capture the steadily growing niche market for organic products. Alternative trade proponents

engaged in marketing organic products will have to compete with these giants who have access to enormous resources, advanced technologies and a vast global network. While this challenge remains hypothetical at this point, considering that there is still much room for growth in the organic products market, it is expected to become a real challenge in the future as the market gets saturated.

Incoherent and Conflicting Government Policies

Since alternative models also operate within national laws, they are faced with problems arising from incoherent and sometimes conflicting policies of government in agriculture. This challenge is crystallized by the current situation in the Philippines where the government actively promotes organic agriculture while channeling massive resources to chemical-based conventional agriculture and the use of genetically modified seeds. While the government claims that its policy is based on the principle of coexistence, science and the experiences of other countries have shown that the integrity of organic agriculture is undermined when contaminated by genetically modified organisms.

This reality confronted Thailand two years ago when it was found that its indigenous papaya variety had been contaminated by genetically modified varieties grown for experimental purposes in government research stations. In a laudable demonstration of political will, and following pressure from importing countries, the Thai government immediately announced a moratorium on the field releases of genetically modified crops.

The same incoherence and inconsistency in government policies may also be gleaned in the area of agricultural credit. Governments in developing countries like Thailand and the Philippines claim to promote the interests of small-scale farmers and to support efforts that alleviate rural poverty. But such motherhood policy pronouncements are rarely reflected in government credit policies and facilities which are either inaccessible to poor producers because of the collateral requirements and high interest rates, or are altogether non-existent.

Balance between Food Security and Trade

Alternative models involving the export of agricultural products are hounded by questions on their agenda vis-à-vis ensuring household food security and self-sufficiency. Criticisms are centered on the reality that while farmers' products are exported to rich countries, rural families still suffer from food insecurity. The biggest challenge faced by such alternative trading models is how to balance the food security concerns of farming communities and households with the need to take advantage of the opportunities in the export market.

Dilemma of Organic Product Standards and Certification

The experiences of PDAP and Green Net demonstrated the viability of mainstreaming alternative models of marketing organic agriculture within specific national contexts. Both are successful, at different levels, in gaining the respect and support of the organic industry, owing to their adoption and promotion of national organic agriculture standards to ensure the quality and competitiveness of local organic produce.

While they may succeed in using organic certification as a means to increase the value of farmers' products while providing healthier and environmentally-friendly alternatives to consumers, the process involved in national certification systems may also lead to the marginalization of farmers who cannot afford the costs of third-party certification or cannot meet the volume required to absorb the cost of organic certification. Moreover, with national organic certification standards and policies in place, farmers would be prohibited from labeling their product as "organic" unless they have gone through the process of third-party certification, for example.

Sustainability

Debatably, the most serious challenge facing alternative models of agricultural trade concerns their long-term sustainability. The models explored in the four case studies were established and sustained through the solid backing and support of NGOs, donor

agencies, or consumers' movements. The ASEAN food security reserve scheme has shown that without concrete support, resources and commitment to translate altruistic objectives into actions, any alternative model, no matter how conceptually viable, will not succeed.

But even with adequate support and resources available to operationalize an alternative model, the question of sustainability remains a challenge. The Oxfam-Fair Trade model showed that resources are not inexhaustible and that there is a limit to how much a program can be expanded. At some point, resources will be exhausted, especially if the economic viability of an enterprise is compromised, or when development priorities change in response to specific situations. Sustainability is best assured by strengthening the internal capacity of the farmers and consumers themselves to stand on their own without support from intermediary organizations, as demonstrated by the Seikatsu Club model.

Sustainability should undoubtedly be an integral component of the holistic package of interventions adopted by proponents of alternative models towards the ultimate goal of radically changing the current paradigm behind agricultural trade liberalization.



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The Asian Partnership for the Development of Human Resources in Rural Asia (AsiaDHRRA) is a regional partnership of eleven social development networks and organizations in ten Asian nations that envisions Asian rural communities that are just, free, prosperous, living in peace and working in solidarity towards self-reliance. Its mission is to be an effective promoter and catalyst of partnership relations, facilitator of human resource development processes in the rural areas and mobilizer of expertise and opportunities for the strengthening of solidarity and kinship among Asian rural communities. AsiaDHRRA's regional policy advocacy work has always been anchored on its commitment to bring forward the voices of its partner peasant organizations to the frontline of the advocacy arena. AsiaDHRRA organized the five Farmers' Exchange Visits which eventually led to the formation of AFA.

The Asian Farmers' Association for Sustainable Rural Development (AFA) is a regional alliance of peasant federations and organizations in eleven Asian countries. Established in May 2002, its formation was a fruit of a three-year, five Farmers' Exchange Visits held in South Korea, the Philippines, Indonesia, Japan and Malaysia. AFA endeavors to build a strong and dynamic regional lobby for genuine agrarian reform and sustainable rural development, while facilitating the exchange of creative local grassroots initiatives that attempt to address the roots of rural poverty. It aims to promote and advocate for the rights of Asian farmers, promote cooperation and solidarity among Asian farmers and support capacity building among them. Currently, its regular members include the Aliansi Petani Indonesia, Pambansang Kilusan ng mga Samahang Magsasaka (PAKISAMA) in the Philippines, Sor Kor Por in Thailand, Korean Advanced Farmers' Federation in South Korea and Taiwan Wax Apple Development Association. Its associate members include the Vietnam Farmers' Union and Jeonkuk Sae-Nongminhoe (Best Farmers' Association) in South Korea.

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