Fisheries Research 182 (2016) 59–68

Contents lists available at ScienceDirect

Fisheries Research

journal homepage: www.elsevier.com/locate/fishres

Fishers, Fair Trade, and finding middle ground

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ARTICLE INFO

Article history:
Received 15 May 2015
Received in revised form
27 November 2015
Accepted 30 November 2015
Available online 2 January 2016

Keywords:
Fair Trade
Certification
Patron–client
Middlemen
Value chains
Small-scale fisheries

ABSTRACT

The goal of Fair Trade certification is to contribute to sustainable development by offering trading conditions that are transparent and equitable. One important condition is improved market access and strengthened producer organizations. In regions like Southeast Asia this goal can be hard to achieve in value chains where local middlemen play a central role in not only trading fish, but also providing fishers with access to capital, infrastructure and essential services. Despite these contributions, Fair Trade principles presume that middlemen adversely control market benefits that should accrue to primary producers. The social and economic contributions of middlemen, and the potentially dependent relationship fishers have with them, is therefore a controversial issue if Fair Trade fish is going to be marketed as a product capable of improving fisher livelihoods. In this paper, we explore the role of middlemen in the first ever Fair Trade USA fishery: handline-caught yellowfin tuna from Molucca in Indonesia. Interviews with fishers, middlemen, the local processor and those involved in Fair Trade implementation were conducted and analzed to understand changes to the organization of the value chain and of the community by defining how middlemen contribute to the assets and capabilities of fishers. The results indicate that middlemen contribute but also control the full range of assets required to enable fishers to fulfill their value chain functions. Introduction of Fair Trade has facilitated a rapid reorganization of value chain structure in the fishery with notable impacts on fisher perceptions of the resource and the market. However, it remains unclear what this value chain reorganization means for community structure. The opportunities and challenges for Fair Trade USA fish to be an empowering force depend heavily on fisher-middlemen dynamics being adequately considered.

1. Introduction

Seafood consumer awareness campaigns and eco-labels attempt to harness the power of the market to encourage consumption decisions more aligned with sustainability goals, and in doing so promote improved production practices (Jacquet et al., 2010a). There is evidence for their successful role in shifting purchasing decisions and in helping seafood producers improve practices (Gutiérrez et al., 2012; Agnew et al., 2013). But there is also evidence that they are limited in reaching a critical mass (Bush et al., 2013a), providing legitimate policy outcomes (Christian et al., 2013; Jacquet et al., 2010b; Konefal, 2012) and ultimately effecting change to resource health (Froese and Proelss, 2012; Jacquet et al., 2010a). Perhaps most notably, leading eco-labels like the Marine Stewardship Council (MSC), have also been criticized for their failure to develop social sustainability criteria and the weak inclusion of developing country fisheries due to its payment structure and data intensive assessment criteria (Gulbrandsen, 2012; Ponte, 2012).

Calls for inclusion of social standards and improved engagement of developing country fisheries have continued largely because of they contribute 54% of the global seafood trade by value and more than 60% by volume (FAO, 2014). Various approaches for improving the inclusion of small scale developing country fisheries have been developed. One prominent example are fishery improvement projects (FIPs), which are seen as a way to offer market access for fisheries that are guided through a set of stepwise improvements that are most commonly aimed at complying to standards like the those of the MSC. While less than 10% of the 200 MSC certified fisheries come from developing countries (MSC, 2014), developing countries account for about half of all registered FIPs (Sampson et al., 2015). But while their potential impact on fishery sustainability in developing countries is potentially large, their effectiveness in really incentivizing sustainability gains has been questioned (Sampson et al., 2015). Another emerging strategy to include small-scale producers is the introduction of Fair Trade cer-

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http://dx.doi.org/10.1016/j.fishres.2015.11.027
0165-7836/

tification. After a decision by Fair Trade International to not engage with fisheries (because of the complexity of the trade, lack of branding, and risk of entering into a sector dominated by the MSC, Auld, 2014), Fair Trade USA developed a fisheries standard (not recognized by Fair Trade International) certified the Moluccan yellowfin tuna handline fishery in Indonesia in 2014.

Fair Trade certification supports social sustainability, encourages environmental protection, and attempts to redress power imbalances in international trade and global value chains between traders and processors in the global North and producers in the global South (Bacon, 2005; Goodman, 2004; Nicholls and Opal, 2005). For developing world fishers, such producer empowerment is a notable challenge given the existence of middlemen, known by a variety of names throughout Southeast Asia (e.g., *punggawa*, *tengkulak*, *mee kha* or *cassas*). These actors play key roles in the value chain and often control access to fisheries and markets. As identified by various scholars (Amarasinghe, 1989; Bush and Oosterveer, 2007; Bush, 2004; Crona and Bodin, 2010; Kusumawati et al., 2013; Pauwelussen, 2015; Platteau and Abraham, 1987; Ruddle, 2011), middlemen are tied to credit and social welfare in communities that are geographically isolated, as well as politically and economically marginalized. Empowering fishing communities through Fair Trade therefore appears to be inevitably tied to addressing the role and function of these middlemen, and the norms and arrangements that enable them to control fisheries and trade.

In value chain terms, Fair Trade is a strategy of upgrading that aims to reposition and empower producers vis-a-vis conventional trade relations in at least two ways. First, by creating more tangible links between producers and markets (Riisgaard et al., 2010), and second, by improving the ability of developing country producers to achieve higher economic returns (Gibbon et al., 2008). By creating direct links between producers and markets and by improving functional capabilities beyond production, upgrading can enable producers to realize higher benefits from trade by excluding the middlemen (Mitchell and Coles, 2011). However, while these middlemen exhibit rent seeking behavior from their profitable position within the chain, they also play an important facilitative role in fishing and trade, which questions whether they can simply be removed from the value chain (Amarasinghe, 1989; Bush and Oosterveer, 2007; Kusumawati et al., 2013). If the Fair Trade model is to empower small-scale fishers in regions such as Southeast Asia, not only should the rent seeking behavior of these middlemen be removed, but the capabilities and assets that they provide in fishing communities should be accounted for at the same time.

In this paper, we explore the extent to which the Fair Trade strategy of by-passing middlemen from the fishery value chain actually empowers small-scale fishers in the Molucca handline tuna fishery. Using an assets and capabilities framework, we analyze what will be lost to fishers if these middlemen are excluded. In doing so, we contribute to a wider understanding of the social relations of production and trade in small-scale developing world fisheries, and provide key insights for the future development of Fair Trade certification as it relates to sustainable fisheries.

2. Functional upgrading, assets and capabilities

Fishers are often identified as particularly vulnerable actors in global value chains, because while they provide an essential role in the chain, they may be locked in a position where they are unable to independently make decisions regarding their own welfare (Becx and Eenhoorn, 2009). This type of inequality in value chain governance can have a strong influence on the economic development of poor people (Nissanke and Thorbecke, 2006). New opportunities to redress an inequitable distribution of power and financial benefits in favor of disadvantaged groups such as small-scale fishers may open up via shifts in value chain based governance arrangements such as certification. In this paper we use the concept of value chain upgrading, defined as capturing more value in the chain by balancing a range of economic, environmental, and social benefits and risks (Humphrey and Schmitz, 2000), to identify and understand the conditions under which such opportunities can be realized.

2.1. Fair Trade as a functional upgrading mechanism

Functional upgrading refers to one type of upgrading that involves a chain actor (such as a fisher), adopting additional functions that might reduce their overall vulnerability and/or enable the capture of a greater proportion of value generated in one or more segments of a specific chain (Ponte and Ewert, 2009; Riisgaard et al., 2010). One functional upgrading strategy that Fair Trade attempts to facilitate is the establishment of direct market access for smallholders by increasing their skills and knowledge and strengthening their organization. In some cases, the adoption of such new functions might lead to the redundancy and therefore exclusion of chain intermediaries such as middlemen (Mitchell and Coles, 2011). Building on the wider literature on functional upgrading (Renard, 2005; Khiem et al., 2010; Fischer and Quaim 2012), the exclusion of intermediaries is seen as desirable because they are considered to take advantage of the weaker position smallholders have in accessing credit, key inputs and ultimately markets.

Functional upgrading is concerned with two fundamental themes: identifying sources of producer capabilities, and promoting the economic and social development of small-scale producers (Lee and Gereffi, 2015; Ponte and Ewert, 2009). Fair Trade certification can be considered an example of a functional upgrading mechanism aimed at addressing these concerns. Introduced as a product label for coffee in 1988 by the Dutch Max Havelaar Foundation, Fair Trade sought to differentiate products according to particular guidelines on producer price and smallholders' organization from conventional coffee (Oosterveer and Sonnenfeld, 2012). It has since expanded to include a wide range of products, reaching over €5.5 billion in sales by 2011, up from €217 million in 2001 (Fair Trade International, 2014, 2011). In some value chains, middlemen are being eliminated. In their place, financial, technical and organizational capacities are built that allow for distributing a social premium to be used for community development and related environmental purposes. Organized groups of producers are certified against the Fair Trade standard by an independent certification and verification agency. When certified, these producers are allowed to trade their products to importing organizations that sell them under the Fair Trade label. Long-term partnerships with importing country buyers contribute to stability and security for producers giving them the opportunity to make investments in the future of their enterprise and of their family and local community.

The only recent inclusion of seafood can be explained by the nature of the resource and organization of production. First, fish are captured at sea, often in open access conditions. Thus, fishing behavior is often unobservable for outsiders, making it hard to control and verify whether fishers actually perform according to specific standards. Second, the tight linkages between financing, technology and marketing complicate improvements to producer empowerment based on market demand alone. Third, as a fresh product, seafood needs rapid processing and sale meaning that attention to details, such as those included in certification standards, can be difficult as the extra time needed to meet Chain of Custody requirements may compete with maintaining product quality. Fourth, all of these above-mentioned complexities may differ substantially for each species, gear type, and place of origin, making the setting of generic standards for seafood particularly problematic. And finally, redefining the social organization of fish-