The Fair Rubber Association: where fairly traded rubber hits the road

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Dr Martin Kunz has been involved with Fair Trade for over 45 years. As a university student, he co-founded a World Shop in his home town of Ludwigsburg, Germany. He was the first chairman of the board of the Fair Trade wholesaler GEPA and co-founder and first executive secretary of the international Fair Trade umbrella associations Transfair International as well as its successor Fairtrade Labelling Organizations (FLO) International. Martin also set up the FLO tea-producer register, including the concept of so-called 'joint bodies' on plantations. He is currently the Executive Secretary of the Fair Rubber Association (Fair Rubber e.V.), established in Germany in 2012 to help improve the working and living conditions of the primary producers of natural rubber and provide a platform for cooperation between the diverse companies trading and making products with Fairly Traded natural rubber.

Abstract

This article reflects on the evolution of rubber (natural latex) production and aspects of its bloody, colonial history, noting the varied applications of rubber in objects around us. The author shows why rubber is a product in need of a Fair Trade label to promote good conditions for rubber tappers, farmers and workers, despite being rejected as a product candidate by FLO international. Lessons are drawn from the evolution of Fairtrade certification criteria and design flaws and the barriers this represents for other major commodities like rubber to be added. Building on the innovations in criteria, representation and premium system developed for Fair Trade Tea plantations, the Fair Rubber Association's approach is described, including the dynamics of the market for workers and small-scale producers. This essay explores issues of measuring labour costs, determining fair prices for workers and farmers. The article shows how this was resolved for Fair Trade rubber and the challenges to be overcome of extreme price sensitivity of major users (like the car industry) and rise of synthetic rubber.

Keywords: Fair Trade labelling; natural rubber; smallholders; tappers; synthetic rubber; Fair Rubber Association (FRA); FLO criteria; certification; social standards; FSC; Fair Trade premium

Rubber is ubiquitous in our lives. I have been told that there are 200 items of rubber in a car – in addition to the tyres and the other more obvious pieces such as window seals (wipers are nowadays made from silicone – I'll get to the issue of natural rubber substitution later).

From the Wild. . .

Rubber also has a very **bloody colonial history**: From King Leopold of Belgium and what is now DR Congo, to British led exploitation of the rubber extracted from the Amazon. Guesstimates for the 19th century, when rubber was collected 'in the wild', are that up to ten lives were lost in order to have one kg of rubber exported to Europe (and the USA).

Then, in 1876, an Englishman named Henry Wickham stole/smuggled/exported – depending on your worldview – 70,000 seeds of the main rubber-producing plant, *Hevea brasiliensis*,[1] from the Amazon. These were distributed via the system of (royal) botanical gardens in Kew, Singapore (Raffles), India (Kolkata) and Sri Lanka.

. . . to Plantation Agriculture

As a result, today's top producers of natural rubber are in Southeast and South Asia (Thailand, Indonesia, Vietnam). This rather successful case of what would nowadays be called bio-piracy earned Sir Henry a knighthood.

The biggest producer in Africa is the Ivory Coast (the type of rubber extracted from the Congo was from a different plant, which became more or less extinct due to over-exploitation). Efforts to expand production in plantations in Latin America failed mostly because, in its original habitat, the rubber tree is attacked by a leaf blight disease which prevents growing the rubber in plantations – as Henry Ford of model T-fame found out in a costly experiment aimed at making his car factories independent of other rubber suppliers. The water tower of Fordlandia in Brazil can still be seen amid the overgrown remnants of his attempt to treat nature like an assembly line.[2]

Market

Today the annual production of rubber is above 10 million tons, with significant variations from year to year. And with 85 per cent of the total produced by small farms, rubber looks like a natural candidate for a Fair Trade label. Alas, the British Fairtrade Foundation (FTF, member of the Fairtrade Labelling Organization (FLO)) – after looking at rubber for about two years – decided against including natural rubber under the FLO umbrella. Hence the Fair Rubber Association (FRA) was founded in June 2012 as a dedicated Fair Trade label for natural rubber.

Figure 1 Fair Rubber Association logo

We had our work cut out from the start – Fair Trade chocolate is an easier sell than Fairly Traded rubber.

Rubber became 'big' in the early years of the 20th century, when the production of cars began in earnest. Bicycles and their tyres merely were the warm-up act. Ever since, the fortune of rubber producers has been linked to the fortunes of the car industry, to the extent that today some 70 per cent of all natural rubber goes into the manufacture of car tyres. And with the extreme dominance of carmakers, and tyre makers, it is extremely difficult to convince one of these to try out Fairly Traded natural rubber.

Another 20 per cent of the market is dominated by industrial uses (conveyor belts, agricultural machinery, etc.), again: not exactly easy candidates for Fairly Traded products.

Only about 10 per cent goes into products that – potentially – reach the consumer in a way where the rubber is recognizable, and where she or he can make a choice. And for Fair Trade to 'work', this is critical. The consumer has to be offered a choice, an alternative, of the same quality and with the same (easy) availability. It is, for example, easy to choose a Fairly Traded coffee over a conventionally traded one: a regularly occurring decision in front of a shelf in a supermarket. But no one in their right mind would select a saloon or an SUV because one

1 Thomas Edison is said to have tested some 2,500 'latex milk' producing plants for his friend Henry Ford. At present still in contention are Russian dandelion (*Taraxacum kok-saghyz*), and guayule (*Parthenium argentatum*) – but neither is anywhere near as productive as the 'rubber tree'.

2 https://www.theguardian.com/cities/2016/aug/19/lost-cities-10-fordlandia-failure-henry-ford-amazon

model was on offer with Fairly Traded tyres and the other not. Hence for natural rubber, the 'final buyer' (i.e. the one who has to decide on using Fairly Traded natural rubber or not) is not the car buyer, but the car-producing company. Applying 'our' Fair Trade premium of EUR 0.50/kg DRC (Dry Rubber Content) would add EUR 6 in total to the cost of a passenger car (for four tyres). 'Too much' according to the industry (which, of course, still bought rubber when world market prices in 2011 briefly rose close to USD 5/kg – see below).

And even in the small segment of natural rubber products where a 'final' consumer might take a decision, this often turns out to remain theoretical. To use a currently rather relevant example: 'rubber gloves' much in demand in times of COVID. The limiting factors for Fair Trade in such a rubber product are obvious: a patient won't (be in a position to) care, if the nurse uses Fairly Traded gloves or not. Furthermore most public procurement still relies on (low) pricing only. And when it comes to the gloves used by the 'gods in white' in the operating theatre, for once, price does not matter but brand does. A hospital will not change the brand that the 'operator in chief' wants and getting THAT brand to adopt Fair Trade because one hospital wants it is mission impossible.

Furthermore, coming back to the current pandemic: an increasing number of gloves are made with synthetic rubber (i.e. 'rubber' made from petroleum, a fossil fuel). In fact, not only does the term 'rubber' usually cover natural and synthetic rubber (with the latter actually having a larger market share) – most 'rubber' products contain a blend. The reason may be one of cost (if petroleum prices are down, natural rubber prices drop, too), and/or it has to do with technical issues: a car tyre contains only about 30 per cent natural rubber. Truck tyres have higher performance demands and contain 60 per cent natural rubber, and Formula 1 and airplane tyres are close to 100 per cent. But again, neither owners of racing cars nor airlines are 'natural' Fair Trade target groups.

Nevertheless, we are patient, hardworking and, more often than not, convincing. The Fair Rubber Association has grown and now has members and logo users in some ten countries for products from condoms and period cups to mattresses, to seed trays, to all kinds of gloves, rubber boots and flip flops, elastic bands, . . . And we have just added the world's premier bicycle tyre manufacturer – a first toehold in the tyre market: With a bit of luck, just like 100 years ago, car tyres may follow where bicycle tyres lead.

At present we have supplier partners in four countries, Sri Lanka, India, Indonesia and Thailand: Frocester, a plantation in Sri Lanka and the first partner (products sourced from this supply chain include i.e. period cups, seed trays, hot water bottles), New Ambadi, a plantation in South India (mattresses, condoms, hairbands), another group of plantations in Sri Lanka (household and gardening gloves, elastic rings, mattresses), the Green Net Cooperative, Thailand, an association of small coconut and rubber farmers (flip flops), ASR, a small farmers' association in Sri Lanka (seals for glass water bottles), a small farmer Group Hat Yai in Thailand (condoms and baby pacifiers) and the Group of Rubber Tappers in Indonesia. The latter is a success story in itself, with a bitter sweet aftertaste. Originally the group consisted of 277 tappers (the association memoranda specify that only those who actually tap can join – no absentee landlords are permitted as members). They decided to expand their membership and added some 100 more tappers (from a total of six villages) – but the Fair Trade premium payments remain the same, i.e. the shares by their own decision became smaller.

Fair Trade Standards

The standards of the FRA are closely aligned with the criteria that were developed for Fair Trade labelled tea in the 1990s: after all, at least in South Asia, the legal framework, the trade unions involved and the owners are often identical. The first supplier partners to FRA members all knew Fair Trade from tea.

From countless hours spent behind the counter of a World Shop, and discussions with licensees of the Fair Trade labelling initiatives, I estimate that the overlap of (potential) customers who care about producers and those who care about the environment is probably around 90 per cent, And since initially the FRA did not want to establish yet another standalone audit system, we began by requiring suppliers to be Forest Stewardship Council (FSC) certified, a certification to which we simply added our Fair Trade requirements: the Fair Trade premium, and the mechanism to ensure that workers are involved in the decision how it will be spent. And unlike in most other schemes, the FRA paid for or shared the cost of FSC certification.

I served as the first executive secretary of FLO (and its predecessor TransFair International (TFI)) in the 1990s. In 1994 I also wrote the original criteria for Fairly Traded labelled tea, as part of which I 'invented' the system of an elected 'joint body' to make sure that tea workers and pickers have a say in how and for what the Fair Trade premium is used. The concept has stood the test of time and setting up joint bodies for Fair Trade in rubber plantations therefore was the obvious option, too.

Unfortunately, the more attention Fairly Traded rubber and the FRA got, the harder FSC started to promote its own label, which, unfortunately, does not provide any financial benefits to the growers but makes FSC more attractive to traders. Consumers have a hard time distinguishing between different social and environmental labels – in most cases they know that a label stands for 'something good'. So having the FSC label (no Fair Trade premium to pay, and usually the supplier pays for his/her own audit) is great for the buyer. Because of this development, the FRA decided in 2018 to 'blend' the key criteria from FLO standards (for the social side), and the key environmental standards from the FSC criteria, into standalone criteria for Fairly Traded rubber. The FRA standards are audited by independent third-party auditors, again paid for by the FRA for all of its supplier partners. After all, isn't the original idea of Fair Trade to help 'disadvantaged producers' to access markets (and in the process achieve better working and living conditions)? If that is (still) the aim, then asking supplier partners to first of all undergo and pay for an audit seems neither fair nor to make sense, particularly not when becoming certified is no guarantee of a single Fair Trade sale.

It also is in my opinion not fair to allow as many supplier partners onto the system as possible without being in any position to ensure that they will find any Fair Trade buyers. So, another lesson learned is that the FRA only accepts new supplier partners if there is a demonstrable increase in market demand (e.g. a new member with a new product and market).

Fairly Traded What? The Idea of the 'Labour Content'

With hindsight Fair Trade labelling seems to suffer from a 'design flaw' (for which I share part of the guilt through my roles in TFI and FLO). It started as a label for coffee grown by small farmers only, and it took years until the expansion to another product (tea) and another production set-up (plantations) was 'accepted'. For some, even today, Fair Trade should only apply to 'small farmers'. After tea came cocoa, sugar, honey . . . in other words: criteria were developed product by product by product. And that resulted in some weird unintended consequences. One example: there is a small tea plantation in South India, certified both organic and Fair Trade, that also grows pepper in the shade amongst the tea bushes. The pepper is harvested by the same workers who pick the tea - but it does not qualify for the FLO label – as pepper criteria limit FLO/Fair Trade certification to small farmers only.

Back to rubber: while 85 per cent of rubber is grown on small farms, history shows that, when prices are high, small farmers benefit, while plantation labour is stuck with fixed wages. In times of low prices getting a fixed wage is a definite benefit, whereas small farmers lose when prices for natural rubber no longer even cover the cost of production[3] – which is increasingly becoming the norm in times of dropping car sales (particularly in China – the 'rubber growth engine' that led to a short spike in rubber prices c.2010–11 and to some conversion of virgin rain forest into rubber plantations).

But back to the 'design flaw': do we really want to label products? Should Fair Trade not be a tool to help improve the living and working conditions of 'disadvantaged producers'? In which case, what we should label is not the product, but the 'labour content' of any given product. Had this principle been applied in the 1990s, when arguments became heated whether it was ok to label chocolate on the basis of Fair Trade cocoa only, or whether the sugar also had to be Fairly Traded, the answer would have been easy: compared to sugar, cocoa is ten times as labour intensive – i.e. even with just Fair Trade cocoa, the majority labour input into that chocolate would have been covered.

So why does the FRA label 'rubber'? Fairly early on we looked at a range of rubber items and tried to establish their labour content: an average rubber supply chain has four steps from tree to product – FLO is still struggling with cotton (five), but in both cases a Fair Trade premium is paid only to the first, primary level,

3 This is also very similar to the situation in coffee in the 1980s, after the collapse of the global coffee agreement, which led to the first Fairtrade labels.

Since rubber tapping is extremely labour intensive, with all following steps mostly dominated by machines, we found that the labour content for tapping alone varies from two-thirds to three-quarters of all labour input. This was the point at which we decided that 'nobody is perfect': requiring audits and Fair Trade premiums for the remaining third to a quarter of labour simply would be unrealistically expensive. The benefits for a few machine operators vs. the auditing costs simply not worth it.[4] Another 'design flaw' we addressed is the problem that, the longer the supply chain, the more margins add to the Fair Trade premium paid at the first level – adding up by the time a product reaches the buyer – but without benefiting the primary producer. The FRA 'short circuits' the tappers with its members/buyers for the purpose of paying the Fair Trade premium. The member pays to the FRA the premium for the volume of rubber supplied by a supplier partner for the products sold by that member with the FRA logo, the FRA passes this Fair Trade premium of EUR 0.50/kg DRC on to the supplier partner (without deductions): 100 per cent benefit at the primary level, easy to confirm and monitor at both ends.

It's the Price, Stupid!

So what is the extra price, that Fair Trade premium? Because we involve plantations and small farmers, our initial suppliers never asked for a minimum price. Instead a Fair Trade premium was fixed that was calculated to cover (even in times of low global prices) the cost of production, when combining it with whatever commercial price is relevant – plus leaving a small 'extra'. And until the end of 2019 that equation worked. With rubber markets at or around USD 2/kg DRC a Fair Trade premium of EUR 0.50/kg DRC 'fulfilled' this combination – while causing plenty of industry representatives to tell us that this extra payment was way too high.

But in the autumn of 2019 a number of factors came together that forced rubber prices to drop lower and lower, and for the first time (e.g. in Thailand) the price a small farmer got at the collection station, plus the Fair Trade premium, did not quite reach the legal minimum wage for the region.

It is a pleasant surprise that despite this situation our latest supplier partner in Indonesia (see above) decided to use only part of the bonus to 'top up' the price for rubber – another part will be used for community benefits.

The Fair Trade premium is what makes the FRA unique among all other rubber related initiatives, FSC and otherwise (and it pays the audit costs for audits against its own standard). While having core environmental standards, our focus is social standards, in particular we address the totally inadequate low prices paid, asking our members to pay the 'high' Fair Trade premium of EUR 0.50/kg DRC (or EUR 6/car).

There are still a number of environmental non-governmental organizations (NGOs), which continue to pillory rubber production for (allegedly) being responsible for cutting down rainforests in order to plant rubber. That was indeed the case in 2010/11, and one reason for the current bad price is that these plantings came into production in 2017/18: it takes seven years for a rubber tree to be mature enough for tapping (Figure 2). At current prices, no one in his/her right mind will plant a rubber tree . . . instead there is a significant shift to palm oil, where prices are high, and the wait for the first harvest is only four years. Unfortunately, palm oil also is far more damaging for the environment (chemicals) and working conditions are usually worse, too. And a final note: the rubber tree is ideally suited to help mitigate climate change. Rubber trees absorb more CO_2 per area than the Amazon rain forest.[5]

While many groups demand better environmental practices, and good working conditions, none addresses the issue of the totally inadequate world market price for rubber. Rarely was the need for Fair Trade as obvious as in the current rubber market.

At a session at the 'Global Rubber Summit' in Singapore, a representative from the Ivory Coast told the audience that it had taken three years for producers and buyers to agree that 'sustainability' consists of three

4 This is different from cotton, where the growing and the confectioning stages both account for approx. 40 per cent of labour content each. FLO requires audits for five levels, but a premium is paid only to the farmers.

5 Jacob, J. (2003). Carbon sequestration capacity of natural rubber plantations. IRRDB Symposium on Challenges for Natural Rubber in Glbalisation 15–17 September, Chiang Mai, Thailand.

Figure 2 Tapping a rubber tree

components: environmental, social and economic. Since the agreement, buyers produce long lists of demands for environmental and social (child labour!) standards – but when the producers raise the issue of pricing, the buyers say: that is a function of the market.

The Global Platform for Sustainable Natural Rubber (GPSNR), to which tyre and car makers often refer to when asked about their contribution to sustainable and fair supply chains, prohibits the discussion of pricing in its charter – one reason why the FRA declined observer status at the subsidised fee of USD 3,000.