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Who decides what is fair in fair trade? The agri-environmental governance of standards, access, and price

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Abstract

The agri-environmental governance of value chains can favour a Polanyian double movement seeking social protection and control over price setting markets or it can advance a neoliberal logic that strives to overcome the few remaining civic and ecologic obstacles to full market dominance. Coupled with a typology that contrasts corporate social responsibility and social economy Fair Trade models, this theoretical framework elucidates positions in the current policy debates about the minimum coffee price standard. Many Southern smallholders consider Fair Trade's standards, which for coffee include direct market accesses for smallholder cooperatives, minimum prices, and environmental criteria, among the best deals available. The smallholder empowerment benefits are often better than competing eco-labels. However, this study finds that Fair Trade minimum prices lost 41 percent of their real value from 1988 to 2008. Despite objections from several 'market driven' firms and national labelling initiatives, smallholders' collective advocacy and this research contributed to the Fairtrade Labelling Organisations International's (FLO) decision to mandate a 7-11 percent minimum price increase. The price debates demonstrate that Fair Trade governance is neither purely neoliberal nor social movement led - it is a highly contested socially embedded practice. Voices without votes, North-South inequalities, and dwindling prices paid to its stated protagonists indicate the need for governance reform, cost of living price adjustments, and additional investment in the innovative alternative trade and hybrid models.

Keywords: fair trade; eco-labels; environmental and agricultural governance; standards; sustainability; Karl Polanyi

1. Introduction

The flare-up of food scares, increasing environmental awareness, and the resurgent interest in healthy sustainable foods coupled with the roll-back of state regulation has stimulated a growing constellation of third party certifications. These trends prompted several analysts to argue that 'private rules, practices and institutions ... are now at the centre of transforming social, political, and economic relations throughout the global agrifood system' (Busch and Bain 2004, 322). Although the dominant response to demands for reform continues to be business as usual, certification systems are among the core drivers of change (Utting 2008). These evolving empirical realities suggest research questions

about how certifications affect agri-food systems, livelihoods, and landscapes. If we step back from the descriptions and impact assessments, a set of questions emerge about the politics, interests, and science involved in agri-food governance.

In this paper, I develop an agri-environmental governance framework to unpack the driving forces associated with changing Fair Trade coffee price standard.¹ The policies established through Fair Trade governance influence which types of producers have accesses, farming practices, and the allocation of costs and benefits. Combined with innovation these decisions will shape Fair Trade futures. The two most important standards within Fair Trade coffee are the minimum prices and direct trade (market accesses) with smallholder cooperatives. The above market value Fair Trade prices have come to symbolise the fairness within an unfair trading system.

I show that despite adherence to several International Standards Organisations' criteria, Fair Trade governance, like that of other third-party sustainability certification programmes, continues to be a deeply contested, socially embedded process, subject to an array of political economic constraints, personal convictions and path-dependent contingencies. This angle of analysis will generate insight into pressing questions identified as a future research agenda for third party certification, such as 'Will certification transform conventional markets or be captured by them?' (Mutersbaugh *et al.* 2005), gesture to broader questions about the relationships of agriculture and food to the world capitalist economy (Goodman and Watts 1994, McMichael 2009), and interrogate the possibility of alternative agri-food systems (Whatmore and Thorne 1997). In the second section, I develop a Karl Polanyi inspired socially-embedded approach to agri-environmental governance and contrast this with the dominant neoliberal strategy. The third section briefly introduces the coffee industry, surveys the major sustainability certifications, and reviews their standards. A closer examination of Fair Trade networks and rapidly evolving marketplaces reveals several different models of Fair Trade: a corporate-centric, profit-oriented model focused on rapidly expanding high margin niche markets for certified products, an alternative trade model oriented towards a social economy and including a larger campaign to 'reform the global trade system', and hybrid models (Reed 2009).

I reconstruct the history of Fair Trade governance and minimum prices. The findings reveal declining real Fair Trade minimum prices. I follow this with an institutional analysis of the Fairtrade Labelling Organisations International's (FLO) governance structure and the micro-politics associated with the 2007-2008 nominal increase in Fair Trade certified coffee prices. These adjustments occurred after heated debate and following mobilisations led by smallholder fair trade cooperatives, support from development-oriented civil society organisations, and consideration of relevant research, including the analysis presented in this paper. In the discussion, I use the agri-environmental governance framework and the fair trade typology to unpack the interests, convictions, and several of the historic contingencies that explain why Fair Trade coffee prices had not changed for 12 years prior to this decision. I argue recent contestations could be a signal of a more democratic certification system, less bound by the narrow rules and audit cultures that characterise many international standards debates. Before completing this constructive critique, I compare Fair Trade with the other leading third party sustainable coffee certifications, finding that it generally offers a better deal for small-scale farmers and their collective organisations. However, evidence suggests that although volumes have increased, Fair Trade is not as good a deal as it used to be. I argue that a fairer Fair Trade would include a governance process with more Southern civil society, grassroots development stakeholders, and consumer interests coupled with organisational reforms that increase transparency, flexibility, and accountability. There is also a need for additional research concerning Fair Trade impacts, costs of sustainable production, and governance.

This research draws from nearly a decade of participatory action research conducted with smallholders, their cooperatives, development agencies, and firms within specialty coffee value chains (Rocheleau 1994, Bacon 2005b, Bacon *et al.* 2008, Fox 2006). I also reviewed policy documents, internal reports, and press releases, attended producers' assemblies, and participated in international coffee meetings. To cross check the history of the price changes and the governance debate, I conducted more than 30 formal and informal interviews and consultations with key decision makers. The subjects interviewed include past and present FLO board members, leaders of cooperatives selling to Fair Trade markets, long-term development consultants, labelling initiative staff, activists, the co-founders of Fair Trade coffee companies, and CEOs promoting a sustainability agenda within the specialty coffee industry.

The impetus for detailed research about Fair Trade coffee minimum prices emerged from previous research conducted with Fair Trade cooperatives in Nicaragua (Bacon 2005b). After this first phase of work, several Nicaraguan cooperative leaders were elected to leadership posts within *La Coordinadora Latinoamericana y del Caribe de Pequeños Productores de Comercio Justo* (The Latin American and Caribbean Network of Smallholder Fair Trade Producers), known as the CLAC.² The CLAC is the largest association of small-scale farmer cooperatives involved in Fair Trade and claims to represent more than one million people in the region. In 2006, members of the CLAC's leadership team asked me to conduct a short six month study to assess real value of the minimum Fair Trade coffee prices and recommend a price adjustment. I finished this study and then presented it to the CLAC's general assembly held that same year in the Dominican Republic. The results were debated during the assembly and the CLAC developed a proposal for price changes which was presented to FLO. After finishing this applied analysis, I spent portions of the subsequent years (2007-2009) conducting follow up research. I concluded that a theory of agri-environmental governance could best explain the drivers associated with changing prices and standards.

2 An approach to agri-environmental governance

Karl Polanyi's dual concepts of a socially-embedded economy and a 'double movement' melded with scholarship from agri-food studies and global governance underpins this approach. Let us start by defining terms and summarising several theoretical insights. The 'agri' prefix integrates a burgeoning literature on environmental governance (Lipschutz 1997, Young 1997, Clapp 1998, Castree 2008, Clapp and Fuchs 2009, Auld *et al.* 2008, Konefal *et al.* 2005) with a focus on agriculture and food systems (Buttel 1997, Goodman 1999, Marsden 2000). The agri-food system refers to the network of relationships that move a food or beverage from farm to fork or crop to cup, including production, distribution, and consumption as well as the critical support institutions, non-governmental organisations (NGOs), and knowledge systems.³ Governance refers to 'the capacity to go get things done without the legal competence to command that they get done' (Rosenau and Czempiel 1992, 250, cited from Lipschutz 1997, 87). Lipschutz (1997) also suggests an actor-oriented approach to governance that conceptualises the interlocking alliances and contestations as multiple organisations, institutions, and people's daily habits interacting to collectively define different meanings and actions. Although governments are often involved in governance relationships, the latter are driven by non-state actors.

If by the environment we mean nature, agri-food regulations are simultaneously environmental regulations and thus an important component of environmental policy. In an influential article, Goodman (1999) critiques the modernist ontology within the dominant agriculture and food studies

literatures for its failure to incorporate nature's place within agri-food systems beyond a consideration of the ecological endowments (e.g. altitude, soil types, precipitation, etc.) and environmental regulations influencing production (e.g. which crops are subsidised, pesticides are permitted, etc.). He suggested the need for more theoretical flexibility to understand polyvalent change within agri-food systems, include nature's metabolic processes, and open the associated bio-politics (Goodman 1999). These conceptual steps are further complemented by studies addressing the 'other' end of the commodity chain as eaters, drinkers, citizens, and consumers complete a fundamental step in this iterative process (Allen 1993, Goodman 2004, DuPuis and Goodman 2005, Lockie 2009). This conceptual pathway contributes to a closer integration of environmental, agri-food, and commodity chain governance. Polanyi adds a broad historic frame, useful for divulging the dominant drivers of specific governance arrangements.

Karl Polanyi (1968) studies the economy as a socially instituted process. This socially-embedded approach directs analysts towards the relationships among the governments, organisations, and institutions that generate the enabling environment for markets, economies, and technological change. In his seminal book, *The Great Transformation*, Polanyi (1944) examines the changing place of economy in society. Pioneering a branch of comparative economic anthropology, he claims that in all other societies prior to the industrial revolution and the rise of capitalism, economic activities were arranged within a set of broader social relationships. The fundamental shift with the rise of industrial capitalism was the re-configuring of society around price setting markets. Polanyi continued this line of reasoning to suggest that as markets were liberalised from their social control, the ensuing exploitations of labour and land would provoke a protective social response, a double movement against the consequence of this liberalisation. *Governments* have historically exerted this social protection through regulation, however, from the early 1990s forward, a plurality of *governance* strategies are often at the forefront of those proposing a degree of social protection.

While most scholars consider the international state-based governance of global coffee markets from 1962 through 1989 a Polanyian double movement against the damages, threats, and peasant uprisings caused by the prior period of liberalised coffee there is increasing debate about the degree to which the rise of sustainability certifications, including Fair Trade and organic coffee, are the early phases of another double movement (Raynolds 2000, Bacon 2005a, Jaffee 2007) or a case of second phase neoliberal environmental governance (Guthman 2007). Two agri-food and development analysts, both of whom started publishing their work on agri-food and sustainable development issues with coffee-based empirical studies, framed this debate as follows:

In the former age of national capitalism, the achievement of market fairness was embedded in a normative framework generated by government, labor unions, and perhaps religious authority. In the current age of global capitalism, new actors such as NGOs, industry associations and public-private partnerships provide the normative framework that corporations use for social legitimacy. (Giovannucci and Ponte 2005, 284)

After identifying the characteristics of a Polanyian double movement vs. neoliberal governance, I consider the empirical answers to this question in subsequent sections.

Advocates and scholars interested in enabling a Polanyian double movement against the damages associated with an industrialised agri-food system often study 'alternative' agri-food systems including the organisations and networks of relationships that potentially do not conform to the disciplining logic of profit maximisation (Goodman and Watts 1997, Allen and Guthman 2006, Friedmann and McNair 2008).⁴ Critically informed empirical study can identify the organisations motivated by normative

values of reciprocity, justice, and environmental sustainability that hold promise for re-embedding markets. Polanyi's manuscripts were unclear on exactly what types of social formations represent effective efforts to re-embed market-centric relationships.⁵ Sociologist Michael Burawoy (2003) clarifies that Polanyi was referring to an 'active society', consisting of cooperatives, labour unions, and other social formations (e.g. social movements organised around environmental justice, liveability, and meeting basic needs). The shift from nation-based government regulation of domestic economies and international trade to the post-1970s phase of economic globalisation and concomitant civil society response suggests the need to expand Burawoy's organisationally oriented 'active society' to include international organisations and solidarity networks (Lipschutz 1997, Keck and Sikkink 1999). This clarifies criteria for identifying potential participants in the society-based component of a double movement, but how do we know it when we see it? Some have argued convincingly that many third party certification systems partially resist but also re-inscribe neoliberal thinking (Guthman 2007, Brown and Getz 2008).

Neoliberalism is a political-economic theory, class-based project, and a systematic practice (Harvey 2005). Thatcher and Reagan championed the neoliberal counterrevolution against the 1960s movements for social change. Watts (2007) traces the conceptual roots to Friedrich Hayek's (1944) *The Road to Serfdom*. Neoliberalism posits that forcefully liberating individual entrepreneurial freedoms maximises the well-being of all. The role of the state becomes the promotion of individual liberty and personal freedom through an institutional structure made up of strong private property rights, free markets, and free trade (Watts 2007). The state has little role in second guessing market signals (i.e. prices), and where there is an 'externality' (e.g. pollution, social exploitations), the state can create new property rights that enable private profit seeking to spur innovative solutions. The regimen is maintained through the political, economic, and military powers/violence available to the state and the ruling class (Harvey 2005).

Although first phase neoliberalism focused on de-regulation, state withdrawal, and privatisation, neoliberalism's second incarnation, or roll-out neoliberalism, is characterised by assigning a price and value to nearly everything (e.g. nature and justice) and developing a multitude of market-based regulations to enable these new more 'sustainable' markets. In the case of Fair Trade, I am interested in how these dynamics play within global commodity chains.

Like the commodity chain literatures (Bair 2009), a Global Value Chain (GVC) analysis considers the international structure of production, trade, and consumption of commodities as disaggregated into stages that are embedded in a network of activities controlled by firms (Daviron and Ponte 2005). Those studying the governance of coffee global value chains have emphasised different aspects, ranging from power inequalities and state-led mediation (Talbot 1997) to how quality is defined (Renard 2005) and strategies for value creation and capture (Daviron and Ponte 2005). A focus on symbolic quality, instead of the narrowly defined material product quality, provides an opening to consider the interventions of activist NGOs and other agencies often working through third party certification systems to promote a relational or civic logic within the value chain (Lyson 2004, DuPuis and Gillon 2009). However, the civic norms and broader definitions that include the social and ecological dimensions of quality within Fair Trade interact uneasily with persistent north-south power inequalities (Renard 2003) and the market-disciplining pressures to reduce costs and prices in ways that maximise profits for the dominant firms (Bacon 2005b, Jaffee 2007, Reynolds *et al.* 2007, Fridell 2009). Fair Trade is one example of the many third party certification systems influencing agri-food systems.

3 Third party sustainability certifications and Fair Trade coffee

The proliferation of third party sustainability certification programmes is accompanied by a growing academic sub literature pioneered by those studying alternative agri-food networks (Allen 1993, Marsden 1995, Raynolds and Murray 1995, Goodman and Watts 1997). Third party certification is a product safety and quality verification mechanism in which third parties assess, evaluate, and certify safety and quality claims against a particular set of standards and compliance procedures. Third party certification is distinguished from other product safety and quality certification mechanisms by the independence of the certification bodies from other firms within the value chain (Hatanaka *et al.* 2005). A simple typology considers second party certification that in which a firm, often a retailer, contracts an agency to audit its supply chain. First party certification is characterised by firms inspecting and auditing themselves. Sustainability certifications contain social and ecological conditions standards, in contrast to certifications that primarily concern traceability, efficiency, and food safety.

Although ethical commodities are rapidly becoming a space for vibrant academic and practical debates concerning their pitfalls and possibilities for change (Mutersbaugh and Lyon 2010), with the notable exception of certified organic foods, the literature on third party certification standards setting and governance is relatively thin (Hatanaka *et al.* 2005). Previous studies have covered several dimensions of organic agriculture, including the interaction of agricultural and ecological processes within organic coffee systems (Perfecto *et al.* 2003, Martínez-Torres 2006, Mendez *et al.* 2007, Philpott *et al.* 2008, Mendez *et al.* 2009), socio-cultural relationships (Nigh 1998, Bray *et al.* 2002), contradictions inherent in a certification-based strategy for broader scale environmental conservation (Guthman 2002, Jaffee 2007), and persistent tensions about governance and standards (Guthman 2004, DuPuis and Gillon 2009).

Since 2002 several studies have assessed community and household level effects of participation in local cooperatives and sales into Fair Trade networks (Bacon *et al.* 2008, Lyon 2008), highlighted market-movement tensions within the Fair Trade system (Renard 2005, Jaffee 2007, Raynolds *et al.* 2007), analysed the alternative international development approach it claims to promote (Fridell 2006), and chronicled the expansion and evolution of this system. While previous studies have captured the market vs. social movement tensions exacerbated by the aggressive mainstreaming campaign led by Fair Trade certifiers (Jaffee 2007, Raynolds *et al.* 2007) and addressed Fair Trade governance (Taylor *et al.* 2005, Lockie and Goodman 2006), no previous published studies have unpacked the political processes and transnational negotiations that characterise Fair Trade governance processes in regard to a core standard (i.e. minimum prices).

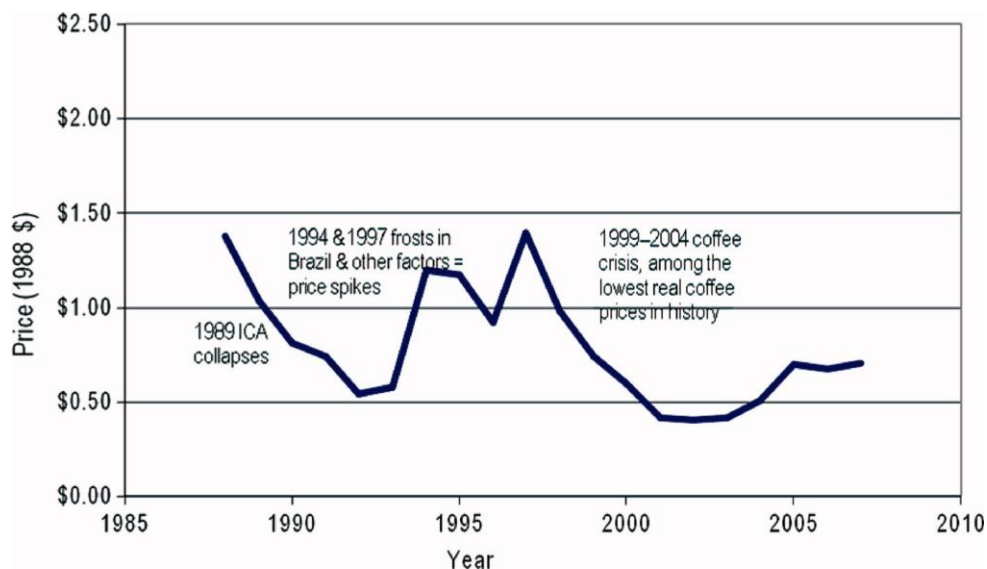
Coffee and eco-labels

The coffee industry is one of the most active spaces for third party certifications and voluntary partnerships oriented towards increasing product quality, transparency, and sustainability (Bacon *et al.* 2008, Daviron and Ponte 2005). A walk down a supermarket coffee aisle presents a terrific diversity of packages including colourful tropical birds, trees, farmer faces, cooperative names, and occasionally geographic indications of origin. Intertwined with these stories and branding strategies are a growing constellation of third-party certifications promising Fair Trade™, Organic production, Bird Friendly™ practices, or Starbuck's C.A.F.E. Practices. Each programme contains its own unique standards and governance structures.

The political ecology of global commodity production and regulation shows how a small alteration in a certification's standards and price premiums provokes increasingly larger ripple effects in farmer livelihoods and landscapes. An extended example illustrates my point. A smallholder family in northern Nicaragua includes an average of six people; they produce about 528.85 kg (1165.58 lbs) of coffee, which is their most important source of monetary income (Bacon 2005b).⁶ They also grow corn and beans in separate plots and harvest fruits from their coffee shade trees, producing half of the food they eat. Their coffee farm is shaded by more than 400 trees per hectare with at least 45 different species. In 2003, the Fair Trade price paid to their cooperative was USD\$1.26 per pound at the same time that commercial prices paid to exporters were as low as USD\$0.45/lb.⁷ Fair Trade coffee standards prioritise smallholder cooperatives and associations and this contributes to building certain types of producer marketing cooperatives, which often generate additional benefits for their members. Cooperative leaders and experienced farmers report the following among the benefits of maintaining strong cooperatives: defending the land titles earned during previous agrarian reforms, providing educational scholarships, and providing political/economic voice for this marginalised sector.

After paying their cooperative for processing, transport, credit, milling, and export and saving at least the \$0.05/lb social development premium for collective projects, an individual farm household received about \$1.00/lb for their Fair Trade coffee. However, because of low international demand for Fair Trade coffee, they only sold about 50 percent at this preferred price, selling the rest through conventional markets at \$0.39/lb in 2003. Farmers connected to Fair Trade cooperatives thus received an average farm gate price of \$0.70/lb (Bacon 2005a). This resulted in average gross coffee revenues of about \$810.08 per household. If the absolute minimum monetary cost of production (not including family labour, most agricultural inputs, access to land, interest costs, etc.) for this low input coffee in 2003 were \$0.54/lb, this leaves \$180.65 as a high estimate of annual net household revenue from coffee sales. Divided by the six members in the household and the days in a year, this is *not* enough to meet basic needs. In contrast, a substantial Fair Trade price increase, such as \$0.30/lb, could double their net revenue. The increased income could make a difference in everyday household expenditures related to mitigating cyclical hungry months, paying medical bills, keeping children in school, and staying on the land. When sold to the Northern coffee drinkers by the cup, this translates into two or three cents above current prices.

Despite the growing influence of certifications, the commodities market and quality premiums continue to be the driving forces influencing prices paid to producers. After the establishment of the New York Board of Trade and the coffee futures market as *the institution* that set reference prices and coordinated contracts in the early twentieth century, there were several booms and busts as coffee prices crashed during the two World Wars, frosts in Brazil, and the Great Depression (see Figure 1) (Topik 2009). These motivations combined with the high levels of market volatility and the USA's fear that communist-inspired revolutions could continue developing in impoverished, well-organised coffee growing regions sparked sufficient national interest from consuming countries in the North and large producing countries in the South (Brazil, Colombia, and Mexico) to create the International Coffee Agreement (ICA) in 1962. This intergovernmental effort aimed to 'stabilise the market and to halt the fall in prices which had had serious economic and political consequences for a large number of coffee producing countries in Latin America and Africa'.⁸



[Enlarge Image]

Figure 1. Real conventional coffee prices 1988-2008 (\$/lb of Arabica coffee). Source: Based on these data sources: International Coffee Organization, <http://www.ico.org/asp/display10.asp>, and US Bureau of Labor Statistics, http://www.bls.gov/data/inflation_calculator.htm.

Previous calculations and Figure 1 demonstrate that, when discounted for inflation, real coffee prices have declined substantially, losing more than 66 percent of their value from 1980 to 2005 (Lines 2005, 181). The binding economic clauses of the ICA lasted from 1962 through 1989 and served to slow the rate at which the coffee commodity prices lost their real value (Talbot 2004). The ICA disintegrated due to a combination of changing geopolitics (i.e. fall of USSR), the triumph of a market-centric approach to trade and development, and to a lesser extent the accumulation of internal problems within the ICA system (e.g. corrupt bureaucracies, countries not following their import/export quotas, inefficient capacity within domestic government agencies, etc.).

Certification governance structures, standards and strategies

In this section, I review three major third party sustainability certifications. Subsequent sections will step inside the certified Fair Trade coffee network to follow its historic development, current configurations, and governance strategies. The certifications in Table 1 launched their industry partnerships within the rapidly expanding specialty coffee industry (Daviron and Ponte 2005, Bacon 2005a). Worth over \$11bn retail dollars, this industry seeks to differentiate itself from bulk conventional coffee (e.g. Folgers and Maxwell House) based upon physical qualities (e.g. taste, freshness) and sustainability (Liu 2007). The specialty industry represents about 20 percent of the coffee consumed in North America, of which more than 20 percent is differentiated by one or more eco-label (Bacon *et al.* 2008).

Table 1. Governance structure and standards in three third party coffee certifications.

Certification	Production geographies	Governance structures	Agri-environmental standards	Social standards
Fair Trade	Started w/ indigenous smallholder cooperatives in Latin America (Mesoamerica) & Northern allies. Expanded coverage to Asia and Africa post 2000.	Representative driven multi-stakeholder groups; Semi-autonomous standards committee.	Use of agrichemicals restricted (dirty dozen plus); water conservation buffer zones around water bodies.No GMOs.*80 percent of FT coffee sold in the USA is also certified organic.	Prioritises smallholder producer cooperatives;Min. prices plus premium for social development;Child labour restrictions;Minimum labour standards, freedom of association & right to collective bargaining;Long term contracts & access to credit.
Organic	Started w/ larger farms and indigenous smallholder cooperatives in Latin America (Mexico), now prevalent in Latin America, Ethiopia, and elsewhere.	Int'l federation and national governments, NGO, stakeholders, producer associations & industry.	Prohibits the use of synthetic fertilizers & agrichemicals, encourages integral soil management. No GMOs.	Freedom of association & right to collective bargaining, working conditions, equal treatment, etc.
Rainforest Alliance	Started w/ larger farms in Mexico and later Central America. Post 2004-2006 has adjusted stds for smallholder orgs (many operations in Brazil, Vietnam).	Conservation NGOs, RA Board of directors & standards board of experts.	Restrict agrichemical use (dirty dozen plus), encourages soil and water conservation; Shade trees standards; Canopy cover of mixed native trees.	Freedom of association, safe and clean working environment, following national laws, dignified housing, medical care, free education, health, training.

Notes: *According to TransFair USA (<http://www.transfairusa.org/content/about/overview.php>[Accessed October 2009]), but I have yet to see this clearly elaborated within the international regulations. FLO significantly increased environmental standards in past four years (Rainforest Alliance n.d.).

Sources: Modified and adapted from Bacon *et al.* (2008, 348-9).

All certifications involved in coffee find their first root in the iterative relationships connecting farmer livelihoods and work into the mountain landscapes and the ecological processes that operate at different scales to generate the agroecological conditions (e.g. soils, temperatures, precipitation) that grow and later ripen this red berry. Once harvested, the coffee bean serves at the material basis for future collaborations, certifications, and value chains. The biological processes within the coffee seed continue to influence these processes. For example, the fact that producing countries can store dry parchment coffee beans for up to a year was critically important to managing the global supply in hopes of increasing prices paid to producers.

Like so many other voluntary third party initiatives, the certifications summarised in Table 1 seek civil society-based industry regulation through multi-stakeholder governance and standard setting processes (O'Rourke 2005). Note that this table does not include the Smithsonian Migratory Bird Center's 'Bird Friendly' coffee, which has the highest ecological standards but a relatively small market so far (Philpott *et al.* 2007). Let us unpack the development of governance structures and current practices. The farm sizes, identities, geographic locations, and agroecological management practices of the coffee production communities involved in the development of standards profoundly influenced their content and the governance configurations.

The first Fair Trade coffee collaboration emerged in the 1970s when an indigenous smallholder cooperative in Oaxaca, Mexico united with a solidarity-driven religious leader who later recruited Northern NGOs and coffee buyers (VanderHoff Boersma 2009). This Mayan community managed traditional shade grown coffee as part of their diverse farming and livelihood systems producing and harvesting fruits, firewood, and construction materials from their coffee shade trees and often growing plots of corn, beans, and squash for their subsistence (Moguel and Toledo 1999). Of the different certification groups, only the Fair Trade Labelling Organisations International, as configured in 2009, has several boardroom seats that are attached to smallholder producers that claim broad-base representation.

The Rainforest Alliance started their certifications through partnerships with larger-scale farming operations and designed their initial standards accordingly. The Rainforest Alliance (RA) is a USA-based environmental oriented NGO. The RA serves as a Secretariat for the Sustainable Agriculture Network (SAN), which consists of Latin America-based environmental groups and representatives from the RA. This programme runs the tropical fruit certification programme. Although the SAN responds to conservation-oriented environmental stakeholders from Latin America, they do not have a broad stakeholder-based board; the same holds true for the overall RA board of directors.

The governance of certified organics is the most complex, involving international federations, governments, certification agencies, and producer associations. Of the third party certifications, certified organic agriculture is rooted in the longest history, beginning with producers' agroecological farming practices, the avoidance of agrochemicals, and the producer associations that created their certification (Vos 2000). After initially certifying a larger coffee landholder in Mexico in the 1980s, organic certifiers followed demands for their certification and moved to certify many indigenous smallholder cooperatives that had never used chemicals (Nigh 1998). Although it took years to adopt standards and cultural practices, the organic certification industry has moved away from the days of USA-based inspectors showing up on a coffee smallholder plot with maps and guidelines based on a flat farm in Nebraska. By early 2000, there were several Latin America based certification agencies administering standards developed for smallholder organisations. In most Northern countries and an increasing number of Southern states, organic standards are passed by national legislative bodies, codified by agricultural ministries, and enforced by the government-accredited private certification firms. Notwithstanding these changes, the North-South inequalities and colonial legacies persist within the organic and other certifications (Friedberg 2003, Bacon *et al.* 2008).

The complexity of certification governance is matched by intricate schemes implemented to establish and revise standards. Before reviewing the standards, an important caveat - due to the lack of systematic comparable research on practices of certified operations and value chains, I will not speak to standards enforcement or compliance. The creation of *new* agri-environmental and social standards often included broad based stakeholder consultations, referenced United Nations conventions, considered the specific on-the-ground practices at the time, and frequently referenced scientific

research. For example, the Rainforest Alliance and FLO refer to the Pesticide Action Network's 'Dirty Dozen Plus' in their guidelines, which ban the most toxic pesticides and herbicides. Many of the environmental standards, such as guidelines for a minimum number of shade tree species and buffer zones for waterways, are loosely based on conservation science. The social standards are often based on a combination of community development and empowerment goals (in the case of Fair Trade) combined with non-discriminatory conventions from the United Nations and the International Labour Organization (see Table 1).

The process of revising standards within both Fair Trade and the Rainforest Alliance remained largely opaque until several announcements. In the past five years, both systems established standards committees with 'experts' drawn from within their organisations and occasional outside advisers. Multiple stakeholders are consulted during standards revision and given a voice *but the ultimate vote on standards is taken by the standards committee and/or the board of directors*. Government involvement in standards revision within organic agriculture is subject to more public scrutiny, as evidenced by the overwhelming public response to attempts by the United States Department of Agriculture to re-write organic standards, however, the results are not necessarily higher standards or consistent benefit flows to producers (DuPuis and Gillon 2009, Jaffee and Howard forthcoming).

The alternative, commercial and hybrid currents within Fair Trade: how multiple shoots grew from common roots

Fair Trade and organic coffee production emerged from farming practices, collective organising efforts, and social movements *outside* of the coffee markets. However, they have rapidly expanded through their initial engagement with progressive roasters in the specialty coffee industry. Fair trade is an '*alternative*' trade system that starts with a set of commonly held principles that have been codified into standards intended to support producer empowerment, closer producer-consumer relationships, gender equity, long term partnerships, transparency, and sustainable community development (Brown 1993). The twin strategies for implementing fair trade principles are the creation of a market that offers direct access, better prices, and long term trade relationships to marginalised smallholders and workers and the simultaneous generation of international development assistance to strengthen producer operations. Fair trade advocates established an international labelling system to expand demand (Fairtrade Labelling Organisations International) and an international association of alternative trade organisations (IFAT now the World Fair Trade Organisation) to advance their broader agendas. An informal collaboration among the four largest fair trade associations developed the following definition:

Fair trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development. Fair trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.⁹

There were high stakes associated with the pioneer Fair Trade partnerships. The risk was often shared between Southern producers and Northern alternative traders. The risk was often shared between Southern producers and Northern alternative traders. On one hand, producers and artisans frequently provided their products months or even years before receiving full payment after volunteers and alternative trade organisations sold them to uncertain distant markets. On the other hand, Northern

organisers provided producers with loans unavailable through commercial banks and bought crafts and coffee to sell into a market with no demonstrated demand. The stakes were higher among the Southern producers. The coffee or artisanal products produced were (and still are) the most important source of monetary income sustaining marginalised producers. The failure to sell these products could result in increased hunger, deeper debt, and the eventual loss of land and/or livelihood. It could also cause the collapse of producer cooperatives. The Northern advocates also risked economic loss, their time, and occasionally significant aspects of their personal well being.

An abridged institutional history of fair trade coffee will elucidate the subsequent analysis of changing price standards and governance strategies. The early alternative trade organisations emerged in the 1940s, often connecting religious and politically-motivated Northern organisations, such as 10,000 Villages and SERVE International, with groups of female artisans in impoverished communities. In 1959, Oxfam, UK launched the 'Helping-by-Selling' project to import and sell handicrafts.¹⁰ Later that same decade, the first Worldshop opened in the Netherlands. By 2005, there were over 2,800 Worldshops throughout Western Europe selling nearly exclusively fair trade products (Krier 2005).

Coffee led the development of Fair Trade certified foods, beverages, and agricultural commodities (Raynolds *et al.* 2007). In 1983, a group of Mayan smallholders met with the Diocese of Tehuantepec, Oaxaca, to discuss strategies to get better prices for their coffee and improve their livelihoods. The producers soon formed the *Unión de Comunidades Indígenas de la Región del Istmo* (Union of Indigenous Communities of the Isthmus or UCIRI). Excluded by the government agencies, which managed the export quotas negotiated through the International Coffee Agreement and most state-led rural development investments, UCIRI and allies planned to establish long-term direct relationships with Northern buyers to generate better prices. The leaders of UCIRI worked with their partners to create a very different market organised around solidarity, ecological sustainability, and social justice (VanderHoff Boersma 2009). Although they worked with many of the same alternative trade organisations that pioneered the work within the crafts sector, they also sought partnerships with other roasters and retailers to expand the market.

Solidarity - not market opportunity - motivated most pioneer fairtraders through the risky innovation process of creating functional alternative trade relationships where none existed. In addition to the earlier relationships connecting VanderHoff and allies in Holland to UCIRI in Mexico, another of Fair Trade coffee's founding roots connects to the USA-Nicaragua solidarity relationships and the larger *Central American Peace and Solidarity Movement* very active in the 1980s (Bacon forthcoming, Perla Jr 2008).¹¹ Boston based Equal Exchange is a worker-owned alternative trade cooperative that emerged in the mid 1980s and shortly after their formation this group of activists figured out a way to import coffee through Canada and break the Regan Administration's barricade of Nicaragua's Sandinista Government.

In other cases, progressive artisanal specialty roasters, like Paul Katzeff from Thanksgiving Coffee Company, brought his 1960s values into the fledgling specialty coffee industry and also found a strategy for importing Nicaraguan coffee across the blockade. However, US-based artisanal specialty roasters and alternative trade organisations remained largely disconnected until after the launch of the Fair Trade certification and the post-2000 coffee crisis.¹²

In Latin America, early Mexican and Nicaraguan smallholder cooperatives involved in alternative trade were often solidarity-based institutions intended to assure access to agrarian reform land, produce food and income, and often provide rural military defence. In Western Europe, several alternative trade organisations (e.g. Twin Trading, Max Haveelar, and GEPA) led the development of

fair trade coffee.¹³ The alternative trade networks moved very small volumes, generally subcontracted their roasting activities, and the coffee quality was generally low, as were the economic returns to investment.

After reflections and intense internal debates, by the mid-1980s early fairtraders realised that they needed to expand the volumes traded to have meaningful material effects (VanderHoff Boersma 2009). The search for a strategy wandered through historical contingencies and into an arrangement that shaped fair trade's future. The challenge was to find a practical strategy to scale up (Raynolds *et al.* 2007, Roozen and Vanderhoff 2002). After dialogues with a large European retailer market and considering building their own roaster in Holland, they decided upon the use of a label, Max Havelaar (Rosenthal 2009a). This label-based strategy remained controversial from the outset with avid resistance from several Alternative Trade Organisations (Rosenthal 2009b).¹⁴

Fair Trade started a second phase in 1988, when UCIRI and a Dutch organisation, SOLIDARIDAD, united to create the first Fair Trade seal, Max Havelaar. This seal enabled corporations that were not 100 percent Fair Trade to sell certified products amongst several other products. Max Havelaar slowly integrated with other European fair trade organisations, such as TransFair Germany, to share basic standards, and later they were joined by North American NGOs to create Fairtrade Labelling Organizations International (FLO), legally constituted in 1997. FLO is an international non-profit, multi-stakeholder association that seeks to establish fair trade standards, support, inspect, and certify disadvantaged producers, and harmonise the fair trade message across the movement.¹⁵ These changes to certified Fair Trade's governance structures accompanied the evolution of multiple Fair Trade value chains.

Different value chains and governance strategies emerged from certified Fair Trade's alternative trade roots (Reed 2009). I will consider three such chains, addressing their overall orientation, the degree of value chain integration, and governance strategies.

The alternative trade value chain is oriented towards a solidarity economy, which promotes cooperation, deliberative decision making, mutual accountability, and income redistribution (Tiffen 2002). This value chain regularly connects Southern producer cooperatives with their Northern-based cooperative counterparts, integrating activities from production to retail.¹⁶ There is little to no direct mainstream corporate involvement with the possible exceptions of accesses to capital, insurance, and shipping.¹⁷ Examples include the alternative trade coffee channels within Cooperative Coffees and Equal Exchange that bring coffee from FLO certified cooperatives through their cooperatively owned importers to a cooperative roaster and into cooperatively owned cafes. Devine Chocolates, Cafedirect, and GEPA are three European-based examples. The Worldshops and several alternative trade crafts organisations, such as Ten Thousand Villages, also fall into this category. This group finds their overall political representation in the World Fair Trade Organization.

On the other end of the continuum, we find what Raynolds (2009) refers to as the 'market driven' buyers and Reed (2009) characterises as the 100 percent corporate Fair Trade value chain.¹⁸ This value chain is oriented towards profit maximisation, shareholders' monetary return and control. This value chain is dominated by integrated corporations that in some cases control production (e.g. Dole Fruit Company Fair Trade bananas), exporting, importing, shipping, and distribution. Despite heated internal debates, FLO standards have maintained their original intent and excluded large single-owner and corporate plantations from the Fair Trade certified coffee and cacao in favour of the pioneer smallholder-controlled associations.¹⁹ However, there is growing mainstream corporate involvement in all other aspects of the Fair Trade coffee value chain, including in exports.²⁰ This value chain is

characterised by a relational form of governance based on the balance of power and hierarchies (Reed 2009, 9). For many commercial corporations, such as Nestlé or Proctor and Gamble, Fair Trade is a small part of their corporate social responsibility (CSR) strategy.

The hybrid Fair Trade value chains consist of society-economy orientations, degrees of corporate integration, and governance strategies that are best classified as lying between the two ends of the continuum. Towards the solidarity economy end, there are the cooperatives and alternative trade networks that sell their products into mainstream retail spaces. If the retailer is kept at 'arms length', Reed (2009, 9) characterises these as social economy-oriented value chains that seek to generate returns for their enterprises, workers, cooperatives, environments, and local communities. Another set of value chains within this category include rapidly expanding specialty coffee roasters. These companies claim to be 'quality driven' and may justify their participation in Fair Trade as a strategy to sustain their supply of top coffees. This logic places them towards the mainstream corporate end of the continuum. However, an expanding contingency of small, medium, and several larger specialty roasting companies seek to differentiate their coffee on the basis of both quality and sustainability. Their investments into sustainability-oriented projects (partnerships with cooperatives and development NGOs aimed at diversification and education) make it difficult to classify their governance strategies. This is a dynamic sector that has spurred much of the innovation and market growth during the past decade.

The total volumes of Fair Trade certified coffee are soaring in the corporate and hybrid value chains, however, the percentage growth rates are also increasing among many coffee ATOs. In 2008, the global retail value of all Fair Trade certified product sales grew 22 percent, reaching a total self-reported retail value of 2.9 billion Euros (approximately USD\$4 billion),²¹ including more than 471,000 metric tonnes of FT certified coffee (FLO 2009).

FLO matches this explosive sales growth with a rapidly expanding list of producer organisations and estates (unlike coffee, which is focused on smallholder cooperatives, FLO certifies large landholders in tea, bananas, and flower production systems) which are inspected and certified to source Fair Trade products. The number now stands at over 700 producer operations representing more than a million smallholders and workers (on larger farms) involved in an increasing diversity of agri-food enterprises (FLO 2009).

Fair Trade coffee was the first certified product and remains the system's flagship product. FLO continues to certify additional smallholder coffee cooperatives, which now include more than 250 organisations and 700,000 affiliated farmers. The increasing number of certified producers' organisations increases the spread of benefits, however, this also lowers the intensity of impacts since on average FLO certified coffee producers continue to sell 20-30 percent of their coffee according to these preferable standards (FLO 2007b). For some this can be seen as creating a surplus supply of Fair Trade coffee, keeping the negotiating power around issues such as price and quality in the hands of the Northern roasters and importers; others may counter that this encourages a healthy market-based competition inside Fair Trade, in which cooperatives must improve their quality and services.

4 Findings: Fair Trade minimum prices and revealed governance practice

In addition to direct market accesses for smallholder organisations, the minimum prices and social development premiums are a core standard for most Fair Trade foods and beverages. The minimum

price is a price floor to mitigate the bust cycles in commodities production and cover the costs of sustainable production. On top of this price floor, FLO mandates a premium to be managed by the local cooperative for social development. As of 2008, this social development premium was USD\$0.10 for one pound of exported Fair Trade certified coffee. When the comparable commercial market prices (i.e. the New York 'C' price for Arabica coffee) are above the Fair Trade floor price of \$1.25/lb, importers are required to pay the higher market price plus the social development premium. Cooperatives use the social development premium for a wide range of projects ranging from building schools and scholarships to financing the transition to certified organic production. Finally, the Fair Trade system mandates a minimum differential for products that are also certified organic (established at \$0.20/lb as of 2008).

The certified Fair Trade system continues to use the above-market value-added that producers capture as an important self-defined measure of success. This is calculated by multiplying the price of Fair Trade certified products sold by volume and then subtracting that same volume multiplied by a comparable commercial price. For example, TransFair USA claims that from 1988 to 2008 Fair Trade coffee sales generated US\$143 million in additional income to farmers and producer organisations (TransFair USA 2009).

Despite the importance of the Fair Trade coffee prices to the overall fair trade system, there is a dearth of information about how these prices are calculated and revised. I reconstructed Fair Trade price and governance history based on evidence from internal reports, organisational websites, and key informant interviews. FLO documents state that minimum prices are intended to 'cover the costs of sustainable production' (FLO 2007a), however, aside from the study commissioned by the CLAC, I have yet to encounter a systematic study documenting these costs. Previous studies commissioned by Max Havelaar documented the monetary costs of production, but lacked an evaluation of the costs of 'sustainable' production.

Max Havelaar-Netherlands established the first minimum Fair Trade price scheme in 1988 (CLAC 2006). This was one year prior to the disintegration of the publicly negotiated International Coffee Agreement. During the more than 30 years of global coffee regulation through the ICA there was a shared goal to provide coffee producers with prices that ranged from USD\$1.20 to 1.40/lb. Fair Trade founders used the same general range when they established the minimum prices for coffee (Hide 2009).

Although there was one indirect price increase, Fair Trade coffee prices remained very close to the original Max Havelaar scheme from 1988 until 2007. Table 2 summarises the history of the Fair Trade minimum prices, premiums, and the differential for certified organic coffee. These are the minimum required prices paid to exporters for Fair Trade. In many cases, the actual selling prices are above both the minimum and the market prices. In other cases, for example during the 1997-1998 spike in commercial prices, many cooperatives on FLO's register sold Fair Trade coffee for prices below the market price.²² During specific moments between 1988 and 1996 there appear to have been at least two different systems for establishing the Fair Trade premiums, though in both cases the minimum price was \$1.14/lb. For Max Havelaar-Netherlands there was a sliding scale for the social development premium starting at 12 cents when the commercial price was at or below \$1.14/lb and decreasing as the commercial price increased, thus producing a full Fair Trade price (minimum price plus social development premium) in a range from \$1.26 to \$1.65/lb. Above \$1.65/lb, only the commercial market price prevailed and there were no social development premiums.

Table 2. History of Fair Trade minimum prices, premiums and differentials.

Dates	FT floor for Central America, Africa, and Asia	FT premium	FOB adjustment	Organic premium
1988-30 June 1995*	\$1.14	For Max Havelaar Netherlands & TransFair, there was a sliding premium to generate a final FT price of between \$1.26/lb and \$1.65/lb.		\$0.10
1 July 1995-31 December 1995		same as above	\$0.06	\$0.10
1 January 1996- 31 June 2007	\$1.21	\$0.05	\$0.06	\$0.15
1 July 2007-31 June 2008	\$1.21	\$0.10	\$0.06	\$0.15
1 July 2008- present	\$1.25	\$0.10	\$0.06	\$0.20

Notes: This is for washed Arabica coffees from these regions; prices were slightly lower for washed Arabica coffees from South America and for unwashed coffees. *During several moments from 1988 to 1995, there appear to have been multiple systems for determining minimum Fair Trade coffee prices and the social premiums. Max Havelaar in the Netherlands had a complicated formula system with the \$1.14 minimum total price plus a sliding premium that generated a total price of \$1.26 to \$1.65 and a sliding floor and price premium; several others report using \$1.14 plus a \$0.05 social development premium. The price of Arabica other mild coffees as determined by the International Coffee Organization is a weighted average of New York and German commodities markets. The ICO weights the average towards New York, but the German market is generally 1-3 cents higher (slightly higher in the early to mid 1990s). When market prices were above Fair Trade prices, the New York price was used as a base reference above which the premium was calculated.

Sources: (CLAC 2006, Hide 2009, Rice 2009, Rosenthal 2009a).

The important change in 1995 was the determination that the Fair Trade minimum price would be paid F.O.B. (freight on board) in the port of origin; this is in contrast to valuing the coffee per pound in New York or the Northern destination port. In effect this was equivalent to about a \$0.06/lb increase in the full Fair Trade minimum price (CLAC 2006). The system was unified in 1996-1997 when Max Havelaar, TransFair, and several other European-based fair trade initiatives united to create the Fair Trade Labelling Organisations International, FLO.

FLO integrated the pricing system into a single scheme as early as January 1996 (certainly by 1997). This established \$1.21/lb as the minimum price floor for Arabica coffee (in accordance with the commercial markets, the Fair Trade prices were lower for Robusta coffee) and a uniform \$0.05/lb social development premium. FLO also established a minimum required differential of \$0.15/lb for coffee that was also certified organic. Two previous FLO board members have claimed that there was an internal review of the Fair Trade coffee prices between 2003 and 2005. I also remember leaders of Fair Trade cooperatives speaking of a fear that Fair Trade prices would decrease, however, no changes were made and nothing was published nor were the internal reports made available for this research project. The 2007-2008 nominal price increases, which represented a 7-11 percent increase over previous prices, were the second price changes since the establishment of the FLO system. The politics

of how and why these changes were made reveal vital information about the governance of the Fair Trade system.

Real Fair Trade prices have declined

Real Fair Trade prices have declined. Discounted for inflation, the 2008 real minimum Fair Trade certified coffee price for conventional coffee was the equivalent of \$0.79/lb. Put another way, if Max Havelaar and TransFair (FLO's precursor organisations) had pegged the initial minimum price of \$1.26/lb established in 1988 to a cost of living adjustment based on the USA's consumer price index, as of the end of 2008, the minimum Fair Trade coffee price would have been \$2.29/lb. I chose the US consumer price index because coffee prices are established in US dollars.

A previous study estimated that, when adjusted for inflation, global coffee commodity prices paid to producers lost 66 percent of their value from 1980 to 2005 (Lines 2005). Fair Trade prices lost 41 percent of their value from 1988 to 2008. Attention to real prices suggests that the diagrams that FLO uses to illustrate the Fair Trade price floor and premium (see Figure 2) would need to be redrawn to show the downward real Fair Trade prices (Figure 3). In Figure 3, the prices are discounted using the USA's Bureau of Labour Statistics Consumer Price Index Inflation Calculator.²³ Figure 3 illustrates that the association of Fair Trade minimum prices with the international commodities price - rather than direct measurements addressing the costs of sustainable production - is at least partially responsible for its declining real value.

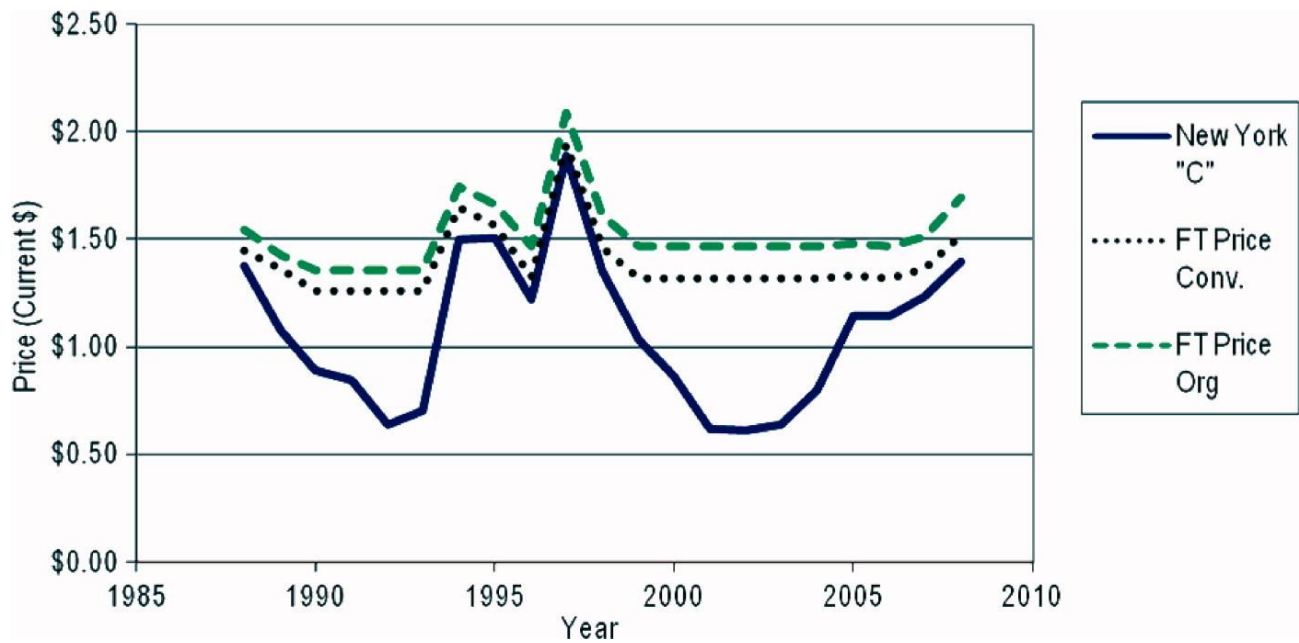


Figure 2. Nominal conventional, Fair Trade and organic Fair Trade coffee prices

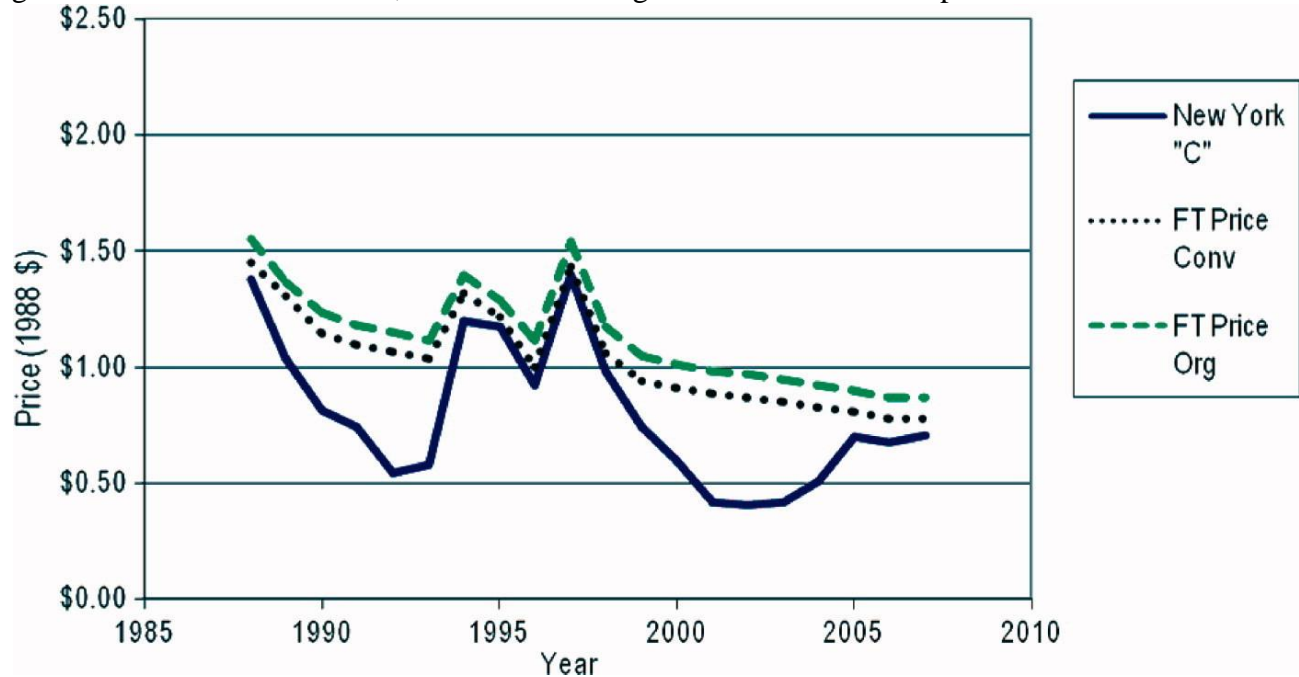


Figure 3. Real conventional, Fair Trade and organic Fair Trade coffee prices.

How did FLO decide to adjust the Fair Trade coffee prices in 2007-2008?

The leaders within the *Coordinadora Latinoamericana y del Caribe de Pequeños Productores de Comercio Justo*, or CLAC, came to me to suggest this initial study in early 2006. Although realised over a short period of time, it includes estimates regarding the costs of sustainable production for several Latin American countries including Peru, Nicaragua, Mexico, and Bolivia. The methods

consisted of in-depth conversations and cost reviews with cooperative accountants (in Nicaragua), cooperative-produced reports estimating the direct monetary costs of producing conventional and organic coffee (from Peru, Nicaragua, and Bolivia), and a review of the previous production cost studies and relevant literatures. However, the time and resources permitted neither in-depth field research outside of Nicaragua nor a fully representative sample of all FLO-certified coffee cooperatives. Given these limitations and the high levels of variability, the findings suggest a range of costs calculated on a per pound basis (see Table 3). The study then made recommendations for Fair Trade price adjustments based upon these findings. However, as the processes explored below will reveal, this study was one input into a larger set of negotiated political processes.

Table 3. The Fair Trade coffee price proposals and adjustments of 2007-2008*.

	First year in 2007**		Second year (in 2008)	
	Conventional	Certified Organic	Conventional	Certified Organic
<i>2006 CLAC Study recommendations</i>	\$126.32-151.75/lb U\$1.36/lb	\$171.62 - 219.47/lb U\$1.56/lb	U\$1.41/lb	U\$1.71/lb
<i>CLAC's proposal to FLO in 2006</i>	Minimum price 1.26 Social premium 0.10 US\$1.31/lb	Minimum price 1.26 Social premium 0.10 Organic premium 0.20 US\$1.51/lb	Minimum price 1.31 Social premium 0.10 U\$1.35/lb	Minimum price 1.31 Social premium 0.10 Organic premium 0.30 U\$1.55/lb
<i>FLO's price change in 2007/08**</i>	Minimum price 1.21 Social premium 0.10 (Social premium increased by 0.05/lb)	Minimum price 1.21 Social premium 0.10 (Social premium increased by 0.05/lb)	Minimum price 1.25 Social premium 0.10	Minimum price 1.25 Social premium 0.10 Organic differential 0.20

Notes: *Global price proposal for washed Arabica coffee. **The proposal was for a price change starting as soon as possible - implied to be January 2007. FLO's price increases were effective in 2007, with the second price increase coming into effect in 2008. This increase is said to last through 2010.

Beyond the narrowly defined minimum monetary costs of production, the report argued that the costs of *sustainable* production include expenditures associated with securing sustainable farmer livelihoods. An accounting of the costs of sustainable production should include the costs of education, healthcare, food, and housing as well as those related to producing high quality coffee in harmony with the ecosystem. There are an additional set of sustainable production costs associated with the deliberative democratic processes within cooperative and other forms of associative production and marketing; these include the assemblies, meetings, workshops, trainings and much more. There is a need for follow-up university-based comparative field research addressing the costs of sustainable coffee production and the contributions of fair trade coffee to sustainable farmer livelihoods.

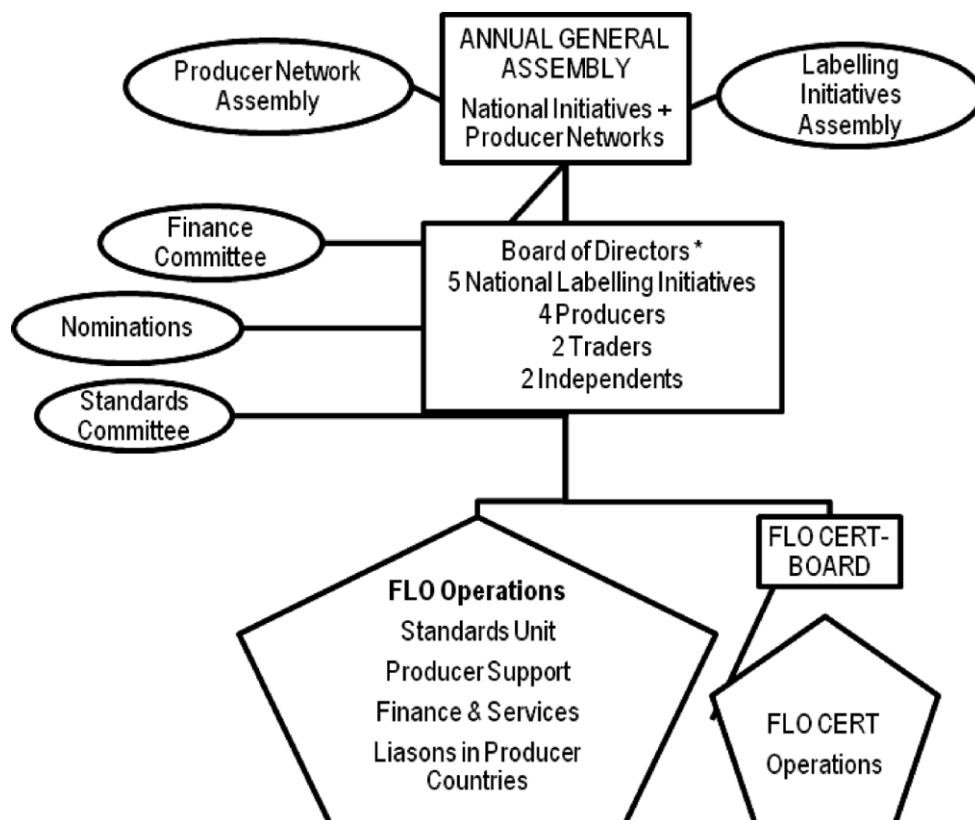
I presented this study during the CLAC's general assembly held October 2006 in the Dominican Republic. The assembly brought together members and their invited stakeholder guests (i.e. FLO staff, National Labelling Initiatives, roasters and retailers, allied funding institutions, and allied consultants). The formal assembly members consisted of the farmers, cooperative managers, and the presidents of the smallholder cooperatives involved in selling Fair Trade coffee and affiliated with the CLAC. The CLAC represents smallholder cooperatives involved in Fair Trade across a range of food and agricultural items ranging from coffee and cacao to bananas, honey, and orange juice. The coffee network is the largest block within the CLAC.

I first presented the costs of sustainable production study to the CLAC's coffee network, a forum of about 150 people. After I presented this study, the Coffee Network's elected Coordinator, Merling Preza, moderated the debates. On the one hand, a CEO from a National Labelling Initiative (NI) worried that increased prices could lower the demand and thus the total revenue generated from Fair Trade coffee. On the other hand, Franz Vanderhoff spoke in his commanding voice reminding the assembly that Fair Trade was established to '*transform, not conform* to the market'. Although all were indignant about declining real prices and agreed on the need for a substantial increase, the CLAC's members debated whether to increase the minimum price or the social development premium.

Preza proposed an ad-hoc working group, which consisted of the general manager of a Fair Trade cooperative, the CEO of a National Labelling Initiative (NI), the representative from a major Fair Trade coffee buyer and a consultant. The committee reviewed the research findings and developed a recommendation for a price change. The CEO of the NI expressed concern about roasters and traders accepting a price increase that went much above five cents added to the minimum floor price, five cents added to social premium, and five cents added to the organic differential. A representative from a major buyer was less concerned. The European traders expressed a concern about sudden nominal price increases in subsequent conversations. However, they also recognised that the relative strength of the Euro against the dollar made a nominal price increase easier to assimilate.²⁴ In the end, the working group took the lower recommendations of the study and developed a proposal to phase in a price increase over two years (see CLAC's proposal in Table 3). Several participants expressed unease about the future of smallholder certified organic farming, given that the Fair Trade organic prices were not sufficient to compensate for the estimated costs of sustainable production.

The ad-hoc working group returned to discuss the proposal in the CLAC's coffee network. After agreeing on a proposal in committee, the CLAC's general assembly approved this in their closing session and the Association's president forwarded it to the FLO Board of Directors.

FLO's response reveals important dynamics about Fair Trade governance. The president of the CLAC, Raúl del Aguila, is an experienced Peruvian cooperative leader with the political, business, and rural organising acumen to manage one of Peru's most successful smallholder cooperatives. As president of the largest Fair Trade producers' association, he also sits on the FLO board of directors.²⁵ Initially, the FLO board rejected this proposal, claiming that minimum prices were determined by the Standards Committee (see upper left in Figure 4). Apparently, several of the labelling initiatives' representatives on the board were against this increase, feeling that it could scare off some of the large companies that had recently become Fair Trade licensees. However, at least one person filling a traders' seat on the board was in favour of the price increase.²⁶



[Enlarge Image]

Figure 4. Organograma of Fairtrade Labelling Organisations International governance structure.

*FLO is apparently in discussions about increasing the number of 'independents' on the Board, but this was configuration for 2006-2008 when the min. price decisions were made.

Source: Adapted from FLO, 2008, <http://www.fairtrade.net/structure.html>[Accessed March 2008].

As word spread that FLO had rejected this small price increase, smallholder producer representatives stepped up their efforts. Several development-oriented civil society organisations and alternative trade organisations (e.g. Equal Exchange, Cafedirect, Cooperative Coffees, and many European organisations) allied themselves with this producer-based proposal.²⁷ The tactical allies lobbied FLO board members to approve the price increase. Raúl del Aguila suggested that a decision that is so fundamental to the whole Fair Trade certified system should be taken at the level of the Board of Directors and not by the subordinate and opaque Standards Committee. Enough board members agreed, but the price change was further delayed to give National Labelling Initiatives time to consult the companies that they license. According to one person close to the negotiations, companies were generally open to this possibility of a small increase; many asked for a more clearly defined system for establishing prices, several were hostile to the idea, and at least one 'said that the farmers were being greedy'.

In March 2007, FLO announced the price changes (FLO 2007a). The CLAC publically applauded FLO's adjustments, which amounted to a seven percent increase for conventional coffee and an 11 percent increase for Fair Trade organic coffee. It was a compromise. The new prices were below the immediate changes recommended by the study, which were US\$1.41/lb for conventional coffee and \$1.81/lb for organic coffee. They were at the low end of CLAC's proposal for conventional coffee and below their recommended price increase for certified organic coffees. More importantly, the study had

recommended a significant adjustment to compensate for the declining real value of the final fair trade price due to inflation and the rising cost of sustainable production - an adjustment that was not recognised in the 2007-2008 price changes. This more significant readjustment should be accompanied by the development of a mechanism that avoids dramatic changes in the future by periodically adjusting the price to account for changes in the costs of sustainable production.

5 Discussion: what can we learn from this case about Fair Trade governance?

This combination of empirical research and a Polanyian approach to agri-environmental governance unpacks both the celebratory NGO press releases and claims that Fair Trade is just another neoliberal niche marketing strategy to reveal that standards revisions and price adjustments are highly contested socially embedded processes. Those that argue that Fair Trade is a purely market-based project and an example of roll-out neoliberal environmental governance could cite ample evidence, including the declining real Fair Trade price premiums. Certainly this is *the* dominant trend in Fair Trade certified governance. On the other hand, a closer empirical and historic analysis shows multiple projects within Fair Trade. Those advocating for Fair Trade as a 'different market' (VanderHoff Boersma 2009) organised around civic norms and against the short-term profit orientation of the industrial food system could cite the persistence of trade with smallholder cooperatives vs. privately held plantations (Renard 2005), standards that reflect a degree of spatial diversity (Lockie and Goodman 2006), and the fact that producers' collective agency led to nominal price increases as evidence that components within continue to be part of an 'alternative' project. The blanket classification of Fair Trade as a neoliberal project would miss the social movement history and diversity of current practices. I use a typology of three Fair Trade value chains to unpack the governance process and then step back to consider the multiple organisations, interests, and perspectives at play in the minimum price debates.

The three Fair Trade value chains I characterised previously employ governance strategies ranging from those oriented towards a Polanyian double movement to those enabling an expanded neoliberal approach. Knit together through shared practices promoting 100 percent Fair Trade enterprises and membership to the World Fair Trade Organisation, most alternative trade organisations and critical smallholder cooperative leaders seek to create and expand solidarity economies. Their actions in promoting more associational forms of governance, co-owned Fair Trade enterprises, such as Devine Chocolates, and advocacy against the dominant free trade agenda suggests they are part of Boroway's 'active society', cultivating a Polanyian double movement aimed at transforming a market-centric existence. Although solidarity oriented relationships, more than prices, and the poverty alleviation agenda are often closer to the top of their agenda, participants in this network supported the CLAC's proposed price increase.²⁸

Commercially-oriented agro-food corporations, traders, and retailers occupy the neoliberal end of this spectrum. In this category we might find Starbucks during the first phase of its involvement with Fair Trade (i.e. from 2000-2007) and Wal-Mart's commitment to carry Fair Trade certified coffee and other products. Although some activist NGOs have lauded the potential social and environmental benefits due to the scale of their operations, until there is further evidence of change, including the reform of their own practices, this value chain's participation in Fair Trade remains profit centric and an example of continued neoliberal governance. With the possible exception of Starbucks, firms in this value chain, which also includes the largest corporate coffee traders, such as Atlantic and Volcafe, will lobby

against minimum Fair Trade price increases. Most members of this value chain will actively promote a corporate responsibility agenda as long as it does not significantly impinge upon their operations and profits.

Starbucks dramatic increase (2008-2009) in Fair Trade sales and makeover as its stock price tumbled suggests that it might now be more effectively classified within the hybrid Fair Trade value chain and raises the possibility that, like Green Mountain Coffee Roasters, it is working to become a 'different kind of company'. TransFair USA and staff frequently point to the changes within Starbucks as a sign of the impact of Fair Trade certification and this strategy, and the fact that they buy more than triple the volumes of coffee purchased by all ATOs in the US matters for the smallholders and governance decisions.

However, questions remain about the ability of the alternative currents within Fair Trade to effectively negotiate the standards and practices that constitute Fair Trade as 'a different type of market' in the 'another world is possible' sense that Vanderhoff and colleagues use it (Roozen and Vanderhoff 2002). In addition to sharing important systems and practices with producers, alternative trade organisations, and certifications agencies, will these companies accept their role as one among several voices in Fair Trade governance? Asked another way, is Fair Trade governance sufficiently robust to effectively engage these powerful stakeholders? Not as it currently stands.

Finally, there is a mix of participants in the hybrid Fair Trade value chains. Their position regarding the price increases is not immediately evident. Given that the conventional market prices were relatively high at the time of the proposal and the fact that quality premiums often exceeded the Fair Trade minimum in 2007-2008, there was likely relatively little active resistance to the change. However, I suspect that more substantial increases would meet with stronger resistance. This value chain includes a diversity of political economic models and personal convictions. It also hosts a strong ethic oriented towards innovations, environmental conservation, and, to a lesser extent, social justice. These companies have established and sustained the Specialty Coffee Association of America, which enabled the successful launch of Fair Trade certified coffee in the USA. Many companies tilt toward roll-out neoliberal governance yet others clearly identify themselves with 'the movement' and could be classified as part of a Polanyian double movement, thus a more detailed parsing out would need to be analysed on a case by case basis.

The National Labelling Initiatives are the fourth category of participants influencing this decision. If the price increase decreased the short term demand for Fair Trade coffee this could move against their narrowly defined economic interests. National Labelling Initiatives (NI) earn a substantial part of their annual operating budgets from the licensing fees that companies pay them for using the certification mark (FLO 2007a). The amount charged for these licensing fees varies across commodities and countries. In the USA, the coffee roasters pay TransFair USA, an NI, a sliding scale ranging from less than \$0.05/lb to \$0.10/lb for use of the Fair Trade Label. The NI's governance strategy defies easy classification; some established stakeholder driven boards, but most are tilting towards corporate social responsibility and a more neoliberal form of agri-environmental governance. Most NIs are accountable to a conventional non-profit board of directors; they may have producer and worker advisory councils for 'consulting' with stakeholders but there are few cases of them serving on the board giving these vital stakeholders limited voice, but no vote.

The National Labelling Initiatives have broad leeway in influencing the Fair Trade systems. In a unilateral decision that contrasts sharply with the internationally accepted consensus based definition of Fair Trade focused on partnership, dialogue, empowerment, and reform of an unfair global trade

system, one NI, TransFair USA, states on its website that 'Fair Trade certification is a market-based model of international trade that benefits over one million farmers and farm workers in 58 developing countries across Africa, Asia and Latin America. Fair Trade certification enables consumers to vote for a better world with their dollars, simply by looking for the Fair Trade Certified label on the products they buy'.²⁹ The ability of each participant to influence Fair Trade governance depends on the shifting power dynamics within Fair Trade.

Power, politics and praxis in Fair Trade governance

If we recognise that the setting of standards is an embedded social process, the answer to the question of '*Will certification transform conventional markets or be captured by them?*' (Mutersbaugh *et al.* 2005) will depend on the balance of power, convictions, and capabilities among those who govern the strategies and standards. This approach asks us to consider both structure and agency within the Fair Trade movement and marketplace (Doan, forthcoming). A quick analysis of FLO reveals that the National Initiatives (NIs) hold the balance of power. The power lines connected to NIs are fundamentally the companies which pay the licensing fees and sell Fair Trade certified coffee, their boards, foundations, governments, and individuals that make their budgets. Producers have four hard won seats at the table, followed by two traders, and external members. Although three of these four producer seats currently have ties to smallholder cooperatives the current board configuration facilitates future changes that could reduce this number to two seats of the twelve seats (from the CLAC and African Fair Trade Producers Network).

The FLO board is also notable for the organisations that are not at the table, or, to put it more directly, the missing seats and the voices without votes. There are no seats designated for the Alternative Trader Organisations (although in practice at least one Trader Seat is occupied by an ATO oriented individual); small-scale producers lack proportional representation to their numbers and their contribution to Fair Trade, and broad based civil society and consumer interest organisations, including those that have mobilised millions of volunteer hours promoting fair trade, are also absent.³⁰ If Fair Trade continues to certify larger plantations involved in banana, tea, and other crops, one might also expect unions to represent worker interests.³¹

Another North-South imbalance within this system concerns the investments in the capacity of these smallholder collective voices to sustain effective participation in the crucial Fair Trade governance decisions about standards, prices, and the entry of new participants into the system. The handful of sophisticated cooperative managers and presidents with the bottom up organising experiences/commitments and the capability to effectively negotiate in these international policy forums must simultaneously manage the Southern cooperative enterprises, coordinate sales to powerful buyers, and administer a host of very useful, but complicated, international development projects. The lack of professional staff within the producer networks threatens to undermine producers' ability to sustain effective participation in critical governance debates. The CLAC lacks a single full time professional staff person with the skills that are commensurate with their mandate.³² By contrast, National Initiatives can have from 6 to 60 plus staff members.

In response to several critiques and the proactive efforts of many inside the organisation, FLO recently unveiled a renewed global strategy (FLO 2008). The plans demonstrate that individuals within FLO have negotiated persistent North-South inequalities more than other certifications. One strategic reform is recent structural changes to the ownership of FLO: the producer networks gained three of the 24

spaces and moved from 'beneficiaries to co-owners of the system', or at least partial minority owners. This strategy states that, 'The needs of small-scale producers for market access under fair trading conditions lies at the heart of Fairtrade and will continue to be a priority', lays out a plan for strengthening the capacities of producer networks, and recognises producers need to receive more benefits (e.g. better prices, less costs, more diverse income sources, and more efficient services) for their active participation in Fair Trade (FLO 2008). The document also suggests a closer 'partnership' with trade unions to represent worker interests. These steps hold the potential to address several concerns raised by stakeholders and this article.

However, FLO's current Global Strategy is incommensurate with the challenges facing Fair Trade (FLO 2008). This highlights a persistent problem as the reflection component of the iterative action-reflection cycles that constitute Fair Trade praxis remains weak (Freire 1970). For example, what could be more 'empowering' than adding representative smallholder seats to the FLO board? FLO's strategic document is surprisingly silent regarding the role of Alternative Trade Organisations. The ATOs do not have a formal seat on the Board of Directors. What about broad based consumer interest organisations? There is also no mention of the role of independent research and science in the standard setting processes. The previous discussion suggests that like many organisations, FLO falls short in achieving several of its own ideals.

How does Fair Trade compare with other leading third party certifications?

Market access and price premiums are the primary incentives convincing farmers and enterprises to meet the agri-environmental standards summarised in Table 1. Table 4 follows this original description with an analysis of the price premiums and governance processes. It reveals that organic and Fair Trade certification systems, which have relatively high volumes and offer the largest challenge to business as usual in the mainstream food system (Raynolds *et al.* 2007, Bacon *et al.* 2008), are characterised by the most contested governance processes. Stefano Ponte (2008) used a similar framework to characterise the debate in governance of multiple stakeholder networks in different sustainable food certifications to reach similar conclusions.

Table 4. Comparison of governance and prices of the major sustainable coffee certifications.

Certification	Type of governance	Characterisation of governance negotiations	Price standards and premiums to producers/exporters (US\$/lb)
Sources: Modified and adopted Bacon <i>et al.</i> 2008.			
	Multi-stakeholder groups; Standards committee		Mandatory minimum price and social premium
Fair Trade		Contested	US\$1.35/lb conventional and 1.55/lb for organic FT premiums are \$0.10 to \$0.80/lb above conventional prices
Organics	International federation and national governments, NGO, stakeholders, producer associations and industry	Contested	No minimum prices, but in practice it is generally about \$0.24/lb (range of \$0.10 to 0.60 /lb)
Rainforest Alliance	Overall NGO board; Conservation NGOs; standards board of experts	Not contested; Industry-NGO cooperation	No min. prices Average premiums are \$0.08 to \$0.12 (range of \$0.04 to \$0.20)

One systematic political economic challenge to providing an equal voice for multiple stakeholders in many third-party certification systems is the fact that most NGO-led certification efforts depend on licensing fees from the same corporations and producers that they hope to regulate. This brings us to the Starbucks question and the risk that their larger purchases of Fair Trade certified coffee will give them disproportionate sway in the standards setting processes. A similar and perhaps more dramatic case is the influence, actual or potential, of Kraft Foods on Rainforest Alliance standards and governance.³³ Agri-food analysts have also raised questions about mainstream corporate involvement in organic governance and standards setting, highlighting the influence of 'big organic', including high-level, mainstream corporate executives on the National Organic Standards Board (Pollan 2006, Jaffee and Howard forthcoming).

What strategies will work to keep the social and environmental standards high? The price premiums paid to farmers are the strongest market incentives to implement these agri-environmental standards (Galt 2008). Table 4 suggests that stakeholder driven contested governance is associated with higher price premiums. These debates are symbolic of a more 'democratic' certification system with which social movements and civil society are still willing to engage. The democratic component can be seen in the 200,000 plus letters written in to the USDA in response to a proposed revision of organic standards. In Fair Trade, there are the alternative trade organisations, the CLAC, and to a lesser extent the United Students for Fair Trade organising hundreds of thousands of volunteer student activist hours to raise awareness, debate, and create new meanings within fair trade. You will not find this 'active society' involved in the debates of other certification systems.

A second approach is what Tad Mutersbaugh terms 'Fighting Standards with Standards' (Mutersbaugh 2005). This includes compliance with the Code of Good Practice for Setting Social and Environmental Standards of the International Social and Environmental Accreditation and Labeling (ISEAL) Alliance. Organic certification bodies and FLO-Cert have received the ISO 65 accreditation for their adherence to the norms established for best practices in third-party certification systems. The Rainforest

Alliance's decision to license the use of the RA label on products that contain only 30 percent RA certified products (not 100 percent) may be holding up their pending application. While these approaches could limit the standards slide, scholars have demonstrated that these standards are frequently top-down regulations that do more to reconfigure local livelihoods and landscapes than contribute to social empowerment and biodiversity conservation (Barrientos *et al.* 2003, Freidberg 2003). Mutersbaugh (2005) traces the ways that global UN-based standards and inter-agency protocols for third party certifications (such as ISO 14000 and GlobalGap) influence organic and Fair Trade standards and how this in turn constrains and often decreases the benefit flows to Southern producers.

6 Conclusions: green governance and steps towards a fairer Fair Trade

The agri-environmental governance of value chains can favour a Polanyian double movement seeking social protection and control over price setting markets or it can advance a neoliberal logic that strives to overcome the few remaining social and ecological obstacles to full market dominance. Political ecologists could apply this framework to unpack the governance politics across other agri-food systems; they could also deepen the framework's engagement with theories of access and scale (Sayre 2005, Ribot and Peluso 2003). Coupled with a typology of Fair Trade practices, this framework elucidates positions in the current debates about the minimum coffee price standard.

Fair Trade started with the iterative practice of farming and partnerships connecting indigenous Mesoamerican smallholder cooperatives with Northern religious leaders, alternative traders, and solidarity motivated allies. Underserved by their governments and excluded from the benefits associated with the International Coffee Agreement (the ICA was in place until 1989), these smallholders and their advocates sought to create a 'different kind of market'. They proposed a set of alternative trade relationships that included direct market accesses and fairer prices (Rosenthal 2009a). Fair Trade has delivered more on its market access goals than it has on generating fair prices and transforming unfair markets. In several countries smallholder cooperatives have used Fair Trade as a tool to gain direct market access and wrestle up to 30 percent of the coffee exports away from the transnational corporations and elite exporters that have controlled these channels since colonisation. Merling Preza, general manager for a pioneer 2300-member cooperative called PRODECOOP in Nicaragua said, '*Los pequeños productores jamás hubieran podido entrar al comercio internacional si no hubiésemos tenido como base fundamental la posibilidad de comercializar parte del café en comercio justo*' [the small-scale farmers would never have been able to enter international trade if we didn't have the fundamental base to commercialise a part of our coffee with Fair Trade] (Preza 2006).

This history of Fair Trade minimum prices shows that when discounted for inflation real prices have declined, and this suggests a fundamental shortcoming in governance. The findings contradict the idea that involving more mainstream corporations in Fair Trade and expanding the market is simply a case of a rising tide lifting all boats, since the most important boat is not being lifted as fast as others. The declining real prices also reveal that a core standard was too closely tied to the same price-setting markets that fair trade founders set out to transform. The problem of declining real commodity prices and the structural economic poverty among producers is well unknown. The French President, Jacques Chirac, knew this well when he said,

There is, on this subject of commodities, a sort of conspiracy of silence. There are no simple solutions. Many of the remedies introduced in the past - especially the major commodity agreements - have failed

and we do not want to repeat these experiences. Yet there is no justification for the current indifference. (cited in Green 2005, 97)

The question is how will Fair Trade respond to this challenge? Will Fair Trade seek to re-define itself to dodge a core element still stated in its internationally accepted definition? Or, will Fair Trade make the deeper change from within? Three immediate actions that FLO could adopt include: (1) conducting a systematic peer-review quality study of the costs of sustainable production, (2) adjusting prices to compensate for the lack of previous changes, and (3) creating an annual cost of living minimum price adjustment.

Today's path-dependent governance decisions and innovations set Fair Trade's future arc. This research shows that small-scale farmers' organisations are underrepresented on the FLO Board. Furthermore, there are no seats designated for alternative trade organisations, consumer interest groups, or other stakeholders such as labour unions and development-oriented civil society. The formal system also lacks a platform for the voices of the growing social justice and sustainable food activists within Fair Trade (Holt-Giménez *et al.* 2007, Jaffee 2007, Bacon *et al.* 2008, Doan forthcoming). Although this movement and marketplace were built upon the innovative actions of Mesoamerican smallholders and solidarity motivated alternative traders and then expanded through partnerships with progressive small-scale specialty coffee roasters, there is very little investment in thickening Fair Trade's Southern civil society and promoting further innovations.³⁴ Many Northern foundations and NGOs investing in Fair Trade continue to focus on campaigns to convert major corporations to Fair Trade, leaving behind the critical governance decisions and the possibility of innovations. Elsewhere, scholars have started to re-think NGO-producer movement solidarity in broader terms (Borras 2009).

Fair Trade could be a concept and practice that opens up the politics, practices, and places of food production and trade, putting food justice and ecology on the agenda and through a living 'alternative' agri-food network contributing to the emergence of a more democratic economy. It could maintain its active commitment to its commonly accepted definition, which includes reforming an unfair trade system, or it could be destined to become only a partial and momentary opening followed by an enclosure as ethics are codified, privatised, and sold to the highest bidder.

To realise its transformative potential a wide diversity of Fair Trade stakeholders will need to create a long-term strategy. The short-term strategy of setting minimum prices based on the collapsed International Coffee Agreement's goals was important during the commodity price crashes of the 1990s, but failed to include a cost of living adjustment. The medium-term strategy of licensing the product to companies that meet a set of minimum standards spurred market growth and leveraged revenue to farmers, but risks losing control of governance processes and the social economy orientation of the Fair Trade system.

If there is sustained representative participation from dynamic Southern smallholder cooperatives, alternative trade organisations, consumer and workers' interests in Fair Trade governance and cooptation is avoided, we would expect to see this play out in the standards and price premiums. Will there be a major adjustment in 2010 to account for the lack of previous changes and to accommodate the rising costs of living (i.e. higher food, fuel, and education prices)? Or will there be a slow and gradual decline in the standards and price premiums as Fair Trade adjusts its standards in favour of market growth as it becomes subsumed into the same markets it originally set out to transform? The answer will be found in the standards and day to day relationships and the discursive politics. Efforts to ensure sustainability standards and fair prices require collective action that escapes the neoliberal approach focused upon individual consumer choice and 'saving the world one cup at time'.

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Notes

¹There are multiple spellings of Fair Trade in common use. My use of the capital 'F' and 'T' refers to the certified Fair Trade system. In Europe, Fairtrade is a single word. There is also the larger fair trade movement - note the lower case 'f' and 't'. The fair trade movement includes the many stakeholders (cooperatives, alternative trade organisations, educators, activists - organised and individual) that may or may not have a formal role and voice within the certified system.

²I speak about the dynamics and challenges of long-term participatory action research projects with smallholder organisations elsewhere (Bacon 2005b).

³I define agri-environmental governance as the institutional structure and processes of developing and applying standards and incentives, both for and with the firms, organisations, and individuals managing society-nature relationships in an agri-food system.

⁴Although these authors agree that alternative agri-food systems can potentially foster socially equitable and ecologically sustainable agro-food systems, they foreground very different findings in their published articles. Friedmann and McNair (2008) are cautiously optimistic, suggesting that bottom-up eco-labelling efforts could represent viable social movement contestations to the dominant agro-food complex, while Allen and Guthman (2006) continue to highlight the contradictions, finding neoliberal practices within most places, including efforts to create sustainable school lunch programmes.

⁵Polanyi was primarily referring to the role of national government-based protective regulation. However, there is also the notion that an active civil society and social movements need to push the state to make these changes.

⁶The data for this example are based on research conducted from 2001 through 2008, and specifically a detailed survey of 105 households in 2003.

⁷The commercial markets were at a 30 year low in 2003; this resulted in larger differences between Fair Trade and commercial prices. These differences diminished when commercial prices rebounded post 2005.

⁸International Coffee Organization. History [online]. Available from: <http://www.ico.org/history.asp>[Accessed April 2008].

⁹This is a consensus-based definition established by FINE, which is an informal association of the four major international networks, consisting of Fairtrade Labelling Organisations International (FLO), International Fair Trade Association, now the World Fair Trade Organization (WFTO), Network of European Worldshops (NEWS!), and the European Fair Trade Association (EFTA).

¹⁰Oxfam in Action. Available from: http://www.oxfam.org.uk/oxfam_in_action/index.html[Accessed November 2009].

¹¹Elsewhere, I'm developing a full study of the historical relationships connecting the changes in Central America during the 1980s to North American solidarity movements and the individuals and organisations that have made the modern Fair Trade certified marketplace (Bacon forthcoming).

¹²This is a fact that several specialty coffee leaders have often lamented. It generally resulted in lower quality Fair Trade coffee and less socially conscious specialty roasters.

¹³For a more comprehensive history of pioneer fair and alternative trade organisations, especially those in Western Europe, see (Raynolds *et al.* 2007, Brown 1993, Low and Davenport 2005).

¹⁴Rosenthal writes, 'Many ATOs were against the labelling. They saw it as a sell-out and a threat. They didn't want to give up the alternative distribution that altern trade had developed and didn't want to compete with mainstream folks who were mostly selling conventional coffee. TransFair was formed in some ways in reaction to Max Havelaar as a way to control labels and not be overrun by them. TransFair wanted to have a global approach (germanic) and Havelaar wanted a bottom up each country do their own thing (Dutch approach)' (Rosenthal 2009b).

¹⁵Fair Trade Labelling Organisations International. <http://www.fairtrade.net/>[Accessed May 2009].

¹⁶The definitions for solidarity economies, social economy, and corporate social responsibility are based on an unpublished concept piece developed with Peter Utting.

¹⁷Most alternative trade organisations have occasionally relied on more mainstream corporations for credit, shipping, and/or insurance. However, the presence of credit unions, increasing capitalisation within Alternative Trade Organisations (ATOs), and the rise of social finance have combined to decrease ATO reliance on mainstream corporate credit. It is important to note that licensing and use of the Fair Trade label is not necessarily a core component of this value chain.

¹⁸One difficulty with both classifications is that corporations and social/environmental demands of markets change, but they serve to elaborate ideal types. There is also a difference between companies that have stronger commitments to designing business models that generate community development

and environmental conservation vs. those focused around a narrow price cost reduction strategy to maximise profits.

¹⁹Fair Trade standards permit the certification of large scale single owner operations in the areas of bananas, cut flowers, fresh fruit, and teas. This also continues to be an area of significant internal debate, often pitting labelling initiatives and corporate partners against smallholder associations and several alternative traders.

²⁰There are cases in Nicaragua, Mexico, and Peru of transnational corporations (e.g. Atlantic Trading) exporting coffee that is later sold as a Fair Trade certified product despite the complaints and export capacity within the local Fair Trade smallholder cooperatives. The complaints and dispute resolution mechanisms for this unfair competition within Fair Trade as well as direct corporate bad practices appear to be underdeveloped and relatively ineffective. At the request of the CLAC, FLO has commissioned a study on the topic.

²¹I used a September 2008 figure for this conversion.

²²This is because they fixed the prices and terms of their contracts with the importers and roasters prior to the price spike and thus were unable to take advantage of the high prices in conventional market. One seasoned peasant leader of an innovative Fair Trade cooperative in Nicaragua remembers this time period well, and what they called *Comercio Equitativo* or equitable trade. Although this only lasted for a short period of time, they saw this as a time in which the farmers and cooperatives were sharing the risk and baring the costs with the buyers. The history of this shared risk is much longer than this and includes that fact that many of the first containers were sold to solidarity buyers long before cooperatives and farmers received payment. In fact, cooperatives still do not receive payment for their coffee until it has been shipped, which could be more than six months after they harvest their coffee. The stakes of the risks are also significantly higher among the producers since coffee is generally the most important source of monetary income and a core component of their livelihood strategy.

²³See http://www.bls.gov/data/inflation_calculator.htm.

²⁴In fact the declining value of the dollar vs. the Euro resulted in lower expenditures for Fair Trade certified coffee. Several producers also observed that they received coffee prices in dollars, but paid FLO inspection and certification costs in Euros.

²⁵Representatives from smallholder-led producer networks attended early FLO board meetings with a voice - but no vote - for years before their advocacy paid off and they *gained* a seat at the table. According to two sources there were intense exchanges around this decision. As Northern Board members stated, why do you need a seat on the Board, we have done all this for you and what have you done to build Fairtrade? A Southern leader responded, we have produced and traded the coffee. As part of an organisational reform, FLO later added two more producer seats on the board and finally included the producer networks (like the CLAC) as partial legal owners of the Fair Trade system.

²⁶The fact that a representative for a large publicly-traded company claims to have voted in favour of this increase suggests that the debates of corporations vs. the rest of the Fair Trade industry can be, in some cases, oversimplified.

²⁷Several roasters have very transparent statements about their pricing. See for example http://www.cafedirect.co.uk/our_business/values/pricing_coffee.cfm and <http://justcoffee.coop/en/map/supplychain> [Accessed March 2009].

²⁸This is based on conversations with several active participants within this association (e.g. Cooperative Coffees and Equal Exchange). Since much of the lobbying regarding FLO coffee price debates occurred through either information channels or private communication I cannot claim certainty.

²⁹TransFair USA. 2009. Frequently Asked Questions. Available from: <http://www.transfairusa.org/content/resources/faq.php>[Accessed October 2009].

³⁰Oxfam has often represented an important civil society and sustainable livelihood oriented voice within Fair Trade. Small-scale farmer cooperative leaders have lauded the reforms and voting record of outgoing Chair of the FLO Board, Barbara Fiorito, who also held leadership positions within Oxfam America and Oxfam International (Preza 2009, FLO 2007b). However, Oxfam's role in the governance decisions appears to be declining. Currently only one Board member, Mr Leo Ghysels, is associated with Oxfam. As of late 2006, Oxfam America stepped away from important debates with TransFair USA and eliminated two core staff positions involved in Fair Trade policy and movement building.

³¹This balance of power analysis does not directly answer the question of why the FLO Board of Directors would have a different and apparently more favourable stance on the price hike than the Standards Committee. I suspect that an independent fully resourced Standards Committee and FLO-based Standards Unit with access to the best university-based studies of sustainable livelihoods and commodities production would have approved of the hike. However, the Standards Unit does not appear to have and/or make public their use of these tools and they may still be influenced by the FLO staff. They have not made their background studies determining the costs of sustainable production or justifying minimum price changes available to the public or this engaged researcher. The Board on the other hand included a representative from the CLAC who was well aware of conditions among producers.

³²At the time of this writing in June 2009, the CLAC only appeared to have one or two part time administrative staff that were co-housed and co-financed and/or supported by several of the stronger affiliated cooperatives.

³³The RA has partnered with Kraft Foods (owners of Maxwell House) to 'take sustainable coffee mainstream' since 2003. Kraft moves an estimated 20,000 tons of RA certified coffee and is a major donor to RA. They also have a former CEO on the RA board of directors. See Rainforest Alliance (2009) and Kraft Foods (2009).

³⁴Here there is the dual challenge of sustaining smallholder cooperatives that are accountable to their members (Fox 1992) and effective representatives in the national, regional, and international market and policy arena.