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Articles

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

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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:



# Notes



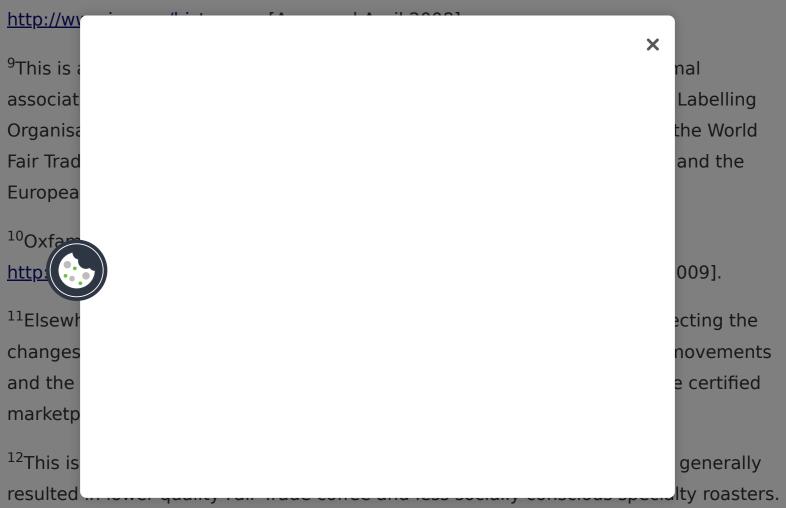
<sup>4</sup>Although these authors agree that alternative agri-food systems can potentially foster socially equitable and ecologically sustainable agro-food systems, they foreground very different findings in their published articles. Friedmann and McNair (2008) are cautiously optimistic, suggesting 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.

<sup>5</sup>Polanyi 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.

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

<sup>7</sup>The 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.

<sup>8</sup>International Coffee Organization. History [online]. Available from:



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

<sup>14</sup>Rosenthal 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).

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

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The definitions for solidarity economies, social economy, and corporate social responsibility are based on an unpublished concept piece developed with Peter Utting.

<sup>17</sup>Most 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 so m corporate X credit. It not necessa <sup>18</sup>One di ronmental demand is also a difference g business models ation vs. those rofits. <sup>19</sup>Fair II perations in the area to be an

Atlantic despite the complaints and export capacity within the local Fair Trade smallholder

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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.

<sup>21</sup>I used a September 2008 figure for this conversion.

<sup>22</sup>This 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.

<sup>23</sup>See ht X <sup>24</sup>In fact nditures for ed coffee Fair Trad prices in <sup>25</sup>Repres LO board meeting off and they gaine/ hanges a seat on aroul airtrade? A the Boar Souther irt of a an organisa rd and s of the Fair finally in Trade sy

<sup>26</sup>The 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.

<sup>27</sup>Several roasters have very transparent statements about their pricing. See for example <a href="http://www.cafedirect.co.uk/our\_business/values/pricing\_coffee.cfm">http://www.cafedirect.co.uk/our\_business/values/pricing\_coffee.cfm</a> and <a href="http://justcoffee.coop/en/map/supplychain">http://justcoffee.coop/en/map/supplychain</a> [Accessed March 2009].

<sup>28</sup>This 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.

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

<sup>30</sup>Oxfam 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 with Oxfam. X TransFair As of lat **USA** and d movement building <sup>31</sup>This b hy the FLO Board of tance on the price t fully to the best resov unive tion would have ap have and/or n by the FLO staff. Th public or sustaina

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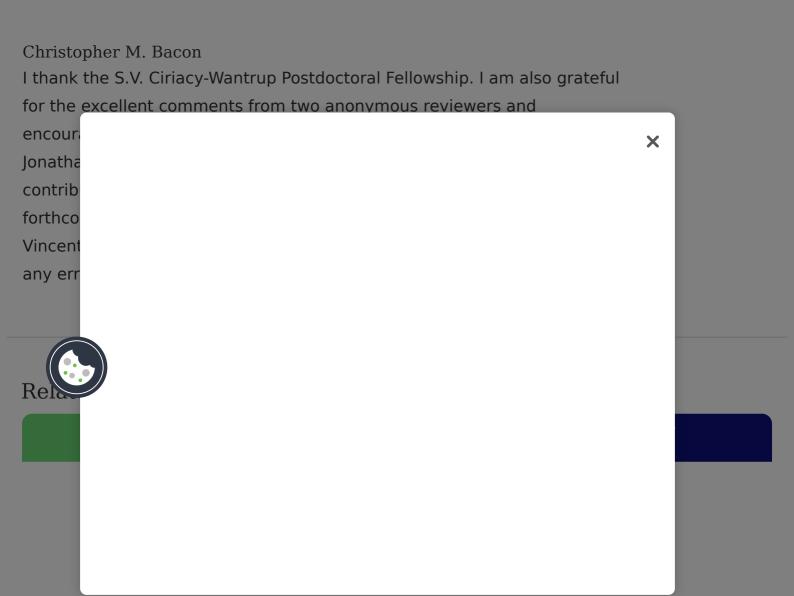
<sup>32</sup>At the time of this writing in June 2009, the CLAC only appeared to have one or two part time administrative staff that were co-housed and co-financed and/or supported by several of the stronger affiliated cooperatives.

<sup>33</sup>The 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).

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

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