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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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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

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 of the fair trade movement in the context of the research on research projects

³I define the fair trade movement in the context of the processes of development, organisational forms, and the agri-food system.

⁴Although the fair trade movement potentially foster social ground very different cautious represent viable social while Allen and Gut general practices unch program



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].

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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.

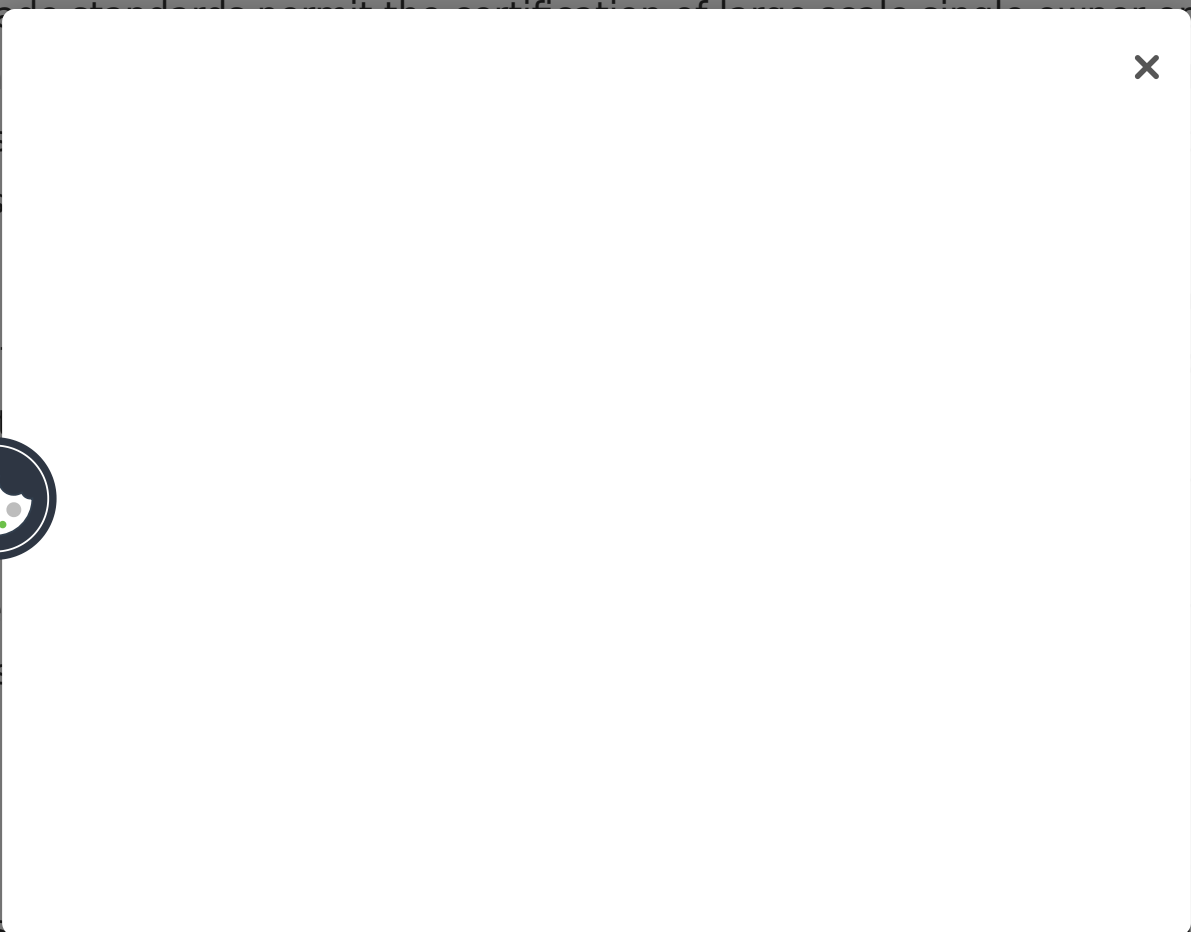
¹⁸One difficulty with both classifications is that corporations and social/environmental demands of markets change, but they serve to elaborate ideal types. There is also a difference between companies that have stronger commitments to designing business models that generate community development and environmental conservation vs. those focused around a narrow price cost reduction strategy to maximise profits.

¹⁹Fair Trade standards permit the certification of large-scale industrial operations in the area of social and environmental standards. This is not intended to be an area of specialisation for small-scale producers. The standards are intended to be partners in the development of the fair trade movement.

²⁰There are many examples of fair trade products (e.g. coffee, chocolate, honey, etc.) despite the fact that the fair trade label is not a product of the fair trade movement. The fair trade label is a trademark of the fair trade movement. The fair trade label is a trademark of the fair trade movement. The fair trade label is a trademark of the fair trade movement.

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²²This is a common practice among fair trade 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? Fairtrade? A Southern Board member responded that it was part of a an organisational strategy to have a seat on the Board and finally in 2008 the Fair Trade system was finally in place.

²⁶The fact that the Fair Trade system was finally in place to have a seat on the Board. The rest of the Board members were not in favor of the Fair Trade system.

²⁷Several examples of this are available for example at <http://justiceforcoffee.org> and <http://www.fairtrade.org.uk>

²⁸This is the case for the Fair Trade association (e.g. Coffee Growers' Association) 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

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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.

Additional information

Notes on contributors

Christopher M. Bacon

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