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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

Notes

[1]There 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.

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

[3]I 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.

[4]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.

[5]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.

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

[7]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.

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

[9]This 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).

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

[11]Elsewhere, 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).

[12]This 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.

[13]For 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).

[14]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).

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

[16]The definitions for solidarity economies, social economy, and corporate social responsibility are based on an unpublished concept piece developed with Peter Utting.

[17]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 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.

[18]One 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.

[19]Fair 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.

[20]There 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.

[21]I used a September 2008 figure for this conversion.

[22]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.

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

[24]In 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.

[25]Representatives 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 a 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.

[26]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.

[27]Several 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].

[28]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.

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

[30]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. 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.

[31]This 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.

[32]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.

[33]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).

[34]Here there is the duel 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

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