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Fair Trade: Three Key Challenges for Reaching the Mainstream

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ABSTRACT. After nearly 20 years of work by activists, fair trade, a movement establishing alternative trading organizations to ensure minimal returns, safe working conditions, and environmentally sustainable production, is now gaining steam, with increasing awareness and availability across a variety of products. However, this article addresses several major remaining challenges: (a) a lack of agreement about what fair trade really means and how it should be certified; (b) uneven awareness and availability across different areas, with marked differences between some parts of Europe and North America that reflect more fundamental debates about distribution; (c) larger questions about the extent of the potential contribution of fair trade to development under the current system, including limitations on the number and types of workers affected and the fair trade focus on commodity goods.

KEY WORDS: fair trade, international trade, social movements, coffee, consumers, development, consumption

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Challenge 1: defining what fair trade really is and how to certify it

Fair trade is a movement to integrate ethical principles in consumer decision-making. The rapid expansion of fair trade markets in the last 5 years has raised alarm bells and questions for the business community about ethically produced goods that are reviewed addressed in this article. The fact that consumers are open to consideration of ethical principles in purchasing decisions has some support (Irving et al., 2002), including the famous 1993 Cone and Roper poll of the U.S. in which:[1]

- 8 out of 10 agreed that companies should be committed to a specific cause over a long period of time
- 84% said they have a more positive image of a company if it is doing something to make the world better
- 78% of adults said they would be more likely to buy a product associated with a cause they care about
- 66% said they would switch brands to support a cause they cared about
- 62% said they would switch retail stores to support a cause
- 64% believe that cause related marketing should be a standard part of a company's activities

Fair trade was a small movement which, by many accounts, started 20 years ago with the launching of Max Havelaar brand in the Netherlands in 1988 that introduced the idea of trade limited by ethical principles. The movement can be traced in part to increasing frustration with the perceived out-of-control effects of free trade agreements; the lack of progress in terms of reducing extreme poverty; and increasing relative gaps between the rich and poor on the planet. Awareness of the hypocrisy of "free trade" in a world of massive agricultural subsidies and inequalities has become common knowledge through campaigns such as Oxfam's "Make Trade Fair." The ingenious side of fair trade is that it requires no extra effort and limited expense on the part of consumers. Moreover, it can be seen as a part of the wider new conscience in development towards empowerment, trade, and self-definitions of development, and away from reductionist and paternalistic practices of foreign aid (Oxfam, 2002; Hira and Parfitt, 2004). On the ground level, fair trade implies that ethical principles are intimately and necessarily tied in with the process of production. These implications are wide-reaching, because they suggest that consumers should not only be aware of the price and visible quality of the products and services they buy, but should in fact be aware of the ethical ramifications of *how it was produced*. Unlike somewhat parallel movements, such as organic food, which also suggest an inherently better product (free of pesticides), other than a label, fair trade products are not visibly distinguishable from other competitors. In some cases, similar to some "green" environmentally friendly products, they ask the customer to pay a slight premium in order to do the right thing. However, unlike many green and organic products, there are no clear standards about what fair trade means. This is the primary challenge for fair trade at the moment.

There have largely been two versions of fair trade. One, the more radical version, sees problems in the basic nature of global capitalism including trade, and seeks to create a whole new system. This is the main system at the moment for fair trade, which occurs through distribution channels such as local ngos (non-governmental organizations) or "alternative trading organizations" (ATOs). The more reformist version, supported by Oxfam (which in turn has received heavy criticism as a result), looks at ways to promote more equitable trade working within existing trade structures and channels, including mainstream retailers.

Fair trade as currently carried out by ATOs such as Oxfam, Traidcraft, and Twin Trading, and co-operatives such as Equal Exchange, generally adhere to the following fair trade criteria in sourcing their products:

- A price that covers the cost of production
- A social premium to provide funding for development projects
- A partial payment in advance to avoid small producer organizations falling into debt
- Contracts that allow long-term production planning
- Long-term trade relations that allow proper planning and sustainable production practices
- Producers must be part of democratic co-operatives
- Sustainable environmental practices.

ATOs and the fair trade system have sprung up *sui generis* by the activist community, though their recent growth in many cases is tied to government funding (Waridel and Teitelbaum, 1999). ATOs and labeling organizations generally are created as transparent organizations, revealing their financial structure to the public. The key and obvious problem with this system is that the market for fair trade as a result is necessarily limited to those willing to purchase on-line or who have access to ATOs. Indeed, one of the principle problems in the fair trading system now is an oversupply, whereby there is not enough effective demand for the fair trade coffee that can be produced. Thus, a number of fair trading networks have limited expansion. Moreover, because most fair trade ATOs certify only co-ops, the poorest of the poor, namely landless workers on large coffee plantations, are untouched by fair trade. This has led to a second movement to create a fair trade certification process in order to free up movement for fair trade products into mainstream distribution channels.

As important is the issue of who can and should certify, is which products meet the standards of fair trade. The key certification organizations at present include Transfair and the Max Havelaar, which use brand symbols to mark certified coffee. The Fairtrade Labeling Organization (FLO) has been created to serve as an umbrella ngo for the diverse groups. However, many fair trade vendors are not certified, though they adhere to the basic standards. Indeed, some vendors exceed these standards, including, for example, bird friendly and shade-grown aspects of production, without certification. Many fair trade activists insist that there must be tight control over what products can be certified fair trade, and have proof through an official fair trade label.

Solving this problem, however, goes beyond just agreeing what is and is not fair trade. It means establishing a legitimate set of institutions that have adequate resources to do the job. At present, some non-certified vendors point out that Transfair, among other ngos, has quite meager resources for enforcement, thus creating a blockage in the system. More fundamentally, relying upon an outside certification organization goes directly against the natural interests of businesspeople who need to control their supply chains and want maximum flexibility to shift quickly according to changes in prices, quality, and demand. Yet companies are beginning to see a growing niche market and external reputational benefits to engage in at least one line of fair trade coffee. Indeed, not only Starbucks but now corporate giants such as Nestlé and Kraft are claiming to fully meet fair trade requirements in some product lines, however, without certification.

Challenge 2: increasing fair trade awareness and availability, esp in North America

Businesspeople are skeptical if somewhat responsive about fair trade not just because of certification problems, but whether there is fundamentally any sizable market. Despite a lack of comprehensive data, over the last 5 years, it is clear fair trade has come to occupy an important niche in some limited consumer markets and areas. A (1993 & 1996) study of customers for 2 large ATOs (Alternative Trading Organizations) revealed that most fair trade customers tend to be (Lettrell and Dickson, 1999, 228–229):

– in the 30–49 years old range (60–67%)
– overwhelmingly Caucasian (94%)

Note: Survey conducted in downtown Vancouver on the street during weekend morning/afternoon, including Robson St. and the West End; the Art Gallery; Granville Island; the Vancouver Public Library; and Commercial Drive. Surveys filled out by volunteers and the team. Neither gender nor the amount consumed seemed to affect the results.

Total observations: 118
46% female, 54% male.
Are you aware of FT coffee?
30% not aware; 70% aware. The answer to this q. varied a lot by area. There was less awareness on Robson St. and the West End.
Would you be more likely to buy FT coffee?
66% said yes.
Do you find FT coffee easily available?
65% said no.
If FT coffee is easily available to you, do you purchase it?
76% said yes.
If FT coffee is not easily avail., do you purchase it?
35% said yes.
If you purchase FT coffee, is it for home or outside?
72% purchase for home.
If you don't purchase FT coffee, why not?
54% said not aware Again, there seemed to be less awareness on Robson, the West End.
25% said not available.
Would you like to see more availability?
79% said yes; almost all of the residual were indifferent.

– mostly married (60%)
– very well educated (college, 17–23%; graduate school, 57–62%)
– in the upper middle class income range ($25,000–75,000, 62–68%)
– more in the education field than any other (20–26%)

U.S. and Canada

While the natural market for fair trade products at the moment seems logically to be young urban professionals and activist groups in higher education, it is hard to tell if this is due to preference by these groups or simply lack of knowledge and availability. Indeed, a survey by the National Coffee Association of the U.S.A. revealed that only 2% of U.S. consumers were purchasing fair trade coffee, and only 7% were aware of it in 2002 (Nelson, 2002).

Fair trade coffee is just beginning to catch on in the U.S. and Canada, but is still quite limited. Knowledge about fair trade coffee across Canada seems questionable; a Transfair Canada survey of 1487 coffee drinkers in 2002 found that only 11% were aware of fair trade coffee, and only 4% had purchased it. Students are leading the way, with a number of college campuses, including Harvard and Boston University successfully pushing their university food services to offer fair trade coffee. Fair trade coffee is also available in specialty shops, and organic food stores. Recently, Equal Exchange was successful in getting Albertson's supermarket to adopt fair trade coffee. Seattle's Best Coffee company, recently bought by Starbucks, also succeeded in getting Safeway to offer a line of fair trade coffee. Activists have also been successful in getting government agencies to adopt resolutions in support of fair trade, though not without controversy. Mayor Larry Campbell of Vancouver, responding to the Vancouver Fair Trade Coffee Network and Oxfam, has endorsed fair trade and declared that City Hall would only carry fair trade coffee. On the other hand, editorials have been written in the *Vancouver Sun* suggesting that fair trade would be ineective, and only free trade would improve poverty. A resolution by the Berkeley City Council in 2002 that would have required that only fair trade coee in the city was rejected, and brought out charges of radicalism to the fair trade movement.

In order to directly address local businesspeople's concerns about the market for fair trade, we conducted a preliminary survey in Vancouver in Dec. 2002.

Our preliminary survey suggest that there is evidence for a market for fair trade coffee in the Vancouver area, and that a large number of people find that the lack of availability is the greatest stumbling block. In sum, in the U.S. and Canada, the obstacles of certification, awareness, and availability all seem to work hand-in-hand. The European market provides an important example of how to move forward on these fronts.

Europe

By contrast with the Canadian and U.S. markets, in some countries in Europe, particularly the Netherlands, the UK, and Switzerland, fair trade is well recognized and widely available. It appears that the Netherlands, which pioneered fair trade, succeeded due to a partnership of ngos, the private sector, and clear support, including ongoing funding by the public sector. A 1997 Europe Commission Report on EU consumer attitudes reported that 37% would pay 10% more than the normal price for fair trade bananas and 11% would pay 20% more (European Commission, 1997). The European Fair Trade Association (EFTA) has published the only comprehensive survey to date on fair trade. EFTA surveyed organizations involved in fair trade in 18 different European countries. EFTA reports that fair trade products are now available in over 43,000 supermarkets, with Germany reporting most, 19,300 of them (pp. 13 and 79). The most interesting statistics from the report are found in terms of the market share captured for fair traded products. Market shares for fair traded coffee, tea, and bananas, range from less than 0.1–4.2% in every case except one. In Switzerland, the market share for fair traded bananas has reached 15% (p. 15)! According to Caterina Meier-Pfister, Manager of Communications at Max Haavelar Switzerland, fair trade in general has achieved a 5% overall market share, after the launch in 1992. Fair trade bananas have a 22% market share, and cut flowers/roses, launched in

Spring 2001, have reached 10% and are increasing. However, she believes that the market share potential has reached a plateau for now. She states that the following as the main reasons for success:

– In Switzerland two main Supermarkets (Coop and Migros) cover 60% of the food market. They are fairtrade partners since the beginning and normally do launch new products with us (flowers in 2001, rice in 2002, fresh bananas and mango at the end of 2002). I presume this has also contributed a lot to the fact that the Max Havelaar label is very well known in Siwtzerland.
– Certainly several NGOs and other pioneer organizations have sensibilized (*sic*) the consumers and prepared the market well for fairly traded products. Often campaigns of NGOs (for example against genetically manipulated coffee) put pressure on the companies involved in this business so they start evaluating the Max Havelaar label and possibilities to co-operate.
– The six main development organizations in Switzerland have founded Max Havelaar in 1992. This aspect certainly contributes to the high credibility of the Max Havelaar label.

The levels of awareness of fair trade products are measured by somewhat unclear survey data in the report, but seems to be in at least the 30% range in several European countries, including Austria, Belgium, Denmark, France, Germany, the Netherlands, and Switzerland.

Comparing the U.S. and Canadian and the European Markets

What explains the difference in the development of the two markets? It is hard to say without more in depth research, but undoubtedly one factor is the clearer support of fair trade by the private and public sectors in Europe. In a sense, activists in Europe have been successful in pushing fair trade as a type of public standard such as standards that exist internationally for organic or environmentally friendly products. Scares such as the BSE or ''mad cow'' disease in recent years undoubtedly have helped to increase the ability to link awareness of production process to ethical values. Moreover, the European public sector has been willing to aid fair trade efforts not only directly in terms of public financing of ngos but also in promoting fair trade through public statutes. We can surmise that in this atmosphere of legitimized concerns that European retail food chains have joined on board in terms of willingness to stock fair trade products, thus completing the virtuous circle of public policy critique and reformulation. For fair trade to truly succeed, it must conquer North American markets. For example, U.S. consumers purchase 25% of the coffee beans on the global market (James, 2000).

What would it take for the more concentrated retail giants of North America to similarly adopt fair trade? While some progressive retailers such as Ben and Jerry's and The Body Shop have been joined recently by giants such as Safeway in selective markets (in California) in offering fair trade products, the retail problem is a chicken-and-egg one in North America. To the authors, spokespersons for retail chains claim that they cannot legitimately offer more than a few lines of fair trade coffee (generally buried amidst other competitors) because there is no proven market. Like the coffee giants, retail giants in North America are highly risk averse. The CEO of Second Cup, a large Canadian gourmet coffee chain said to one author that though they follow fair trade principles, they will not submit their product to a certification agency. Europe's success shows that a legitimate fair trade market exists. Moreover, according to many surveys, North American and European consumers are willing to pay a higher price for a more ethically produced product (UN, 1997; Zarilli et al., 1997). However, businesses do not want to make a change that has no effect on the bottom line, and which they perceive as possibly creating a competitive disadvantage to others who do not comply. This suggests that some form of public standards and certification following the example of Europe is needed to push fair trade to the mainstream towards a public–private–activist partnership. Direct public sector involvement increases awareness, promotes standards, forces the private sector to respond, and adds new formal institutional channels and resources to the fair trade movement for promotion, enforcement, monitoring, and improvements. The other two partners still play a vital role – the private sector pushing for viability and efficiency, as well as responding to consumer demands; and activists/ngos in promotion, system innovation, and keeping the other two partners accountable and responsive.

Challenge 3: how much can fair trade really do for development?

A more serious question confronts fair trade activists, namely whether fair trade is promoting a ''losing'' game to developing countries and farmers, and whether offering a floor price in a commodity market of wildly fluctuating prices makes sense. In many ways, fair trade makes more sense for highly differentiated gourmet type products, such as those in the ethically produced lines of the Body Shop and Ben and Jerry's ice cream. This may help to explain why fair trade has had such difficulty in expanding beyond the gourmet coffee market.[2]

More generally, as any student of development knows, there are serious and legitimate questions about whether commodity production makes sense.

TABLE I

Annual average international coffee price

	Annual average	Standard deviation
1983	127.98	5.91
1984	141.19	4.08
1985	133.10	14.77
1986	170.93	24.63
1987	107.81	7.65
1988	115.96	4.23
1989	91.67	26.87
1990	71.53	3.97
1991	66.80	3.44
1992	53.35	5.77
1993	61.63	7.58
1994	134.45	51.46
1995	138.42	19.61
1996	102.07	6.12
1997	133.91	20.07
1998	108.95	13.41
1999	85.72	8.12
2000	64.25	10.25
2001	45.60	3.11
2002	47.74	3.71

Units: U.S. cents/lb. derived from ICO (International Coffee Organization, www.ico.org).
SD calculated for months of a year.

In a nutshell, there are four basic concerns in regard to commodities production. First, we can all recognize the hardships of any agricultural enterprise – subject to the fate of weather, pests, and the availability of loans, farming is by nature an extremely challenging enterprise. Second, the heart of economics is a market based upon supply and demand. In commodity markets, with a few notable exceptions such as petroleum, and particularly in agriculture, there tend to be many suppliers. While there are effectively many consumers of agricultural products, in practice global supply chains are oligopolistic. Thus, in coffee there are just four major wholesale purchasers of coffee. Economists tell us that differences in relative bargaining power lead to uneven shares of the gains from trade. Commodities are no different in this sense. The lion's share of your $3 latté are captured by the wholesale and retail giants, not by the farmers. Third, economists since Raúl Prebisch in the 1950s have pointed out that not only are food products a decreasing portion of consumers' overall expenditures as income rises (Engels' Law) but also the elasticities of demand and supply are quite different for commodities from specialized manufactures and services. This is another way of re-stating the second point – that anyone who sees a commodity index will notice that the volatility of prices is much greater than for, say, the latest automobile or semiconductor chip. Similarly in the unlikely event that agricultural prices rise, supply responds very quickly, thus dampening any benefits from changes in demand. Last, since raw agricultural goods or commodities as exported by developing countries do not fundamentally change in nature, *unlike* manufactures such autos, computers, and cameras, there is little in the way of value that can be added to the overall price of the good that can be captured by the producer. Coffee, the centerpiece of fair trade efforts, is a good example of these problems.

Example: coffee

Like other commodities, coffee is a demand inelastic good, meaning a sharp decrease in price due to a harvest year will not mean a significant increase in demand. One analyst notes that coffee grower's yields could be 10 times as large in boom years as those in bad years! (Shafer, 1994, 194) As a result, coffee prices are notoriously unstable. Moreover, since the collapse of the International Coffee Agreement (ICA) in 1989, there is no cartel to control the supply from year to year. The price is also influenced by environmental factors. Thus, a frost in Brazil, the world's largest coffee producing country, can decimate its crop and cause prices to soar to $1.80 per pound, as was the case in 1994 (see Table I).

Like other commodity markets, volatility makes planning extremely difficult for coffee producers. Even with the arguably pre-existing over-supply in the coffee market, the rise of Viet Nam, ironically assisted by the World Bank, as a major producer has flooded the market even more. Low coffee prices have recently created an economic crisis in coffee producing countries such as Nicaragua, where as many news agencies have reported, "coffee pickers with malnourished children beg for food at the roadside." (The Economist)

Some coffee suppliers have attempted to differentiate coffee through branding. The most ubiquitous example is the well-known "Juan Valdez" campaign which attempted to differentiate Colombian coffee as superior, though it has little direct connection to individual producers. Unfortunately, most branding efforts seem to be more effective at the retail level, where a customer is more likely to differentiate between Starbuck's Frappucino brand than the actual country where the coffee was grown. Thus, there is a huge difference in both quality, brand recognition, and price between coffee bought for home consumption, which represents an estimated 70% of all coffee consumption, and coffee bought outside, where specialty coffees are much more important and nuanced.

TABLE II

Equiterre's projections for the breakdown of fair trade coffee receipts

	Conventionally traded coffee (%)	Fairly traded coffee (%)
Growers	10	20–30
Exporters	10	–
Shippers and roasters	55	60
Retailers	25	10–20

Oxfam's projections for the breakdown of fair trade coffee receipts.

In sum, the basic problem in the coffee market reflects power conditions. That is, in the production process, retailers, traders, and roasters have a great deal of power, and producers very little. There are millions of producers, but the rest of the production chain is quite concentrated, as a recent Oxfam report points out (Oxfam, 162, FairTrade Foundation, 2002, 8). Two companies – Nestle and Phillip Morris (which owns Kraft) – control half of the world market share for roasted and instant coffee, while the top five, if we include Sara Lee, Procter and Gamble, and Tchibo, control two thirds of the market. While fair trade coffee does not compete with the low quality store bought coffee dominated by these roasters, the oligopoly nature of the market explains a lot about market conditions in coffee and forecloses the possibility for wider adoption of fair trade coffee unless the large companies adopt fair trade practices.

The international trading market is also concentrated. Three international traders – Neumann, Volcafé, and Cargill control one-third of the market share, while the top six companies control half. As a result, producers receive only 9% of the retail price for roast and ground coffee, and less than 1% of the final price in a coffee bar (Table II). Fair trade, therefore, makes a huge difference in the lives of producers fortunate to be part of that system.

Minimum price issue

Perhaps the most important sticking point is that fair trade insists upon a minimum price level given to farmers, which goes against the basic sense of businesses that price should act as a signal to reduce or increase supply and/or demand (Maseland and de Vaal, 2002). While most activists claim that fair trade coffee has the same net price, a study by Equiterre in 1999 revealed a 10% difference. This difference may reflect, however, differences in quality, as fair trade coffee tends to be better and sometimes organic, as well as the premium set for certification (Waridel and Teitelbaum).

In order to test this price breakdown out for the local market, we conducted our own survey in Vancouver, using two ngos as examples (see Table III).

TABLE III

Vancouver area fair trade coffee price breakdown

	Co-Dev (Café Etico)	BCCASA	Conventional
Green coffee	1.26	0.45	
Organic premium	0.15		
Shade grown premium	0.15		
Community development	0.05		
Final cost/lb. (green coffee)	1.61		
Sales price/lb. (roasted) C$	12.00	12.00	5.00–15.00
Amount to producers	2.45 (20%)	3.00 (25%)	0.45 (max 9%)

Notes: figures in US$exc. as noted.
Source: Diana Gibson, Exec. Director of Co-Development Canada; fair trade standards are $1.21/lb.+0.05 for community *devt.*=$1.26/lb.
With conventional coee, coyotes (middleman) would receive the final price, rather than small farmers; Final price varies greatly by quality, brand, and retail outlet.

We can sum up the main points from the tables as the following:

- The consumer sometimes pays the same price for fairly traded coffee, and sometimes pays a slight premium as s/he would for regular gourmet coffee.
- Fair trade cuts out the middleman or *coyote* allowing more profit to go to the producer. Fair trade may also slightly reduce the amount to the retailer.
- Producers of conventionally traded coffee receive 10%, but pay their workers far less. With fairly traded coffee, the profit is split evenly among the workers who are usually members of a co-operative.
- Currently, shipping costs are quite high for ATOs because they deal in relatively small quantities. Costs would be reduced if Fair-trade controlled a larger share of the market.

Moving away from a market-based priced signaling system to a minimal floor price goes against main-stream economic principles and a history of failure to cartelize commodity prices outside of petroleum, such as the proposals embedded in the NIEO (New International Economic Order) put forward by developing countries of the 1970s. Businesses and governments are likely to continue to resist fair trade because of the fear of lower returns and minimal price signals. One alternative would be to agree upon a minimal percentage of the final price to farmers, thus preserving the efficiency and flexibility of the price signal to reflect market supply and demand conditions. However, we are not aware of any accounting system based on % returns, and devising such a system for pragmatic is itself a daunting challenge in the face of ever shifting prices. On the other hand, the principles of worker safety, green production practices, and ensuring basic human and collective bargaining rights among producers is easy to implement with a public standard, following the same principles and enforcement as occur on a domestic level in the North.

Paths forward for fair trade

The three key problems of definition/certification, reluctance to allow for mainstream availability in N. America, and the losing game of commodities are all serious obstacles that will require a combination of reflection and active experimentation to resolve in local practice. Fair trade under no circumstances can resolve the bigger problems of unfair trade related to agricultural and other forms of subsidization and protection that the North utilizes to the great detriment of the South, along with employing its financial leverage to maintain the status quo. However, we must remember that fair trade was set up because the global trading system was not working in a way acceptable to Northern activists. In this sense, to the extent fair trade succeeds, it opens the door to more wide-ranging changes and claims for principled justice and norms to re-shape the world economy. Those principles can only overcome the problem of collective action, that is of some businesses undercutting fair trade principles through non-compliance, if there is some form of public sector participation. In this sense, activists and academics can play an even more productive role beyond promoting fair trade, if they can move more clearly towards hearing and diligently and comprehensively addressing businesses' concerns. One start would be to conduct clearer scientific surveys of consumer preferences, revealing the demographic markets where it would best thrive at the moment. Another important contribution would be to conduct a clear study on how exactly the more successful ngo/activist–public–private partnerships in the key European markets have attained success and what challenges they now face in further expanding fair trade. In general, we need a more formal ongoing set of studies to bring the European and North American communities into greater concert.

While the movement towards organic foods is a success story, the transition to supplying organic goods has been quite difficult for farmers and does not solve the basic lack of control over retail chains (Moore, 2004). Therefore, solidifying the certification process in order to achieve a universal public standard is an important step that must be taken. Foreign producers, especially growers of coffee, as well as retailers and wholesalers, should be a part of such a discussion, along with ATOs (Jaffe et al., 2004). There are two possibilities for streamlining. One is to build upon European initiatives and to work towards an international public standard as one would for organic goods. This would force public agencies to take the role of the certification agency, which goes against activists' legitimate distrust of the state and large bureaucracies. However, with public resources for fair trade, there would be much greater chance of increasing availability. Current certification agencies run by activists could tender for public contracts to serve as auditors for compliance through random audits of producers, which would work equally well for adopting labor standards and eliminating sweatshop conditions. The second is to allow for decentralized ngo certification as occurs at present, but to agree upon a universal standard. That standard would end up being co-opted by companies outside the certification network, but they would be subjected to public shaming campaigns if they veered from the stated principles. This change would allow us to move towards global ethical standards from the limited world of voluntary gourmet/highly differentiated niche products into ones that figure naturally into the production process, as is the case on the domestic level with environmental, worker safety, child labour, and anti-discrimination principles, without any question whatsoever as to added costs to the final price. The beauty of this idea is that enforcement would not require any punitive international action for compliance, rather compliance would occur naturally as the dominant markets of the U.S., Europe, and Japan moved through public law to these basic guidelines for all imports.

The insistence on restricting the supply to cooperatives limits the possibilities of expanding corporate involvement. As Laura Raynolds points out we know very little about the degree of actual difference that fair trade coffee makes in farmers' lives (Raynolds, 2002). Preliminary research by Raynold's group as well as Monsarrat seems to indicate that in some cases, the benefits are limited by inadequate demand, and that actual farmers sometimes do not have a clear idea of how fair trade works or how fair trade revenues are allocated by the co-op. We also know little about how the actual governance structures function in fair trade-certified co-ops. We should point out that most coffee is grown on large estates, filled with landless workers who are much worse-off than small landowners. At present, fair trade potentially creates a haves and have-not situation for growers who are not certified. If larger farms were eligible for fair trade certification, many more would benefit and companies would be more open to participation. However, this goes against one of the core tenets and history of the fair trade movement and will not be easily conceded by activists who tie fair trade to co-ops.

Finally, it remains to be seen how fair trade coffee wholesalers will fare in periods of strong price downturns, such as the present one (Zehner, 2002a,b). Since fair trade coffee guarantees a minimal or floor price, generally around \$1.25/lb., those organizations are losing a lot of money now. Recent studies also point out that there are many issues around co-operatives (Milford, 2004). For example, if co-operatives decide to abandon fair trade organizations when prices move above the floor price, when fair trade organizations should be saving the premium, the system could break down, unless the premium can be transferred, at least in part, to the retail end, which seems equally problematic. Again, one clear solution to the problem would be to guarantee a minimum percentage of the final price for the farmer, but this not a point activists are likely to concede. It should be clear that the main bottleneck is at the roaster level. Unless fair trade organizations or someone else is willing to break this oligopoly, it will be very difficult to make headway in the coffee market. This might suggest a more active alliance with developing country producers' councils and/or governments, to form large alternative wholesale outlets. It would be a grand day for development to see Colombia own its own rival marketing chain next to Starbucks and capture the entire value chain for a change! Perhaps most importantly, it is important for fair trade to be complimented (Barrientos, 2000) with efforts to hold Northern and Southern governments accountable, to diversify developing economies, including to ensure minimum decent living conditions and access to health and education. Ultimately, we hope that once these problems are ironed out, fair trade principles will become like worker safety and environmental regulations in the North – minimal standards that are a given for all international production, and not just a niche market.

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Notes

[1] Quoted in http://www.msen.mb.ca/crm.html, as well as number of other places.

[2] Thanks to an anonymous reviewer for bringing this to my attention.

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Fair trade is a subject that is quickly gaining steam. Bibliographical efforts to monitor the discourse can be found at: http://www.fairtraderesource.org and http://www.eldis.org.

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