Challenges facing fair trade: which way now?

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Approaching maturity, fair trade faces challenges at both ends of the supply chain, reflecting the dual approach of fair trade as a business and development instrument. Who should supply the fair trade market, what support do producers require and what is the impact of the relationship between fair trade organizations and producers? How can fair trade continue to assert its unique selling point in the market place and what messages should it be transmitting to the consumer? The paper draws on research, consultancy and engagement with the fair trade movement to explore issues of producer development, accountability, and competition in the consumer market and to look forward to potential strategies for the movement, especially as other approaches to trading ethically are becoming more active in the market place.

HAS FAIR TRADE come of age? The increasing number of fair trade products sitting on supermarket shelves and its increased credibility with international donors indicate that fair trade is not to be dismissed. However, fair trade faces challenges at both ends of the supply chain, in relation to producers and consumers. Many of the challenges are inherent in fair trade, reflecting its objective of promoting development through trade. Fair trade has feet in both the development and business camps, which can create tensions. Moreover, these challenges are becoming more acute with changes in the market place as more commercial organizations take on the challenge of operating in a more socially responsible way and the increased profile of fair trade as a potential development tool.

Fair trade has feet in both the development and business camps, which can create tensions

In this paper I explore challenges facing fair trade, focusing on impact assessment at the producer level, accountability and the inroads of fair trade into the mainstream market. Concentrating on the ‘nuts and bolts’ of fair trade as practised by alternative trading organizations (ATOs), the paper highlights progress to date on understanding how fair trade operates and the impact it is having. (ATOs may be distinguished from fair trade labelling organizations by the fact that they are active in trade themselves, whereas the latter establish and monitor fair trade criteria, awarding labels to products that meet these standards.)

The overall impact of fair trade – i.e. the extent to which it can meet its objectives – is linked to impact at the producer level and the influence of fair trade on the market (both in relation to consumers and other traders). To put it simply, overall impact is related to the number of people involved multiplied by the magnitude of the change (Zadek et al., 1998). Translating this into what this means for fair trade, the overall impact of fair trade can be conceived as the volume of sales and influence on others multiplied by the benefit to individual producers and groups. Following a brief introduction to fair trade organizations and practices, I discuss progress to date in understanding the impact of fair trade relationships. I then consider the extent to which fair trade has penetrated consumer mar-

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kets and its influence on other traders. The paper closes by drawing conclusions regarding fair trade strategy.

Background

Fair trade is just one of a number of approaches to responsible business practice in trade between developed and developing countries, which also include organic production, environmental codes, forest certification, and the ethical sourcing initiatives of major Western retailers. The approach that is most often compared to fair trade is ethical trade, also known as ethical sourcing. Ethical trade is an approach to supply-chain management, most usually undertaken by multinational brands or retailers, that involves the use of codes of conduct to ensure that suppliers meet minimum standards of employment, worker welfare and aspects of human rights standards. In the UK this approach is most well known through the activities of the Ethical Trading Initiative (ETI) which involves stakeholders from industry, NGOs and trade unions and aims to develop appropriate monitoring and verification systems with a view to increasing the social responsibility of firms sourcing from developing countries. There are important differences between ethical trade and fair trade as currently practised, not least the workplace focus of ethical trade compared to fair trade's emphasis on trading terms and small and disadvantaged producers. Furthermore fair trade seeks to change unequal relationships between producers and consumers, to empower producers, whereas ethical trade to date is largely focused on the welfare of producers. Nevertheless in the eyes of some observers, the significance in terms of poverty reduction of other approaches to social responsibility may well exceed the impact of fair trade and consumers may regard the ethical labels of conventional companies as just as convincing as those of fair trade.

> Ethical trade has a workplace focus, whereas fair trade emphasizes trading terms and small and disadvantaged producers

Fair trade producers and impact on development

The practice of fair trade involves many challenges in the relationship between producers and the fair trade organization, not least who should supply the fair trade market and provide appropriate support to producers. More recently, questions have been raised about the impacts of fair trade: who benefits; to what extent; are there any unintended consequences?

Whilst many fair trade relationships have evolved through personal contacts and serendipity, an important issue for most fair trade organizations is whether to focus on the poorest and least well-connected producers or to concentrate on producers who just need a fair trade 'leg-up' to achieve success in the export market. If one chooses the latter, is one ignoring those who most need help?

There are 'creative tensions' between product- and producer-led fair trade, commercial viability and development impact. Humphrey (2000) makes a contrast between producer- and market-led trade. She argues that in reality fair trade does both, but in the past fair trade was largely about finding an outlet for what the producer could supply. Now fair trade attempts to make a more difficult balance between trading success and targeting groups based on the need for social benefits, which is where creative tensions come in. For example, the need for quality and reliability may conflict with the desire to benefit the poorest, or the skills and resources available to poor communities may not necessarily correlate with market opportunities. Similarly, remoteness can mean that poor producers cannot access ethical markets and the most vulnerable groups may

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be excluded because they lack access to the requisite assets (e.g. natural, social capital) to participate in fair trade schemes (Nelson et al., forthcoming).

Another important area of tension is the balance between support and the development of a good long-term relationship with a reliable supplier and the creation of dependency. A recent study highlighted the extent to which many producers are dependent on the Oxfam Fair Trade Company orders: 44 per cent of the groups studied sold at least half of their produce to Oxfam and where groups had become less dependent on Oxfam they tended to diversify sales to other fair trade buyers (Hopkins, 2000 p.23). Only a limited number of fair trade producers, especially in crafts, appear to ‘graduate’ from the fair trade market to the conventional market; graduation is probably never feasible for some producers. The creation of dependency and the extent to which fair trade may subsidize otherwise inefficient or sub-standard producers have been raised as potential shortcomings of fair trade in relation to other approaches to enabling small producers to enter export markets, which I will address below. Oxfam has decided to tackle this potential problem by helping some producers focus on domestic marketing opportunities through the creation of regional business development units. For other producers, there may well be opportunities in the mainstream market. Traidcraft is exploring ways in which marginalized producers can operate in the mainstream export market (Humphrey, 2000).

Only a limited number of fair trade producers appear to ‘graduate’ from the fair trade to the conventional market

A fair trade organization’s decision on producer strategy is ultimately bound up with the extent to which fair trade is seen as an approach to development, or a way of introducing ethics into the market. Should it be development through trade or trade development? A fair trade organization could do both, but needs to be clear about the different kind of partnership with producers, the kind of producer involved and kinds of impact that may result.

Should it be development through trade or trade development?

In the last couple of years there has been increased activity in impact assessment, partly because of the increased spotlight on fair trade, with the rise of the ETI in the UK and the efforts of commercial companies to demonstrate that they are socially responsible. There are two main reasons why fair trade organizations are being encouraged to pursue impact assessment. They must be accountable to donors that fund fair trade-related projects. They are also interested in developing systems to assess and demonstrate their impact to develop both their own and partners’ learning and to improve the effectiveness of their business.

Impacts measured

Attempts by fair trade organizations to develop impact assessments include Oxfam’s attempt to pilot qualitative and quantitative impact assessment methodologies (Hopkins, 2000); an evaluation of the fair trade labelling FLO model focusing on coffee commissioned by Fair Trade Labelling Organizations International (FLO) and a study by the German fair trade organization GEPA to inform decisions about support for fair trade partners. Donors such as DFID are interested in fair trade and following an initial study to scope fair trade in food commodities, specifically cocoa and coffee (Oxford Policy Management, 2000), DFID commissioned an assessment of Kuapa Kokoo in Ghana (supplier of cocoa for the Day Chocolate Company, in which it has shares) and the development of a methodology for assessing the impact of fair trade (Mayoux, 2001).

Oxfam's is the most comprehensive study by a fair trade organization to date. It recognized the need to monitor progress in relation to the standard of living of producers and explore methods for collecting relevant information in an effective way. The study was conducted on a pilot basis and covered 18 producer groups in 7 countries and examined income and livelihoods, capacity building, gender and the environment. Overall impact was positive for producers, especially in terms of income and skills development, but it was noted that some categories of producer benefited more than others. Key issues that emerged from the study were the extent of dependency and the vulnerability of producers and the need for Oxfam to develop a strategy for how the fair trade relationship should evolve (Hopkins, 2000).

The study revealed the extent of dependency and the vulnerability of producers

Some studies on fair trade suggest that the financial impact of fair trade is less than might be expected from fair trade publicity material, especially where fair trade sales only make up a small proportion of total marketed output (Oxford Policy Management, 2000). Nevertheless when international commodity prices are low, payment of the fair trade minimum and premium may mean that significant sums accrue to producers (Tallontire, Greenhalgh et al., 2001). In general, the main contribution of fair trade to many of the groups studied is the development of capacity (Oxford Policy Management, 2000).

Indeed many of the benefits from fair trade that have been recorded have been indirect in nature. Twin Trading, which works closely with coffee co-operatives in northern Tanzania, argues strongly that fair trade helps ensure the continued existence of co-operatives from which farmers are likely to benefit in a variety of ways, whether they are members and sell to societies or not (Tallontire, Greenhalgh et al., 2001). Similarly, the improved prices offered to cocoa producers in Ecuador by MCCH which sells to the fair trade market have meant that other traders are offering higher prices, to the extent that the premium offered by MCCH is no longer as significant as it once was (Nelson and Galvez, 2000a). The extent of these indirect benefits and the conditions under which they may extend to the wider farming community are worthy of more detailed study. In addition, some producer groups that started with fair trade have gone on to compete successfully in the conventional market, not least because supply exceeded demand from the fair trade buyer. MCCH has made this transition whilst still operating according to the spirit of fair trade (Collinson and Leon, 2000).

Other traders began to offer higher prices

Livelihoods and fair trade

Few studies have looked beyond the members of the producer organization to undertake a stakeholder analysis. Exceptions include a series of studies undertaken by the Natural Resources and Ethical Trade programme (NRET) which explored a variety of approaches to ethical trade, including fair trade in cotton, bananas and dried fruit using the sustainable livelihoods framework (summarised in NRET, 1998) and the more detailed social impact assessments of fair trade in cocoa and brazil nuts in Ecuador and Peru (Nelson and Galvez, 2000a and b). Using a sustainable livelihoods framework (Carney, 1998) one can explore more clearly those aspects of fair trade that contribute to sustainable livelihoods and those that may actually limit the developmental impact.

The NRET livelihoods studies mentioned above suggest that benefits tend to be restricted to members of the producer organizations and are not spread to the wider community (see Box 1).

Box 1. Fair trade and sustainable livelihoods

Fair trade aims to reduce vulnerability largely through facilitating access to the export market, but the fact that fair trade is based on accessing export markets may in fact make producers more vulnerable.

Institutional analysis (structures and processes)
Few fair trade promoters consider in any depth local institution and process, beyond favouring democratically organized producers. Some producer organizations may be exclusive. Scheme promoters rarely undertake stakeholder analysis.

Capital assets
Social – fair trade has strengthened some co-operatives and offered them a lifeline, but there is potential for greater capacity building.
Natural – limited consideration of environmental sustainability.
Financial – main outcome.
Human – technical training is often offered including marketing skills and post-harvest techniques.
Physical – fair trade premiums and links to donor funding may lead to investment in physical capital.

Poverty focus
Tends to focus on one stakeholder, the primary producer, and not other stakeholders. While the focus may be on small-scale producers, they are often not the poorest; for fair trade in cash crops such as coffee and cocoa, the members are owners of land – often males, and household heads. Fair trade criteria for coffee, for example, do not consider the conditions of seasonally hired labour.

Source: Adapted from analysis in NRET 1998

It is rarely fair trade alone that improves the livelihoods of producers

The sustainable livelihoods lens enables one to recognize that it is rarely fair trade alone that improves the livelihoods of producers; the outcome depends on the assets that producers have, the support offered by the fair trade organization and additional resources that a fair trade association may attract (the 'honey pot syndrome'). Moreover, sustainable livelihood analysis enables one to suggest additional inputs, as well as building up the export capacity of specified groups of producers, which may ensure that development impact is maximized. For example, in the Brazil nut case one could take steps to ensure that the shellers as well as the Brazil nut concession-holders benefit from fair trade (Nelson and Galvez, 2000b).

Thus it may be 'more accurate to say that successful fair trade benefits small producers in poor countries' as opposed to saying that fair trade benefits the poor *per se* (NRET, 2000). Some successful fair trade projects have benefited some (normally wealthier, male) producers rather than achieving equitable distribution of benefits throughout the community. More critically, there are actual and potential negative impacts, particularly for those unable or unwilling to participate, and initiatives are weak in targeting certain disadvantaged groups. The single-commodity focus of fair trade does not encourage sustainable natural resource management practices, where for the producer household that commodity may be just one part of a diverse production system (Nelson and Galvez, 2000 b).

One could argue that the focus of fair trade criteria is the contractual trade terms rather than production relations. However, this leaves fair trade open to the challenge that it is socially, and particularly gender, blind and that it fails to engage with the potential for social injustice based on gender inequality or poor working conditions for non-family wage labour.

Fair trade has also been associated with some significant achievements, and has been a catalyst that can bring 'together diverse stakeholders in developing and developed countries, many of whom may not have previously considered themselves to have had a development function' (NRET, 2000). Perhaps one of the biggest impacts of fair trade is the influence that it has had on commercial behaviour, leading commercial operators to rethink their trading practices and who they buy from. Whilst the more empowering elements of the fair trade approach are not always taken on board, the different needs of smallholders in terms of meeting ethical standards are increasingly being considered. For example, the latest revision of the COLEACP Harmonised Framework for codes of conduct in the horticulture sector has included a section on relations with outgrowers that takes into account not only the production conditions on the smallholder farm but the balance of responsibilities, including trading relations between the commercial buyer or exporter and the smallholder farmer.

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Future assessments of fair trade impact

A study commissioned for DFID to help it better understand the impact of fair trade emphasizes that impact assessment may help develop the relationship between the producer and fair trade buyers (Mayoux, 2001). Mayoux proposes a framework for assessing the impact of fair trade that is very broad, including a range of economic, social, political and environmental criteria that are embedded in a clear understanding of the context and which stresses the need for participatory approaches.

Assessing the impact of fair trade is proving difficult because of the multiple objectives of fair trade, identifying the stakeholders to be included and the problems of ascribing causality, and finally developing a framework that is both comprehensive enough and efficient. Few fair trade organizations have had the resources to undertake such assessments without outside financial assistance.

An important next step in the development of impact assessment methodologies is to explore the way in which benefits from fair trade differ from or are the same as other kinds of linkages between smallholders and the market. To date there has been no attempt to assess whether fair trade is a more cost-effective means than other trade links (or indeed other developmental approaches) for delivering benefits to smallholders. Some potential shortcomings we have identified include limited spread of benefits from fair trade, potential to exclude some groups from benefits and the creation of dependency. However, when making judgments regarding benefits from fair trade, one should bear in mind the alternatives that exist, both for particular sets of producers and in terms of strategies for linking producers to the market. Where they exist, alternatives such as contract farming are likely to have benefits that are even more geographically concentrated, capacity building that is restricted to very specific skill areas and even more exclusive (Baumann, 2000).

> There has been no attempt to assess whether fair trade is a more cost-effective way to help smallholders than other trade links

It may be better to turn around the question of dependency on fair trade and to consider the flip side of dependency: isolation and disempowerment. Moreover, other approaches to including small producers in the export market tend not to offer some of the benefits that fair trade aspires to provide, specifically wide-ranging capacity building which enables the producer organization to be able to develop its own linkages beyond the bounds of the fair trade relationship. There are few contract farming promoters that would encourage a producer organization to look for other markets. Nevertheless it can be argued that some approaches to fair trade, where one of the objectives is to create an 'alternative' market channel, may offer only a dependent relationship. However, the more prominent fair trade organizations in northern Europe view fair trade as an apprenticeship and endeavour to enable producers to enter the mainstream market where opportunities arise. They envisage an exit strategy for themselves. The extent to which these capacity building objectives are achieved, however, and how the outcomes compare in practice with the initiatives of other approaches to linking small producers to the export markets has yet to be fully explored.

The more prominent fair trade organizations try to help producers to enter the mainstream market wherever possible

Competition in the ethical market

An increasing number of products are being traded on the basis of fair trade relationships; the concept is starting to creep into the mainstream and fair trade foods are now found in supermarkets. Some fair trade products such as Cafédirect are sold in mainstream markets but declare themselves quite deliberately a fair trade product. An alternative approach to the conventional market adopted by some fair trade organizations is to explore ways in which small-scale producers can sell to mainstream companies, as conventionally traded or fair traded products (Humphrey, 2000). Some producers that learned about export under the tutelage of fair trade partners are now able to enter conventional export markets, for example MCCH in Ecuador (Collinson and Leon, 2000). As fair trade products begin to compete in the market place, often with products that also claim some ethical credentials, one question that emerges is whether fair trade is an end in itself or whether it is a means to other objectives. Can and should fair trade focus on sales of fair trade branded or labelled goods in the mainstream market or should it explore other ways of maximizing its overall impact?

The market for fair trade goods. The volume of consumer goods sold as fair trade is increasing, though it is still a very small proportion of international trade. The fair trade market accounts for US$400 million in retail sales each year in Europe and the USA, or 0.01 per cent of global trade (Littrell and Dickson, 1999, p.17). In Europe, sales of fair trade products through alternative channels and supermarkets is calculated to be at least $228 million (EFTA, 2001). Coffee is by far the largest traded fair trade product, nevertheless, the volume and value of fair trade coffee production and trade is minute in comparison with global data (Tallontire, Greenhalgh et al., 2001). Thus, while annual production of coffee beans exceeds 6 million tonnes only some 20 000 tonnes are used in the production of fair trade products. At an individual country level, the market share for fair trade coffee is at most 2.7 per cent, whilst the fair trade product with the highest market share is for bananas in Switzerland, which has achieved 15 per cent. In contrast the market share for fair trade tea is less than one per cent in most countries in Europe with the exception of Denmark (1.8 per cent), Germany (2.5 per cent) and Switzerland (4 per cent) (EFTA, 2001, p.15).

The volume and value of fair trade coffee production and trade is minute in comparison with global data

However, as regards coffee, three countries account for almost 70 per cent of European fair trade coffee consumption, namely Germany (5600 tonnes), the Netherlands (4000 tonnes) and the UK (2300 tonnes).

Outside Western Europe the only other major market for fair trade coffee is North America, especially the USA. Whilst the fair trade market in general is showing steady growth, some of the larger markets are stable or declining, e.g. Germany and the Netherlands (Tallontire, Greenhalgh et al., 2001). Moreover, there remains a large gap between the number of people who claim to prefer goods with ethical characteristics and the actual sales figures for fair trade products, or indeed any product that claimed ethical characteristics (Tallontire et al., 2001).

The reasons for this apparent stagnation and even decline may well be applicable beyond fair trade coffee to the relationship between fair trade and the mainstream market in general. Key issues are (a) the relationship between fair trade and the 'ethical market place' and the appeal of the fair trade label to conventional companies and (b) the number of consumers willing to pay more for fair trade produce.

Fair trade and the mainstream market

Fair trade is engaged in the mainstream market both in terms of actively marketing products through mainstream outlets and encouraging conventional companies to use the fair trade label and thereby adopt fair trade practices. Whilst this is becoming an increasingly important strategy for fair trade in some markets, it should be recognized that not all fair trade products are appropriate for the mainstream market. To date, fair trade products in the mainstream have largely been commodity-based food products such as tea and coffee. This is largely because of the supermarket demand for large volumes and guaranteed year-round availability, which can only be accommodated by sourcing from a relatively large number of producers that are well organized. Crafts have faced many difficulties in accessing the mainstream homeware and interiors market, partly because of the short life-span of products (due to changing fashions) and the high up-front costs of professional design (Humphrey, 2000). Many products are likely to remain in a fair trade niche.

There is a complex inter-relationship between the positive influence of fair trade on the behaviour of conventional companies on the one hand, and the impact of the new ethical approaches on the profile of fair trade itself. A major contribution of fair trade has been to influence the behaviour of mainstream companies (e.g. ETI, adoption of responsible business practices and codes of conduct). Whilst the more empowering elements of the fair trade approach are not always taken on board, the different needs of smallholders in terms of meeting ethical standards are increasingly being considered, including by UK supermarkets and manufacturers of products made from tropical commodities, e.g. chocolate.

A major contribution of fair trade has been to influence the behaviour of mainstream companies

However, the increasing trend for conventional companies to espouse ethical principles – from ethical sourcing of supermarkets to cause-related marketing whereby companies donate a percentage of the consumer price to a charity or environmental group – has also created increased competition for fair trade products. The increasing number of ethical claims in the market place may cloud the fair trade message to consumers.

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In the early days of fair trade when fair trade goods were sold largely to a small number of supporters of fair trade organizations (in the 'helping by selling' and 'solidarity' models), demonstrating the fair trade difference and demonstrating accountability for claims to consumers were not an issue: consumers were willing to accept the word of fair trade organizations and indeed the fair trade purchase was largely a symbolic act.

However fair trade has moved beyond this with an expanding number of consumers and greater interest in the practice of fair trade.

Accountability is more important for fair trade organizations as they begin to engage in a mainstream market where companies are promoting an ethical stance and adopting ethical labels. A credible label or guarantee becomes important when defending claims, or fending off the spurious claims of competitors. Fair trade organizations are increasingly selling products in a market where their consumers do not necessarily know much about fair trade, but who want to know where their money is going.

Mainstream brands have been reluctant (and even hostile) to support fair trade values and activities – it is usually smaller-scale companies that have a fair trade labelled product as part of a wider product range. An independently verified label offers smaller manufacturers a relatively easy way of demonstrating responsible practice which may be less attractive to a larger company that has invested more in its own brand profile and consumer message (Zadek et al., 1998).

Competition between fair trade brands and the adoption of more ethical practices by conventional companies can only be a good thing

Some argue that competition between an increasing number of fair trade brands and the adoption of more ethical practices on the part of conventional companies can only be a good thing. The competitive process may encourage more firms to adopt ethical practices, or even fair trade practices. However the complex decision-making processes that lead to ethical consumption and the influence that this has on the sourcing strategies of companies is as yet incompletely understood. Moreover, it is not clear if there is in practice a competitive process between ethical and conventional lines, which would drive non-fair trade companies to consider ethical approaches. Supermarkets tend not to stock more than one or two 'ethical lines' so that the whole range of fair trade brands are not necessarily on offer in particular chains or localities. This can make it less easy for the consumer to consistently choose a fair trade product.

The fair trade and ethical consumer

Fair trade has reached a niche market and achieved some public recognition. A certain type of discriminating consumer is keen to buy fair trade products. Regular fair trade buyers are untypical of the population as a whole: they are better-educated, wealthier, mostly female, over 30 and tend to work in the public sector or 'caring professions' (Tallontire et al., 2001). Fair trade largely does not penetrate much beyond a middle class consumer base (Jenkins, 2001).

Awareness and concern are not directly translated into ethical purchasing behaviour

Beyond this, current knowledge on the ethical consumer, including the fair trade consumer, is patchy and largely dependent on commercial opinion polls. Trends over time suggest an increased awareness of ethical issues in trade and consumption, but awareness and concern are not directly translated into ethical purchasing behaviour.

Recent qualitative research that has attempted to explore the ethical consumer in more detail indicates that there are a variety of ethical consumers (Newholm, 1999; Shaw and Clarke, 1999). One of the main implications for marketing ethical products is that not all ethical consumers are the same and respond differently to the messages that are sent out by those marketing products with ethical attributes. Langland (1998) indicated that consumers with a high awareness of fair trade respond positively to messages highlighting the problems that the product and trading relationship seek to address ('sick baby messages') whereas those who are less aware of fair-trade respond better to messages highlighting the positive impact of their purchase ('well-baby messages'). The volume of information that is communicated to consumers is also important, as it is attention that is deficient, not information (Zadek et al., 1998).

Having analysed the potential market limits for certain kinds of ethical products as they are currently proposed to consumers, Cowe and Williams (2000) argue that the potential for growth in ethical consumerism appears to be in making ethical consumerism 'easy'. Targeting a niche may be a good way to establish a market for an ethical product, but further growth in sales of products that embody good practice are more likely to be in mainstreaming products with ethical characteristics. One way of doing this they suggest is to legislate changed consumption patterns, as happened with unleaded petrol in the UK.

This prognosis may not offer much hope for fair trade, the main aim of which is to transform trading relations. However, it seems to indicate that there may be more mileage for fair trade organizations to maximize their impact on the conventional market through means other than competition for the ethical consumer pound. This is not to say that fair trade organizations should dispense with mobilizing consumers, but to do so in a more strategic fashion: is getting fair trade products onto the shelves of supermarket really the main purpose of fair trade consumer campaigns? Tiffen (1999) remarks that 'a notion of destination' is distinctly lacking in many fair trade campaigns.

A 'notion of destination' is distinctly lacking in many fair trade campaigns

There is much to be learned about ethical consumers in general and fair trade consumers in particular, especially about consumer awareness of ethical issues and the role that different actors play in creating this awareness. This is something that fair trade organizations are unlikely to be able to do on their own, it requires co-operation with other players in the ethical market place. For example, opportunities for broad-based coalitions of socially minded traders to work towards educating consumers about the implications of their choices in the market place could be explored. Consumer education is important not only so consumers buy ethical products but also so that consumers understand what companies mean when they say a product is ethically produced ,and also to make the case for consumer support for long-term goals rather than immediate achievements. The need for a long-term approach and greater consumer awareness is best illustrated in the knee-jerk consumer response to allegations of child labour. The short-term response of companies fearful of losing custom is to sack child workers, who may end up even more vulnerable (King and Marcus, 2000).

The short-term response of companies fearful of losing custom is to sack child workers, who may end up even more vulnerable

There may be some way to go before fair trade reaches a natural limit to its market growth, especially in products that are new to the mainstream. Much of the growth in the total volume of fair trade sales has been due to the introduction of new lines marketed as fair trade rather than growth in the sales of particular products. There is room for many more fair trade products. However, recognizing the potential limits to fair trade purchases and considering alternative strategies to maximize the influence of fair trade organizations in the market place would appear to be important for the future.

Which way now?

Fair trade faces a number of challenges regarding its future direction. This is partly because it has a variety of goals, which are at times conflicting. This article has sought to explore these challenges critically with a view to highlighting new directions for fair trade. Contradictions are unlikely to go away as the movement is both against the unfairness of the market, but aims to enable producers to compete in that market.

New approaches to being ethical in the market place are emerging, but fair trade retains distinctive features. Unlike other approaches such as ethical sourcing, fair trade is about changing the unequal relationship between primary producers and the market. Fair trade is the only approach to responsible trade that actually includes criteria on the terms of trading. Codes of conduct to date simply focus on the performance criteria of the supplier and do not refer to the responsibilities of the buyer to trade fairly. Moreover, there are differences in how ATOs operate when selling goods with a fair trade label compared to conventional companies that source goods from fair trade producer registers under fair trade conditions, entitling them to a fair trade label. ATOs tend to work with producers to build their capacity to export and make benefits more sustainable, and frequently work with producers that have difficulty in accessing the market. Conventional companies rarely address market access or capacity issues, working with producers that have already achieved certain standards in relation to the needs of the market. A goal of many fair trade organizations is to work with producers so that they no longer need the support of a fair trade partner, but can 'graduate' to customers in the mainstream. Achieving sales in a fair trade market is not an end in itself, but a means to development, both economic and social.

Fair trade is the only approach that actually includes criteria on the terms of trading

One of the important things for the future is for this difference to be more clearly demonstrated in the outcomes for producers. A key area for research is to compare the different kinds of trading relationship offered by fair trade and conventional companies in terms of the benefit to producers, particularly in terms of the capacity built up.

Where small producers face problems accessing markets and have poor returns from trade, there is a role for fair trade. However, this is not necessarily through creating new markets or trading systems, but rather through enabling producers to access markets on better terms and influencing the actions of other traders. Working with producers to facilitate access to markets is already central to the strategy of many fair trade organizations. Few fair trade organizations in Northern Europe today see the creation of a fair trade market as an end in itself, it is seen as a tool for development.

I would argue that greater challenges are likely to lie in the need for fair trade to better understand how it can influence conventional companies. Current evidence on consumption of fair trade products and our understanding of the ethical consumer indicate that a fair trade label on every product is unlikely to happen. Even if fair trade purchases are made more convenient, prices are usually a little higher than other comparable products, which only a few people are prepared to pay.

A fair trade label on every product is unlikely to happen

However, there are other ways in which fair trade can influence the behaviour of conventional firms. Another route to maximize the impact of fair trade is to encourage conventional companies to take on lessons from the fair trade approach. In the current climate, changes in the behaviour of mainstream companies are likely to result from joint working and careful packaging and presentation of key lessons from fair trade experience as opposed to exposés and conflict. This strategy is in its infancy, with little understanding or agreement on what is transferable to the mass market and conventional company settings. Important lessons from fair trade include the need to consider enabling small producers' compliance with ethical standards rather than simply imposing them, questioning the content of ethical standards such as codes of conduct in relation to small producers' needs and re-thinking how standards are monitored.

Developing a coherent strategy for influencing the behaviour of conventional firms is critical for fair trade's future direction. We know relatively little about the way in which fair trade has catalysed other traders to improve their social performance. There is a need for further research into how fair trade has influenced conventional companies to date and how fair trade can maximize this influence.

It is unlikely that even 'altruistic' companies will adopt all aspects of the fair trade approach, but fair trade must not alienate these companies for not being 'fair trade' but continue to demonstrate how benefits to producers can be increased in an efficient and effective approach to trading. The key role for fair trade appears to be as an innovator and catalyst rather than as a major trader in the market. Networking and coalitions may well offer opportunities to scale up fair trade ideas.

The key role for fair trade appears to be as an innovator and catalyst rather than as a major trader in the market

Thus, fair trade has not yet come of age, and it is certainly not time for it to retire with a golden handshake. It has made some significant impacts both on the livelihoods of those producers fortunate enough to sell to the fair trade market and it has made enough noise in the mainstream market for conventional companies to sit up and listen. However, fair trade needs to think more clearly about its relationship with the mainstream and understand better the impact it makes on the ground with producers if it is to remain influential.

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