

Université Catholique de Louvain
ECOLE DES SCIENCES POLITIQUES ET SOCIALES

FAIR TRADE INSTITUTIONALIZATION

Disembedding a social movement

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Thesis presented in the framework
of Master 120 in Political Science,
orientation International Relations

August Session 2012

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ABSTRACT. This Master Degree thesis discusses the development of the fair trade movement from having been a politically rooted social movement to becoming institutionalized and conforming to present homogenizing trade structures. Using Karl Polanyi's *Double Movement* theory I argue that the fair trade movement has developed from being an *embedded* countermovement to neoliberal policies, into a *disembedded* trade structure, similar to the one it was trying to fight. I illuminate the complexity of the fair trade movement's institutionalization with support of findings from my field study at the Mexican coffee cooperative *Comon Yaj Nop Tic*. Concluding that through standardized fair trade certifications and the incorporation of multinational corporations into the fair trade system, it has created a split of the movement into two parallel fair trade movements: one *embedded* and one *disembedded*.

Keywords: Fair Trade, Coffee, Mexico, Karl Polanyi, Certification

Acknowledgments

I wish to thank, first and foremost, the producers of Comon Yaj Nop Tic for all their help in supporting my Master Degree thesis with all the invaluable information they have given me throughout my field study. This thesis would never have been possible without their opinions. I will forever be grateful for the opportunity of conducting my field study in their communities, as well as for the many insights they have given me.

I owe a great acknowledgement to my tutor Professor Geoffrey Pleyers, who have advised me and guided me through my work progress. I know it has been a long road and his guidance and patience has been truly encouraging and deeply appreciated.

I would like to thank the producers at CESMACH, Triunfo Verde and Ramál Santa Cruz, as well as all the other persons who have participated in my study.

I wish to thank my grandfather Professor Bo Wickström for his comments and advise, as well as my parents and friends for encouraging me in my work.

Finally, I cannot find words to express my gratitude to Don Luis and his family, who took me in as a family member during my stay in Chiapas. As well as the immense kindness I received from Don Margerito, Don Pedro, Don Juan Carlos, Don Enrique, Don Moises, Don Federico, Dona Cecilia, Gabriel, and their families. I will be forever indebted to these families for opening up my world.

Table of Contents

1	Introduction	7
1.1	Karl Polanyi and the Double Movement	10
1.2	A solidary market model	12
1.2.1	<i>Grassroots and Alternative Trade Organizations</i>	13
1.2.2	<i>Labelling Institutions and Mainstreaming</i>	14
1.3	Hypothesis	16
1.4	Methodology	17
1.5	Restrictions	18
Part I		20
2	Mexico: Free or Fair Trade	20
2.1	The Lost Decade	20
2.2	Case study: Comon Yaj Nop Tic	24
2.2.1	<i>A mirror of Mexican agro-history</i>	24
2.2.2	<i>Comon's Cooperative structure promoting the community</i>	27
Part II		31
3	The Fair Trade movement's transformation	31
3.1	A social movement's need for institutionalization	31
3.1.1	<i>FLO and the Benefits of Institutionalisation</i>	34
3.2	Three features showing that fair trade institutionalisation has gone too far	39
4	Certified to receive a fair price	44
4.1	Standardizing ethical behaviour	44
4.2	A policy rent	53
4.2.1	<i>Minimum price and complex commodity pricing</i>	60
5	Is Fair Trade dead?	64
5.1	Tension between solidarity and market models	64
5.1.1	<i>Entering the alternative market through a multinational corporation</i>	68
5.2	Certifying large estates and the creation of parallel fair trade movement	75
Part III		88
6	'Un Mercado donde todos quepamos'	88
6.1	New democratic grassroots structures	88
6.2	CLAC and the Small Producers' Symbol	89
6.3	Direct Trade and the Polanyian embedded model	94
7	Conclusion	100
8	Bibliography	104
9	Figure index	110
10	Annexes	111
10.1	Interview: Comon Producer and President	111
10.2	Interview: Comon Producer and Certification Coordinator	115
10.3	Interview: Comon Producer and Accountant	121
10.4	Interview: Director of Sales at a US 100% Fair Trade Coffee Distributor	124
10.5	Interview: Program Manager for Producer Services at Fairtrade USA	133

ACRONYMS

AMSA – Agroindustrias Unidos de Mexico S.A.

ATO – Alternative Trade Organisation

C.A.F.E Practices – Coffee and Farmer Equity Practices

CC – Conservation Coffee

CCA – Conservation Coffee Alliance

Certimex – Mexican Organic Certification

CESMACH – Campesinos Ecológicos de la Sierra Madre de Chiapas

CI – Conservation International

CLAC – Latin American and Caribbean Network of Small Producers

Comon – Comon Yaj Nop Tic

EFTA – European Fair Trade Association

Fair Trade – Fairtrade USA’s fair trade label

Fair trade – general definition

Fairtrade – FLO’s fair trade label

FDI – Foreign Direct Investment

FINE – FLO, WFTO, NEWS! And EFTA

FLO – Fair Trade Organisations Labelling International

FLO-cert – FLO Certification

FUNDEPPO – Fundación de Pequeños Productores Organizados

IMF – International Monetary Fund

ISO – International Standards Organisation

NAFTA – North American Free Trade Agreement

NEWS! – Network of European World Shoppers

NGO – Non-Governmental Organisation

OECD – Organisations for Economic Co-operation and Development

PSP – Preferred Supplier Program

SPS – Small Producers’ Symbol

UCIRI – Union de Comunidades Indigenas de la Region del Istmo

UNACTAD – United Nations Trade Conference on Trade and Development

USAID – United States Agency for International Development

WB – World Bank

WFTO – World Fair Trade Organisation

WTO – World Trade Organisation

1 Introduction

With globalization, there have been consequent changes in trade relations. Before the era of neoliberalism trade often depended on personal relations of trust between seller and buyer, however the abstract universal use of money and global commodification permitted economic transactions to be externalized (Hart, Laville, & Cattani, 2010; Polanyi, 1944, 2001). This externalization was further advanced by the economic involvement of big enterprises that progressively created a global system of production, distribution and consumption, consequently allowing for a universality of capitalism (Hart et al., 2010). Accordingly, there was also a resulting development of the international society as a whole with capitalism building on two main features: comparative advantages and maximizing profits (Polanyi, 1944, 2001). On an international level this implies that countries were supposed to reach maximized economic growth by using their domestic comparative advantages and so bring prosperity to all. However, in a world where the Southern hemisphere had much of the world's primary resources and the Northern hemisphere had industrialisation, and where the inter-relational reality is that industrialisation needs resources, Eriksen writes (in Hart, Laville, & Cattani, 2010: 30): "some people are globalizing, some are just being globalized, and many might be said to be scarcely affected directly by globalization". Indeed, the unfairness of the international trade has troubled many people who have witnessed its human and environmental effects, also as the terms of trade between the North and the South worsened significantly for the global South with the increased globalisation of these politics in the 1970s. (Jaffee, 2007). Thus, there has been a desperate search for alternative solutions in the creation of a more equal and sustainable society, especially for the rural poor, as they often are the ones who have been marginalized by the neoliberal politics (Stiglitz, 2003).

One of the more successful propositions in this challenge has been the 'fair trade model' led by the alternative trade movement. By combining policy explorations of markets, state interventions and civil society initiatives in how to jointly promote the competitiveness of peasant producers, fair trade wanted to generate a new pattern of broadly based growth, surrounding the inequality structure by benefiting the most disadvantaged (Alvarado, 2009). During the 11th United

Nations Trade Conference on Trade and Development (UNCTAD), members of the fair trade movement advocated that fair trade was a sustainable alternative that included the marginalized producers in the South. Countering the current failures evident in many global markets, it attempted to address the gross imbalances in information and power that typify North-South relationships. In regard to this, they called for UNCTAD member governments to “strengthen the participation of small and medium sized enterprises in the policy-making process by providing capacity-building assistance and bolstering regional coalitions and partnerships” (UNCTAD XI, 2004: 4). Hence, the fair trade movement advocated for an alternative trade structure that strengthened the small producers’ participation in policy-making processes; where small producers were given the possibility to work hand in hand with policy-makers and buyers, rather than being directed by the invisible hand. Thus, by recognizing an equalization to the Northern markets regarding human and trade rights, of exploitative wage levels and information imbalances, the alternative trade movement created a hybrid of state security and market advantages with the objective to enhance the possibility of the small producers to themselves increase their living standard (Jaffee, 2007). The better wages offered through fair trade were meant to enable producers to cover not only the economic costs related to their production but also social costs such as access to water, electricity and education: helping them to develop towards greater economic self-sufficiency and consequently improving their own social and environmental conditions (Nicholls & Opal, 2005). Furthermore, fair trade aimed at promoting long-term commitments and sustainable and transparent relations between trade partners, and so avoiding neo-liberal short-term profits as dictated by the ethos of permanent growth (Audebrand & Pauchant, 2009). By supporting the importance of local cultures and values the movement argued that products do not just have an exchange or use value, but that they also express the characteristic realities and experiences of the culture that produces them (Fretel & Roca, 2001). Hence, through the notion of solidary trade, the fair trade movement, once again, proposed to create more personal relations of trust between seller and buyer (Raynolds, 2009).

In 1994, the capitalist society was presented a golden opportunity to show the value of free trade for a developing country when Mexico was to be brought out

of poverty through the North American Free Trade Agreement (NAFTA) (Stiglitz & Charlton, 2006). Mexico instead became a perfect example of how these policies do not manage to generate sufficient positive effects in regard to its civil society. The results have been devastating for the rural poor who have been torn from their agricultural economy to adapt to the new system (Stiglitz J. E., 2003; Boutilier, 2009; Jaffee, 2007; Lustig, 1995; Nicholls & Opal, 2005). Mexico is, however, also a perfect example of how the alternative trade structure of the fair trade movement has positively affected these rural producers. Mexico is the one country where the fair trade movement has its largest amount of small producer grassroots members (FLO, 2011g). Also, the collaboration of Mexican coffee cooperative UCIRI and Dutch clergyman Francisco Van der Hoff Boersma and Nico Roozen were the first to begin the efforts of fair trade as we know it today, making Mexico a leader in fair trade and organic production programs (Barham, Callenes, Gitter, Lewis, & Weber, 2011). Finally, Mexico is the largest producer of fairly traded coffee (Alvarado, 2009) in a world where the demand for fair trade products is constantly increasing with a 30 per cent annual growth rate of global fair trade sales over the last decade (Transfair USA, 2009).

Fairtrade USA is actively engaging 30 million consumers in the US alone in 2011 (Fair Trade USA, 2012), making the fair trade movement one of the larger social justice movements today. However, even though the fair trade movement has managed to enhance its position in the North, the most important question is how does the development of the fair trade movement look like on the producer side? What are the implications on the small producer now when demand has become global? Does the fair trade system really provide an alternative for the small producer? The following chapters of this paper will take a closer look at these questions by starting to place the fair trade movement in the theoretical framework of the Hungarian political-economist *Karl Polanyi* and his *Double Movement* theory. I will then outline more in detail the evolution of the fair trade movement, from its pioneers to its institutionalization to its mainstreaming, and then try and portrait how this evolution has affected the small producers in the South. To illustrate this I will use information collected from my field study conducted this spring at *Comon Yaj Nop Tic*, a Mexican coffee cooperative located in the Southern state of Chiapas.

1.1 Karl Polanyi and the Double Movement

The evolution of the contrasting fair trade movement as a response to the effects of globalization on society can be associated to the political economist Karl Polanyi and his argument about a *Double Movement* and the need for the civil society's social embeddedness in the market system (Polanyi, 1944, 2001). In his book '*The Great Transformation*', written in beginning of the 1940's, Polanyi quite accurately predicted the evolution of globalization and neoliberal politics on society. He theorized around the relationship between society and economy, showing how economic systems influences the way individuals relate to one another. He meant that during the historical state of our society economics were naturally *embedded* in society, built into our relations towards others as the way civil society meets social needs in opposition to the neoliberal concept of economics as 'competitive advantage', 'maximizing' and 'optimizing' of rational decision-making between choices of scarce resources. Hence, the notion of *embeddedness* refers to the idea that historically, economics never was autonomous but always subordinated to politics, religion and social relations. "Neither under tribal nor under feudal nor under mercantile conditions was there, as we saw, a separate economic system in society. Nineteenth-century society, in which economic activity was isolated and imputed to a distinctive economic motive, was a singular departure. ... "Never before our own time were markets more than accessories of economic life" (Polanyi, 1944, 2001: 71-74). He meant one could see that with the introduction of industrialisation and an unregulated *market economy*¹, economics was progressively separated, *disembedded*, from society, where self-regulating markets instead required a subordination of society to the logic of the market. Polanyi writes:

"Normally, the economic order is merely a function of the social, in which it is contained. ...Ultimately that is why the control of the economic system by the market is of overwhelming consequence to the whole organization of society: it means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system." (Polanyi, 1944, 2001: 60).

¹ "An economic system controlled, regulated and directed by markets alone" (Polanyi, 1944, 2001)

Further on, Polanyi meant that it is this unnatural disembedded economy that is the reason for our increasing imbalances in society, as a fully self-regulated market economy requires human beings and the natural environment be turned into pure commodities, which leads to the destruction of both society and the natural environment.

“To allow the market mechanism to be the sole director of the fate of human beings and their natural environment, indeed, even of the amount and use of purchasing power, would result in the demolition of society. ... Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed” (Polanyi, 1944, 2001: 76).

Therefore Polanyi argued that the goal of a disembedded, fully self-regulating market economy was an utopian project, as efforts to bring greater autonomy to the market would always create a tension in society and opposite movements would evolve, protesting against the neoliberal development on society; much like the one of fair trade today. The argument of the *double movement* is based on a civil society resistance towards being treated as objects whose price can be determined entirely by the market. This violates principles that have governed societies for centuries (and still do in many cultures), where nature and human life are considered as having a more sacred dimension (foreword by Stiglitz in Polanyi, 1944, 2001). Therefore, Polanyi argued, market society will always be constituted of two opposite movements: the *neoliberal laissez-faire movement*, expanding the scope of the market much as we have seen the last 30 years through globalization, and a *protective countermovement* that emerges to resist the disembedding of economics. Finally, Polanyi meant that when the opposite situation prevails, i.e. that of embedded economics, the political principle of solidarity is likely to surface.

The Polanyian features of the fair trade movement have been recognized by several authors (Raynolds, 2012; Jaffee, 2007; Taylor, 2004; Mutersbaugh, 2005) as forging a countermovement of decommodification and social re-embedding of the small producer in the market economy. The fair trade movement is largely defined as a social movement wanting to introduce more social justice for Southern producers in the global market system (Alvarado, 2009; Archer & Fritsch, 2010; Taylor, 2004; Renard, 2003; Gendron et al., 2009; Pleyers, 2010).

Archer and Fritsch (2010) mean that the fair trade movement represents an alternative way to understand globalization as it “reconnects the consumer and producer in a more humanizing way” (p. 105). They argue that the fair trade movement has tried to humanize globalization through increased transparency and dialogue in trade relations, reincorporating moral and ethical aspects and stressing the social aspects of trade and consumption. Furthermore, Raynolds (2012) also argues that fair trade organizations sought to promote global “understanding and responsibility” through a collective commitment to Southern producers by creating “an alternative moral economy” and “relationships between Southern producers and Northern market actors by embedding commodity exchange within broader social networks” (Raynolds, 2012: 279).

Hence, in regard to Polanyi’s *double movement* argument, the fair trade movement can indeed be regarded as a ‘protective countermovement’ trying to bring forward the political principle of solidarity through its alternative economic structure, empowering small Southern producers to be re-embedded in market economics. The value-added strategy, based on notions of environmental value and local identity, aimed to reinsert these lost values into global markets.

1.2 A solidary market model

The current structure to restore the balance of globalized neoliberal politics had previously only been that of development aid from Northern rich countries to the Southern hemisphere. However, it is estimated that 80% of development aid administered by international governmental organizations, or NGO’s, often never reach its destination for reasons such as fraud and corruption (Audebrand & Pauchant, 2009), and that aid allocation is often seen as an opportunity for donor countries to exert political pressure on its receivers (United Nations, 2005 in Audebrand & Pauchant, 2009). Thus, for the first time, during a United Nations Conference on Trade and Development (UNCTD) in 1964, representatives of developing countries stated that their country’s socio-economic development would be better served through commercial trade than humanitarian aid. The expression “*trade, not aid*” emerged as the slogan for new development support (Alvarado, 2009; Audebrand & Pauchant, 2009; Gendron, Bisailon, & Otero Rance, 2009; Jaffee, Kloppenburg, & Monroy, 2004). Hence, the fair trade

movement did not advocate increased government charity or financial aid to developing countries but had as principal idea of empowering the small producers in the South through the recognition of the principle of the Universal Declaration of Human rights (article 23, paragraph 3) that:

“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity”;

As well as allowing Southern producers to access Northern markets directly through the elimination of the excessive profit of intermediaries (Audebrand & Pauchant, 2009). Being granted a position in the alternative trade structure provided small producers with the possibility to challenge the dynamics of market access and exclusion that had worked to their disadvantage throughout the neoliberal economic system (Renard, 2005). Hence, the fair trade movement has its roots back in the 1960s, where one could see Southern grassroots structures collaborate with Northern Alternative Trade Organisations (ATOs), to together fight this challenge.

1.2.1 Grassroots and Alternative Trade Organizations

The alternative trade structure developed itself parallel to the globally on-going growth oriented marketplace practices by groups acting out of humanitarian and ethical concerns, from both religious and socialist perspectives (Renard, 2003). Handcrafts, textiles, coffee, and tea were the main products sold in Europe through a network of ‘World Shops’ created by ATOs, as they became known. *Oxfam*, *Bread for the World*, and *Caritas* were among the participating religious institutions, and from the political left, social solidarity organizations such as British *Twin Trading*, Belgian *Oxfam Wereldwinks* and Flemish *Stichting Ideeële Import* took part in the movement’s establishment during the 1970s. In the United States, from the 1940s to the 1970s, the *Mennonite Central Committee*, *Ten Thousand Villages* and *SERRV* developed similar market networks, both for domestic and developing world products (Alvarado, 2009).

Hence, these ATOs were politically motivated groups who saw ‘solidary’ or ‘fair’ trade as an alternative to the rising capitalist international trade system and used this channel as a way to express their political, humanitarian and ethical beliefs. One example is the ATO *Café Nica* that started to trade Nicaraguan coffee in the

1980s to support the local small producers in the region, in violation of the embargo on Nicaraguan exports at that time (Renard, 2003; Alvarado, 2009). ATOs wished to transform the nature of commercial relations into a way for the civil society to organize itself by making the citizen-consumer an actor of social change (Malservisi & Faubert-Mailloux, 2000). Similar to Polanyian embedded trade relations they sought to foster personal relations of trust by shortening the social and geographical distance between producers and consumers through direct trade relations (Raynolds, 2009). The alternative trade movement took a major turn when leaving the marginality of special 'World Shops' and the alternative networks behind with the creation of the first fairly traded labelled product in 1988: *Max Havelaar fairtrade coffee*, produced by the Mexican coffee cooperative *Union de Comunidades Indigenas de la Region del Istmo* (UCIRI).

1.2.2 Labelling Institutions and Mainstreaming

UCIRI together with Dutch clergyman Francisco Van der Hoff Boersma and Nico Roozen (who founded the *Max Havelaar* association, as well as the fair trade label carrying the same name) created a completely new distribution strategy of alternative traded products, as fair trade labelling opened the doors for these products to penetrate large-scale distribution. It was with this new strategy that one could see the social political movement of fair trade take a first step towards a more commercial logic. Sales had to be not only a matter of fair price but also of scale and volume for fair trade to have a real effect on the producers' socio-economic situation (Gendron, Bisailon, & Otero Rance, 2009). Previously, when UCIRI started producing and commercialising fair trade coffee on the alternative trade market, it was sold in only small quantities and consequently remained a very symbolic policy (VanderHoff, 2009). Hence, to UCIRI's the solution was obvious:

“Our coffee must be sold in supermarkets at a fair price. Our coffee had to be within range of the average consumer, and made available specifically where they shop” (Roozen & Van der Hoff, 2002 in Gendron et al., 2009:66).

Van der Hoff's previous participation in movements for social change in Holland, Canada, Chile, and Mexico helped him understand the struggles for survival of the indigenous peasants in Mexico and to join their efforts to organize and beat the odds of penetrating a neoliberal low-cost global market (VanderHoff, 2009).

The idea was that by reaching for the large scale distribution, additionally of supporting values that favour democratic and empowered management of small producer organizations, it indirectly incorporated a role that aimed at promoting consumer education on responsible consumption through awareness rising among consumers, by distinguishing the small producer production from conventional large-scale production (Malservisi & Faubert-Mailloux , 2000; Nicholls & Opal, 2005). Indeed, it succeeded in its task as the new *Max Havelaar* labelled coffee became a great success and the labelling system was adopted in Belgium two years later. Quickly other labels also soon followed the trend such as *Fair Trade* (the United Kingdom, Ireland, and Canada), *Transfair* (Austria, Germany, Italy, Luxemburg, Japan, the United States, and Canada), and *Rättvisemärkt* (Sweden). This globalization of the fair trade labelling initiatives progressively created a requirement of its institutionalization (Renard, 2003; Raynolds, 2009; Nicholls & Opal, 2005; Jaffee, 2007), leading up to that in 1997, 17 national certification organizations joined for the creation of an international federation, known as the *Fairtrade Labelling Organizations International* (FLO).

FLO's unified *Fairtrade* label has today become the most recognized fair trade label in the world and has managed to create itself an important place on the global market, allowing for the introduction of more fair trade products on a broader mainstream market (FLO, 2011g). The fair trade system is indeed becoming increasingly popular as sales of fairly traded products grow for each year. Overall, *Fairtrade* certified products sales grew by 75 per cent in 2011 and 95 per cent in regard to its sales in mainstream grocery, food and drug channels (Fair Trade USA, 2011). However, the fair trade institutionalization of global labelling processes and large distribution networks as a favoured strategy effectively marked a yet another orientation of the fair trade movement (Gendron et al., 2009; Raynolds, 2012). With FLO, fair trade labelling initiatives became a model that created "a reality within the market, instead of constructing an alternative outside the market" (Renard, 2003: 90), something that has not developed without its own challenges.

In the literature (Raynolds, 2009; Gendron et al., 2009; Renard, 2003, 2005; Jaffee, 2004, 2007; Mutersbaugh, 2005; VanderHoff, 2009) there has been a on-going fear that this institutionalization might transform the movement from being

a social movement to progressively get cut off from its roots and become too influenced by its economic and commercial logic. Additionally, as fair trade production does indeed incorporate the same dependent relationship of Northern markets and institutions as conventional trade; the implementation of such systems on a globalized level has become filled with political, cultural and logistical problems (Audebrand & Pauchant, 2009). The aim of this paper is therefore to investigate the effects of globalization and institutionalization on the fair trade movement, and most importantly, its effects on the small producer to whom it was meant to support.

1.3 Hypothesis

The main hypothesis of this thesis is that the institutionalization of the fair trade movement has disembedded the small producer from the movement and created features of a new ambiguous North-South relationship so that we are experiencing a transition within the fair trade movement resulting in that two parallel movements are evolving: one *embedded* and one *disembedded*. As the fair trade movement is confronted with a dilemma where, to become a real global alternative, it has paradoxically embraced market features very much alike those it was once trying to overcome. **I claim it is its institutionalization, and more precisely that of FLO, that has separated the movement from its original embedded characteristics and that it has progressively become consumed by the same capitalist logic it was once trying to fight.**

Based on several previous studies (Gendron et al., 2009; Audebrand & Pauchant, 2009; Alvarado, 2009; Mutersbaugh, 2005; Stoddart, 2011; Smith, 2009; Renard, 2003) the fair trade movement seemingly has become more economic and the small producers are accordingly facing many of the same constraints of excessive bureaucratisation, standardisations, and restrictions as within conventional trade. However, as many previous studies (Audebrand & Pauchant, 2009; Gendron et al., 2009; Nicholls & Opal, 2005; Renard, 2003; Stoddart, 2011) have been focalizing on how the institutionalised labelling structures have affected the consumer and Northern activist side the fair trade movement. I considered it was important to investigate how this development has acted on the producer side in the South. After all, the fair trade movement was created for and with these

marginalized producers to embed them in our global economy through more 'equalized' and 'humanized' trade structures.

Drawing on Karl Polanyi's concept of the *double movement*, I will investigate if the fair trade movement has been transformed from being an *embedded* market model, as an alternative to the free trade market model, to becoming *disembedded* through its globalisation and consequent institutionalisation.

To do this I have in the following divided the paper in three parts:

Part I

Presents a short background of Mexico's economic history through a general description of how liberalisation has affected the country. Then with a more empirical description through the history of my case study: Comon Yaj Nop Tic.

Part II

Explains why the fair trade movement was institutionalised and how. Presents the benefits of this institutionalisation and then compare them with the disadvantages that has eventually led it to disembedd the small producer from the movement.

Part III

Describes the new alternative movements that are arising, creating a structure of parallel fair trade movements, and showing the existence of one embedded and one disembedded movement.

1.4 Methodology

A field study was conducted during 6 weeks in Chiapas, a state in Southern Mexico, at the organic and Fairtrade certified coffee cooperative *Comon Yaj Nop Tic* (Comon). Twenty-eight semi-structured interviews were conducted during my stay in Chiapas with questions regarding fair trade and its certifications implications. The choice of conducting interviews with coffee cooperatives is that coffee is the oldest and best-selling fair trade product and provides the most comprehensive and representative information on fair trade distribution (Barham, Callenes, Gitter, Lewis, & Weber, 2011; Stoddart, 2011). Coffee is also the most

valuable food import in the United States, which is the largest trade partner of Mexico since the implementation of NAFTA, buying more than 80% of Mexican exports during 2010 (US Embassy Mexico, 2011) and imported overall 138 million pounds of *Fairtrade* certified coffee in 2011.

Nineteen of the 28 respondents were members of the Chiapan coffee cooperative of Comon, but also of Ramál Santa Cruz, Triunfo Verde and CESMACH. All interviewees were randomly chosen and all of them were small coffee producers with maximum 2.5 hectares of cultivated land for coffee production. The other 7 interviews were made with people working in relation to the fair trade system in one way or another such as fair trade coffee buyers and distributors, coffee quality consultants and one Fair Trade USA employee. All the interviews were conducted in informal environments such as on the coffee plantations, at farmers' homes or in cooperative offices. Two of the interviews were conducted through Skype.

1.5 Restrictions

Throughout my time in Chiapas and at Comon Yaj Nop Tic I collected, received and experienced a lot of information, all of which is related to the larger questions of this paper. I have tried to include as much of my information as possible but had to restrict a large amount to try to keep the focus on the hypothesis. For example, the cooperative and the producers of Comon Yaj Nop Tic does a lot of amazing work in their region and are particularly enthusiastic² about helping and improving the surrounding communities. They have several projects that I would have liked to emphasize more in this paper, and how these projects are done not only benefiting the producer members but also all of the surrounding communities and environment. I was also struck by the sincere will to empower women that existed among Comon male producers and how present the importance of gender equality were for them³. The gender question within fair trade would indeed have been very interesting to develop more.

² Something that I absolutely felt but that was also the opinion of several buyers and other organisations that works with Comon, which I met and discussed with in Chiapas

³ Other than the woman empowering projects e.g. only promoting woman producers through their own brand Café Metik, this was something I also observed and discussed with them while living with them during 6 weeks

In addition, the fact that Comon is 100% owned and run by Comon producers themselves differentiates them from many other coffee cooperatives of this calibre. Many larger or more organised cooperatives, such as Comon, often have one or two external employees to handle their external communication or accounting for example, which proves that Comon's objective with the cooperative is to primary benefit and empower the producers themselves as much as possible by keeping the benefits to those who most need it. It would have been interesting to develop this internal structure of the cooperative more, in comparison with other cooperatives in the region that works within fair trade, and also put this in relation to the existing problem of corruption within cooperatives.

Finally, during my stay with the cooperative I got a profound vision of the hard work coffee production implies from A to Z: from planting coffee trees, to harvesting, to washing and drying coffee, to quality checks, to milling process, to more quality checks before it is shipped of from the port of Veracruz to the Northern markets. I would have liked to portrait this process more and investigate how much fair trade comprises, as coffee production demands an incredible amount of hard work; something that is easily forgotten when one orders a cup of coffee in Europe, or wherever one might be.

Part I

2 Mexico: Free or Fair Trade

2.1 The Lost Decade

One country that has been heavily influenced by the neoliberal wave the last 30 years is Mexico. This has resulted in that Mexico is today one of the most open economies in the world and a good example of how neoliberal policies can successfully manage to establish positive net flows of FDI into a country, creating a fivefold increased trade from 1991 to 2005 (Boutilier, 2009), making Mexico the largest importer and exporter in Latin America (WTO, 2011). It is however also one of the best examples of how these policies have failed to generate sufficient employment for a large part of the population and where one clearly can see how a short history of strong neoliberal politics quickly was able to disembedd civil society from its agricultural economy (Stiglitz & Charlton, 2006; Stiglitz J. E., 2003). The growth oriented neoliberal policies has left more than half of the population (51.3%) to still live under the national poverty line in 2010 (World Bank, 2012) and resulted in a societal situation where Mexicans today have the second highest level of income inequality and the highest level of relative poverty in the OECD, where one in five Mexicans are poor, compared to just above one in ten on average across the OECD (OECD, 2011).

From having been a fast-growing country during the 1970's, Mexico has since the severe hit of the debt crisis in the beginning of the 1980's gone through a period of strong neoliberal politics but also economic instability, slow growth and increasing inequalities (Stiglitz & Charlton, 2006), leading up to a period commonly known as *the lost decade* (Stiglitz J. E., 2003). Starting in the 1980's with the president at the time, Miguel de la Madrid, the Mexican government implemented a formula that was meant to increase prosperity for all by opening up Mexico's market, decreasing government regulations and its involvement in agriculture and industry (Lustig, 1995). The most symbolic and significant confirmation of these policies would be implemented during the following Mexican President Salinas' mandate when Mexico entered NAFTA in 1994.

Together with the U.S. and Canada, NAFTA was the new promise to raise living standards, increase the number of jobs, improve environmental conditions and transform Mexico from a poor developing country into a blooming new economy (Boutilier, 2009). However, NAFTA was much more than just a trade agreement; it was an agreement that required the three member countries to conform all its domestic laws to grant foreign investors rights and privileges to promote relocation of factories and jobs, through privatization and deregulation of essential services such as water, energy, health care, and most importantly, agriculture (Lustig, 1995). The NAFTA discourse followed the model of globalization, one in which cultural homogenization in a process of urbanization and specialization in the production of standardized goods for global markets were assumed to be inevitable (Castillo & Nigh, 1998). Hence, the Mexican reforms were based on the assumption that economic growth and national prosperity necessarily implied a transformation of traditional embedded forms of collective economic and agricultural organization; features that were not suitable if Mexico wanted to develop into a ‘modern’ state (Castillo & Nigh, 1998).

The neoliberal discourse presented by Luis Tellez, architect of President Salinas’s rural policies, clearly shows the path that Mexican agricultural economy has taken since 1994:

“Greater specialization according to the model of comparative advantage will permit a gradual improvement of rural well-being and, at the same time, provide society with food at lower prices. This process of specialization, which has already been initiated by Mexico, has as its fundamental axis the efficient insertion of the [agricultural] sector in the global economy” (Tellez, 1994: 85 in Castillo & Nigh, 1998: 140).

Thus, to implement the new policies oriented towards increased competitive advantages Mexico was required to amend its 1917 Constitution, directly undermining the Mexican post-revolution state-collective *ejido* land system, to allow foreign ownership of land, i.e. permitting these plots to be sold or seized by creditors, to the detriment of many small Mexican farmers (Lustig, 1995). Over 1 million productive acres were abandoned from 1994 to 1995, while others were converted from basic food crops to forage or export crops. Before 1994, nearly one quarter of Mexico’s active labour force was involved in the agricultural sector, however as a result of the NAFTA reforms, many of them

had to leave the countryside to find work in the cities (Castillo & Nigh, 1998). This forced urbanisation prior to any real industrialisation in the country, disembedded the rural communities from their agricultural economy and seriously aggravated their socio-economic situation, testifying how political economic consequences of neoliberal globalization can have devastating consequences on civil society, especially for its rural communities (Stiglitz J. E., 2003). Even though Mexico's economic growth benefited a lot from these new neoliberal policies, with increased FDIs and trade; poverty, income distribution and unemployment all worsened sharply, increasing by almost 3 percentage points, showing the little connection between economic growth and improvement in living conditions of large segments of the population (Stiglitz J. E., 2003; Alarcón & Zepeda , 2004).

Empirical findings (World Bank, 2000) suggest that the impact of economic growth upon poverty is conditional on the level of inequality, i.e. income distribution inequalities seriously reduce the efficiency of growth as a mechanism to reduce poverty and bring welfare to the larger part of the population. Indeed, in 2008, the income share held by the highest 10 per cent of Mexico's population was equal to 38.7 per cent (World Bank, 2012), clearly showing the discrepancies in income distribution in the country, hindering the neoliberal economic growth benefits to take place. Nevertheless, high levels of inequality and persistent poverty have throughout its history been one of Mexico's greatest challenges, especially in regard to its agrarian sector and indigenous communities (Barham et al., 2011). Like many other Latin American countries, that fact that Mexico was torn from state-led collectivization to capitalist industrial agriculture, as well as due to Mexico's inconsistency between economic and social policies, reinforced these structural inequalities and increased the volatility of growth (Stiglitz J. E., 2003).

Mexico's objectives regarding economic policy were mainly focused on macroeconomic stability but did however not include the measures to create the basis for broad-based growth with positive social impact (Stiglitz & Charlton, 2006). Social policies were mainly concerned with the design of social safety nets to counter the negative impacts of the economic policies but did not provide the basic to improve labour productivity through greater investment in education

and health, and nor did it provide sufficient access to productive assets for large segments of the population (Alarcón & Zepeda, 2004). The existence of weak institutions and high political corruption is also a feature that characterises Mexico and that clearly affects the success of macroeconomic policies negatively (Stiglitz & Charlton, 2006). In addition, partially because its economy is so open Mexico represents a “prime example of the ‘squeeze’ that globalization places on middle-income countries” (Garrett, 2004, in Boutilier, 2009: p?). Garrett (2004) hypothesizes (in Boutilier, 2009) that there are only two basic strategies for national success under globalization: 1) A country can attract manufacturing with its low cost labour or; 2) it can participate in the knowledge economy through its highly educated workforce. However, they reason that the world’s middle-income countries, such as Mexico, cannot compete using either strategy is because on the one hand, their labour is not as cheap as that of India and China. And that on the other hand, the educational levels of their workforces and their legal and financial environments do not support value-added innovation to a degree that would make them competitive with the likes of Germany, Japan, and the United States (Boutilier, 2009; Stiglitz & Charlton, 2006). Moreover, neoliberal economic policies were not specifically designed to adverse the problem of poverty as it relies on trickle-down theories: “the presumption was that the promised benefits of growth would, somehow, trickle down to the poor—though by then there was ample evidence that “a rising tide need not lead to the rise of all boats” (Stiglitz J. E., 2003). Lustig (1995) shows this by asking how much Mexico’s poor could rely on this tickle-down effect and proving that growth alone is not a real sustainable solution as it would reduce poverty too slowly. She argues that if the per capita income of the extremely poor grew at approximately 1% per year, the bottom 10% would have to wait nearly 50 years just in order to overcome extreme poverty (Lustig, 1995).

Hence, Mexico seemingly is caught up in a structure between non-functioning state interventions and non-functioning neoliberal economic models, both trying to compete on a globalized market without any significant positive results on the socio-economic level of many of the population, who have become more marginalized that promoted by the benefits of its expanding economy. Thus, in regard to its socio-economic history maybe it is not so surprising that Mexico

was the first country where the alternative trade movement took root at the margins of these both economic systems, proposing an alternative organization of international commercial trade to increase socio-economic development and alleviate poverty for the small producers in emerging countries. The cooperative of Comon Yaj Nop Tic, with coffee producers from southern Mexico most poor state, Chiapas, provides a perfect mirror of how the Mexican agro-history have affected small coffee producers and how their situation later changed together with the inclusion of the fair trade movement.

2.2 Case study: Comon Yaj Nop Tic

2.2.1 A mirror of Mexican agro-history

On the 19 of May in 1995, 201 small producers in the southern Mexican highlands of *Sierra Madre de Chiapas* founded the coffee cooperative *Comon Yaj Nop Tic* (Comon). Comon Yaj Nop Tic is Tzetzal, one of Chiapas many indigenous languages, and mean “*we are all thinking of it*”, symbolising Comon’s objective is “to enhance the members’ knowledge regarding environmental and social solidarity practices and to increase the socioeconomic and environmental well being of cooperative members and their families”⁴. Comon’s producers’ coffee plantations are located below the biosphere reserve of *El Triunfo* in the rural communities of the municipality of *la Concordia*: a region with very underdeveloped infrastructure, still lacking proper roads and communication networks, with some communities so isolated that they sometimes do not even have electricity⁵. Thus, between 1995 and 2001 the cooperative of Comon functioned more as a social project to jointly support each other towards bettering their living conditions and the formation of the cooperative structure was the beginning of an important development towards their emancipation from a century of exploitation and mistreatment.

Before 2001, the majority of Comon’s producers worked for or sold their coffee to the nearby big coffee production site, *finca Custepec*, or to local intermediaries known as *coyotes*. The prices they received for their coffee were

⁴ Comon Yaj Nop Tic’s Mission according to internal documents

⁵ Some producers have never had electricity and Comon’s President explains how his cables were stolen after hurricane Mitch in 1998 as he moved down to the valley after the rains had washed away large parts of his land

very low as these buyers bargained their coffee by paying quick cash at harvest time (when their price is the lowest) for coffee beans and by arguing that their coffee was not of any good quality. The coyotes then transported the coffee to urban trade areas and sold it for exportation to wholesalers at a much higher price than they had paid the producers. The small producers had no choice but to sell through this structure if they wanted to get their coffee sold, as coffee is an agricultural product mostly consumed in the North and they had neither the information necessary nor the capacities to get in touch with these Northern buyers. Furthermore, they were continuously dependent of these intermediaries as these also were the only ones willing to give them loans at the time, as the indigenous small producer was not considered intelligent or trustworthy enough for them to be accredited a loan by regular lending institutes. As coffee agriculture is a one harvest per year production (compared to corn crop for example which has two), it means that the coffee farmer has to survive and reinvest in the following years crop on a once a year income. The coyotes, well aware of the situation and taking advantage of it, contributed to the ever-growing indebtedness of coffee growers by advancing them very unfavourable loans to survive until the next year's harvest (Alvarado, 2009). After 1995, even though Comon's producers continued to sell their coffee through middlemen they were able to do it on better terms having a unified voice through the cooperative. One of Comon's biggest buyers was *finca Custepec*, with whom they have had a long trading history and where many of Comon producers grew up as children.

The *finca Custepec* was once one of the biggest coffee producers in Mexico founded by the German *Juan Pohlenz Diechman* who started coffee production in the region in 1934, owning 3 million hectares in Chiapas, equal to 40% of the land of the Chiapan state (Moliné, 2007). Much of the infrastructure where Comon today operates is thanks' to the finca that brought electricity and built dirt roads in the remote highlands for its production site. At the most, 380 families lived on the finca (many of which today are producer members of Comon) but after the *Cradenista agricultural reform* in 1940, the land tenure of Mexico drastically changed, as did the structure of coffee production in Chiapas and at *finca Custepec* (Moliné, 2007). The Cárdenas government expropriated the lands owned by foreigners and Mexican producers finally had the possibility to

become owners of their own land again, through the state collective *ejido* lands. From 1937 to 1940, 349 130 hectares were distributed benefiting 29 398 farmers in Mexico (Castillo & Nigh, 1998). The Cardenista reform and creation of the *ejido* system consequently brought substantial change to the social organization of the inhabitants in the Chiapas region, but it did however not help the socioeconomic situation of the small producer much as they still were dependent on the *fincas* or *coyotes* to sell their coffee (Moliné, 2007). Nevertheless, the *ejido* agencies created a new community space and, on a symbolic level, the elders remember this agrarian reform as a divide between the times of working for the *finca*, and having a piece of land of their own.

As mentioned above, in 1994, the implementation of NAFTA would once again drastically change the agricultural structure in Mexico. Farmers were now forced to compete directly with foreign investors regarding their land and had to find a solution to balance the power as much as they could. The cooperative structure was a good alternative for the small farmer: to keep their land and freedom, supporting each other towards external pressure⁶. Hence, the creation of Comon Yaj Nop Tic created a community space for its producer members by being able to jointly promote their interests towards a third party and sharing economic expenses for the profit of all in their community. For example after the devastating effects of Hurricanes Mitch in 1998 and Stan in 2005, Comon was of great support to its members through the reconstruction of hanging bridges, roads and power supply to the remote communities. Some of Comon's producers lost 70% of their coffee harvest between 1998 and 1999⁷, but with the gathered resources of the cooperative many were able to receive support during that year to survive until the next, something that would have been much harder without the cooperative structure and would have left many in the hands of *coyotes* instead. However, it was not until 2001 that Comon started to commercialize their own coffee through a collaboration project with the *Conservation Coffee Alliance* (CCA): the U.S. organisation *Conservation International*, *USAID* and *Starbucks*. The cooperative had heard about the market potential and better

⁶ From discussion with Comon producers

⁷ From discussion with Comon's President

prices of producing organically by other coffee cooperatives in the region and initiated a 2-year *Coffee Conservation Program* that helped them restructure their coffee production towards receiving the Mexican organic certification, *Certimex*, in 2003.

Today, 97% of Comon's members are producing their coffee through organic agriculture and (since 2009) 100% are *Fairtrade* certified⁸. Comon has become an exemplary cooperative with a strong organisational structure, providing more economic stability to its members by acquiring a milling factory in cooperation with two other cooperatives in the region (CESMACH and Triunfo Verde), as well as a coffee roasting facility. Comon also work in close relationship with other social organisations and coffee cooperatives, implementing several social and environmental projects in the region, such as a health clinic, an Internet pre-university school, a bird monitor program in the biosphere reserve, a woman bread-baking program, as well as a soil preservation program. The cooperative structure has indeed made the individual producers stronger and opened up the possibility for them to take more and more control over the coffee value chain, now retrieving a larger part of the added value benefits of their product, which has had a large positive impact in the surrounding community as a whole.

2.2.2 Comon's Cooperative structure promoting the community

The cooperative structure of Comon is organized for it to be as much equality possible among members, so that the cooperative membership only provides an advantage for the small producers by increasing their independence against external exploitative systems. As a Comon producer says: "*the cooperative form provides a power structure that enables us to balance the relationship towards buyers, something that was never possible before*". The cooperative structure is an important aspect of the fair trade movement, bringing justice and solidarity among producers, and making sure that the benefits of the fair trade movement reaches all producer members. The system of participating democracy, delegation and the formation of different committees, functions as an internal surveillance system, making sure that all producers are included in the decision-

⁸ Number from Comon internal documents

making process and that cooperative income is correctly distributed among producer members.

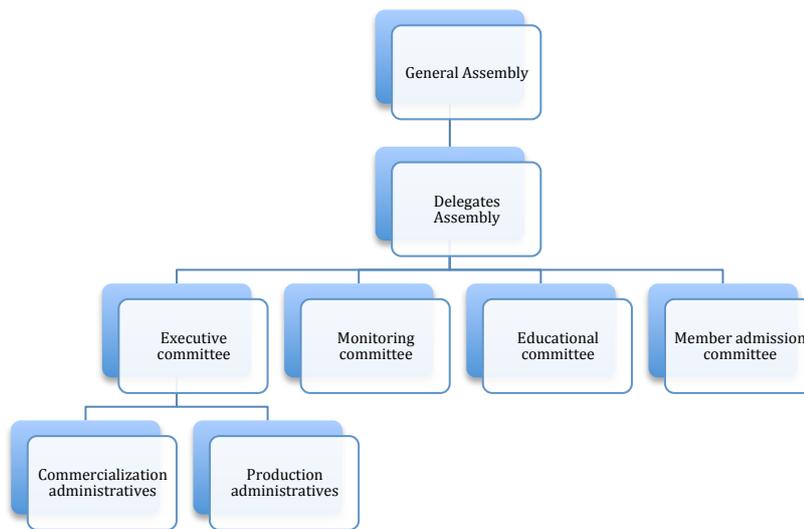


Figure 2-1 Comon Yaj Nop Tic Cooperative organogram

At present, Comon has 141 producer members, out of which 34 are women producers. The organisation has nine full time employees working for the administrative and technical parts of the organisation, all of which are producers of Comon or children of producers. Hence, in comparison with many other cooperatives that often has at least one or two external persons engaged for the more administrative parts such as external relations manager or accountants, Comon is fully managed by its democratically elected producer members, thus keeping the primary objective for and within the cooperative interests. Apart from the 141 direct producer beneficiaries of Comon, the cooperative accounts for 604 producer family members that indirectly benefits from its production and structure. Furthermore, in 2011 Comon generated approximately 850 indirect employments (primarily during harvest time), out of which 185 were indigenous and 182 women workers⁹. The cooperative has also provided jobs to members’ sons and daughters that have had the opportunity to study on a higher level, and like this keeping the Comon member participating within the organisation and consequently the producers’ interest first.

⁹ Numbers from Comon Yaj Nop Tic internal documents

The internal structure is based on the principle of active and responsible participation of all its members, with democratic decision-making procedures for Comon's management structure, as well as for all internal and external projects and programs. In other words, the cooperative organisation means that all members have the equal possibility and right to influence the management and development of the cooperative and its functions through a General Assembly, which is held at least once a year, normally after the harvest and commercialisation process has ended in July. Its function is for all to discuss possible changes and approbation of new strategic plans. The 141 present members thus make the principal decision-making from 11 different communities in the municipality of *la Concordia* Chiapas. However, to keep information flowing from the daily administrative and executive committees to the different producer communities, the members are represented by a community delegates, one for each of the 11 communities. These are democratically elected every 2-year and will represent the voice of all members in the monthly Delegation Assemblies that are held during the year, together with the Executive, Financial and Surveillance committees. The delegates are also in charge of supervising the compliance of members to the different resolutions made at the General Assembly during the year and are accordingly assisting the Executive, Financial and Supervising committees with this task.

The Executive Committee is in charge of the elaboration of the organisation's plans and budget proposals before each fiscal year, the definition of internal social status and regulation changes, which are later approved by the General Assembly. The members of the Executive Committee are democratically elected every 2 years at the General Assembly. Comon also has a Financial and Supervise Committee, similarly elected at the General Assembly, which controls and supervises the patrimonial interests of the organisation. This committee consists of the President, the Secretary and the Treasurer, who is elected for 2 years and can only be re-elected after 2 years of being a non-committee member. Their main responsibilities are to supervise that the work of the Executive Committee and the administrative and technical employees are fulfilling their duties and obligations, as well as to, once again, verify that the organisations

own resources are invested according to its original objectives of solidarity and environmental promotion.

Like many other fair trade cooperatives, the benefits of working through the fair trade and organic production systems have been many for Comon's members, all recognizing the advantages of working through cooperative structures and new international trade systems that have given them not only better prices for their coffee, but also better working conditions producing organically and not having to work with pesticides. Nevertheless, although the benefits might seem obvious to us, the implications for the producer of changing production methods and complying with external requirements caused 60 members to leave the cooperative in 2001¹⁰. And there are still today many producers in the region that prefer to continue to sell their coffee to the finca or coyotes, testifying that the barriers to entry the alternative market indeed are very high for small producers, and that it is not without its own challenges. So, as we saw in the introduction, if there are various advantages for the small producer to join the fair trade movement and demand does not cease to increase, why does not the small producer want to join?

With this background I will try to investigate more profoundly in the following chapters what these barriers to entry are and how they are affecting the small producer, parallel with my main hypothesis that they have progressively disembedded the producers from fair trade movement.

¹⁰ Number from interview with one of Comon's Directive

Part II

3 The Fair Trade movement's transformation

3.1 A social movement's need for institutionalization

Like many *new social movements*, the fair trade movement broadened its action beyond the political sphere into the social sphere, expressing its essence in society's cultural orientations rather than on an institutional level (Gendron et al., 2009). In opposition to classic socialist labour movements the fair trade movement never aimed to take state power in its search for more social justice but functioned rather as a collective mechanism of an alternative societal project. Also, as the movement built its ideas upon market mechanisms, committed to operate both in and against the market, i.e. it has never tried to overthrow the market and replace it with an alternative socioeconomic relationship (Taylor, 2004). Integrated into collective action its intention was to demonstrate that the law of supply and demand are not inevitable (Renard, 2003) and that economic relations were understood as social relations, and were seen as consciously constructed, therefore open to change (Archer & Fritsch, 2010). Fair trade products became individualized through pictures and stories on the products of the producer, aiming to decrease the distance between consumer and producer (Jaffee, 2007); consuming and producing with a different mind-set would transform trade into political action.

However, the rapid growth of fair trade organisations clearly reflects the degree to which the form of alternative trade became institutionalized (Jaffee et al., 2004). Starting in the 1980's, ATOs and fair trade initiatives began to establish shared networks through the creation of the International Fair Trade Association (today World Fair Trade Organisation, WFTO) and the European Fair Trade Association (EFTA), with the aim to jointly promote the progressive civic values through a more institutional framework. This process was then enhanced in 1998 with the founding of FINE, associating the four major fair trade institutions WFTO, EFTA, FLO and the Network of European World Shoppers (NEWS!);

together establishing common principles and an official definition of fair trade through their ‘Charter of Fair Trade Principles’:

“Fair trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade” (FLO & WFTO, 2009)

The fair trade narrative expressed by these institutions thus continued to promote relational civic ideas and practices, and by officially redefining trade as a ‘partnership’ it did indeed feature the social values of interpersonal trust incorporated in an Polanyian embedded trade model. The formation of institutional networks meant to coordinate the efforts of restructuring trading processes in a globalized world, similar to Polanyi’s classic argument that the ‘human economy is an instituted process’ arguing that the real world economic activity has always been shaped by social and political institutions (Raynolds, 2012). However, when Polanyi argued for an instituted process it is in regard to economy in society at a whole; the fair trade movement was not an economic model that needed institutionalization and regulation but rather a social justice movement that tried to prevail in a market society. Thus, the complexity of the interlinked economic and social features of fair trade, being a social movement and not an economic model, whilst aiming to alter trade relations has created many difficulties regarding its evolution, both within and outside the movement. A first sign of the contradiction between the movement’s militant identity and commercial reality came with the movement’s focus on quality and conventional distribution channels, creating an ambivalent situation where new mainstream actors could win space and start to impose their rules (Renard, 2003).

In the quest for larger impact through more fair trade sales, starting from the 1990’s onwards, fair trade labelling organizations introduced a new strategy where, in opposition to the previous ATOs, it positioned fair trade products as premium quality rather than socially or ethically driven (Nicholls & Opal, 2005). By taking away the movement’s more militant approach and by focusing more on fairly traded foodstuff like coffee and bananas, more easily accessible to

mainstream consumers than handicrafts, it immediately increased the general demand of fair trade products, creating a market niche that appealed both to a broader customer base and multiple supermarkets (Nicholls & Opal, 2005; Pirotte, Pleyers, & Poncelet, 2006). Effectively, the enhanced demand of fair trade products in the mainstream market consequently created a multiplication of declarations, ratings, certifications and labels, making many believe that the main challenge for the survival of the fair trade movement was the recognition of its distinctive label (Audebrand & Pauchant, 2009; Renard, 2003). Accordingly, a fear of consumer label fatigue arose within the fair trade movement, i.e. if consumers were presented too many different labels all proposing a 'fair' model according to their own definitions without responding to any particular requirements, that this would trivialize and hollow fair trade discourse and values, cause confusion and consequently risk losing consumer confidence in the fair trade alternative (Nicholls & Opal, 2005; Renard, 2003). It was thus essential to preserve the relationship between the "equity market and the social organizations that incubated it" (Renard, 2003: 94) if the fair trade movement was to be sustained. And as Brunori (2000) argues "without the original linkage to social movements, alternative products lose their capacity to affect consumers' and producers' identities, and therefore the capacity to generate social change" (Brunori, 2000, cited in Renard, 2003: 94). Hence, in order to achieve collective competitive advantages, to have a larger impact without diluting its true values, the different fair trade labelling organisations of FLO tried to structure the more mainstream fair trade market by creating its distinctive label and guaranteeing certification.

The different national labelling organizations thus gathered their resources and created the unified *Fairtrade* label and by sharing their expertise they also created a uniform certification criterion to legitimize not only the fairness but also the quality of Fairtrade products to consumers (Mutersbaugh, 2005). This also facilitated its marketing strategy as this also allowed for the same label to be applicable a global market, creating global recognition of *Fairtrade* to the international consumer. To implement this FLO started to apply rigorous procedures to uphold the integrity of its certification-related decisions and standards, and created a third party certification body, FLO-Cert, which verified

compliance to these standards among producers, importers, and processors (FLO, 2011d).

The process in which the fair trade movement evolved is however not atypical of the mode in which new social movements become institutionalised (Gendron et al., 2009; Pleyers, 2012). In accordance with Touraine's well-established model on social movements, the development of institutionalisation is considered to be the natural order of social movements' evolution. As with the case of the fair trade movement he argues that new social movements all seem follow a model arriving at a certain point where they either dissolve or become institutionalised, representing a "classic stage [of] social movements' natural history" (Touraine 1973 in Pleyers, 2012: 1). More precisely he means, "that after an initial phase of global opposition between competing utopias, a phase of direct confrontation between the social adversaries occurs, followed by a phase of institutionalization of the conflict..." (Touraine, 1973 in Gendron et al., 2009: 71). This corresponds very well with the evolution of the fair trade movement: with its increased popularity in the mainstream distribution it faced a crossroad between becoming absorbed by the market to the price of hollowing the true values of fair trade or creating an institutionalised certified label to maintain the movement's link to its original social stance. Thus, institutionalisation became a necessary step for the fair trade movement in order to survive and the positive impacts have been numerous up until quite recently.

3.1.1 FLO and the Benefits of Institutionalisation

Following the 1990's increasing globalization and strong civil society internationalisation, many of the new social movements, including the fair trade movement, were undeniably characterised by a clear institutionalisation and a taming process transforming many of them into respectable NGO's (Kaldor, 2003 in Pleyers, 2012). Institutionalisation was an unavoidable evolution of fair trade in the globalized era as FLO's new strategy did not only imply helping the producer as previous ATOs but it also aimed to expand fair trade and position it in the political scene (Gendron et al., 2009). Fair trade advocacy and awareness rising is indeed important in the search of making social transformations even more pertinent. Indeed, for fair trade to expand and become the natural way of trading one has to mobilize the civil society and the creation of a fair trade

certification facilitated its enlargement into a global fairly traded commercial system. Seen that the movement is based in a society where multinationals are taking on a state role and where the responsible consumer can promote a significant social change (Players, 2010); reaching for the mainstream consumer and creating higher demand for fair trade products puts pressure on conventional trade to the benefice of more small producers in the South. This process confirms Gendron's (2009) argument that in a more economic and globalised world political institutionalisation seems to become superseded by what could be defined as economic institutionalisation: "a formalisation of demands in the economic system" (p. 64).

In effect, it is its increased presence on a global market that has made the fair trade movement to be increasingly seen as a part of larger social justice movements (Alvarado, 2009). The positive change between trading with *coyotes* and with *Fairtrade* is a fact among the producers in Chiapas as one producer explains that "*Fairtrade has brought a change, it is better dealing with them rather than coyotes; we get a better price now*". Hence, even though the transformation of the fair trade movement proved to become more economical it does not mean it was less able to cause important social transformations (Gendron et al., 2009). The coffee producers in Chiapas prove this as CESMACH's Accountant says:

"Producers are now recognized through the fair price for their coffee. They are paid as they should and there is an impact of this: there has been a major positive impact increasing the price to the producer through fair trade and there has been an improvement in the life of the producer. Now they can save a little bit more money for the education of their children and to improve their daily lives; the increase in price has had positive repercussions in the life of the whole family. You can really see amelioration in the life of the whole family.

In Chiapas, it was also shown that the fair trade system has been very beneficial for them regarding the empowerment of producers and their relations to business partners, as a Comon producer says:

"Fairtrade has helped us a lot; it has helped us in the consolidation process, we now feel that we are stronger and that with fair trade we encountered another level to be able negotiate our coffee".

It has become generally accepted that the fair trade model does indeed increase the living standards of small producers by offering better prices for their products as well as through the social premiums offered by the system (Players, 2010; VanderHoff, 2009; Jaffee, 2007; Nicholls & Opal, 2005; Gendron et al., 2009). In 2006 there was also a formal integration of producer representatives from different fair trade networks into FLO's Standards Committee "giving a major role to producer representatives in the decision-making institutions" (Pleyers, 2010: 11) clearly demonstrating the movement's will to embed small producers in the institutionalized fair trade system, as is shown through FLO's certification and standards objectives:

- Ensure that producers receive prices that cover their average costs of sustainable production;
- Provide an additional Fairtrade Premium which can be invested in projects that enhance social, economic and environmental development;
- Enable pre-financing for producers who require it;
- Facilitate long-term trading partnerships and enable greater producer control over the trading process;
- Set clear minimum and progressive criteria to ensure that the conditions of production and trade of all Fairtrade certified products are socially, economically fair and environmentally responsible

(FLO, 2011a)

Indeed, when talking with Comon producers it is obvious that the main reason for them getting FLO Fairtrade certified is that it allows them to securely sell their coffee at a better price and also enter a high quality niche market. Comon's Accountant explains:

"Now when working with Fairtrade it has opened a lot of doors and thanks to Fairtrade we could now enter the Speciality Coffee market; this is a big advantage, because of the big price differential".

FLO's price structures are unquestionably very assuring for the small producers as the certification does not only guarantee a minimum price for their coffee, but also a 60% advance to prevent their selling the coffee immediately after harvest, when its price is the lowest (FLO, 2011b). Moreover, the minimum price guarantee intends to cover not only the costs of production, but also the costs of living and Fairtrade certification compliance costs. Finally, it also works as a protection for the small producers from oscillations in the world market: regardless of how low the market price goes, producers are always paid the floor

price and if the market price rises above the fair trade floor price, the minimum price is the market price (Nicholls & Opal, 2005). Furthermore, on top of the minimum price, FLO obliges coffee importers to add a social premium meant to be reinvested in cooperative’s social projects. Hence, the social premium represents the more political development agenda of the Fairtrade certification, as it is meant for the cooperatives themselves to decide how the premium should be best invested to the benefit of their community.

In 2012, FLO increased the minimum floor price for coffee to 140 USD cts/lb. (from previous 125 USD cts/lb.), as well as the social premium from 10 USD cts/lb. to 20 USD cts/lb., as a response to the many challenges of the coffee market, such as exceptionally high and volatile market prices; the shortage of high quality coffee supply due to low yields; and its particular vulnerability to increasingly adverse climatic conditions and crop diseases (FLO, 2009).

FLO price structure	Floor price (cts/lb.)	Organic Premium (cts/lb.)	Social Premium (cts/lb.)	Final FLO minimum Price (cts/lb.)
Pergamino Coffee	140	30	20	190

Figure 3-1 FLO price structure in USD

The Fairtrade minimum price is indeed a big improvement from the previous price when working with Starbucks that was on average 165 USD cts/lb., and a enormous difference from when working with the coyotes offering them on average 90 USD cts/lb.¹¹. In line with the FLO structure, to reach the higher Fairtrade prices, Comon has to be audited every year for FLO to verify Comon’s conformity to the Fairtrade requirements. These distinguish between minimum requirements that producers must meet to be initially certified, and annual progress requirements to encourage producers to improve and invest in the development of their organization (FLO, 2011c). Besides the common principles of fair trade such as sustainable, social, economic and environmental development of producers and their organizations, there are specific principles that apply to small producer organizations, such as Comon, and hired labour situations. These principles include that FLO members must be small producers where the majority of the organization’s members must be smallholders who do

¹¹ Price for unprocessed coffee

not continuously depend on hired workers but run their farm mainly by using their own and their family's labour. There should be present values of democracy, where profits are equally distributed among producers and where all members have a voice in the decision-making process of the organization. Moreover, principles regarding hired labour state that forced labour and child labour is prohibited; workers have the right to join an independent union to collectively negotiate their working conditions; the working conditions should be equitable for all workers; salaries must be equal or higher than the regional average; as well as that health and safety measures must be established to avoid work-related injuries (FLO, 2011d).

As Comon had had a long experience working with *Certimex* (Mexican organic certification) most requirements that had to be conformed when they started to work with FLO regarded the administrative features of the cooperative, ensuring transparency of financial transactions. Most Comon producers do not have much hired labour; it is only during harvest time that they have additional people working with them, helping them to pick coffee cherries from the plants, otherwise it is the Comon producer himself/herself and his/her family that does most of the work. Hence, all the requirements imposed by FLO, even those regarding hired labour, did directly benefit the small producer himself, a Comon producer says:

“It [Fairtrade] has helped us because it holds certain social norms that have to be fulfilled which supports the producers... It helped us to consolidate and work faster, it added some mechanisms or tools that were lacking and so it helped us improve”.

For example, today Comon requires all producers to have a first-aid-kit at each farm in case of labour accidents and offers medical services; the cooperative provides life insurance in accordance with the organisation's conditions for those who require it; the right to 12 weeks fully paid maternity leave for the woman producers; and at the end of each year the employee will receive a bonus, according to the Mexican law, of 15 days extra salary. Moreover, Fairtrade enhanced their ability to themselves be in charge of the commercialisation of their coffee and negotiating coffee contracts, compared to the previous situation

working with coyotes or Starbucks¹². Undeniably, since the creation of FLO the impact on a global scale is now more important with more structured prices and social premiums.

The increased popularity of Fairtrade products over the last decade has been exceptional; with over 30 per cent increases in sales annually (Transfair USA, 2009) it has consequently managed to transfer important amounts of social premiums to small producers. In 2011 alone, Fairtrade sales enabled Fairtrade coffee cooperatives to earn an unprecedented \$17 million in community development premiums, up 61 per cent from 2010 (Wall Street Journal, 2012). Much thanks to FLO advocacy, the fair trade model has been a success and it has also become widely accepted as a new development model among policy makers and larger political institutions. For example most recently, ahead of the World Fair Trade Day 2012, the President of the European Parliament, Martin Schulz, stated that the European Parliament has “repeatedly and overwhelmingly called for policies in support of Fair Trade” as it is considered “a tangible contribution to the fight against poverty” (EU Press Release, 2012). Unquestionably, the fair trade movement’s institutionalization through FLO achieved its desire for a larger presence on the market and is indeed having more impact than the previous more activist ATO system. However, there still lays a danger in the taming process of social movements into global NGO’s, as “in many ways NGO’s are driven by even stronger bureaucratic imperatives, more alien to the people concerned than many government agencies, because they depend on the image they can project to Western donors; and they are even less accountable to local people” (Hart, Laville, & Cattani, 2010: 57). The following chapter will take a closer look at these bureaucratic imperatives and how they have affected the small producer to a point where it has disembedded the producers from the fair trade movement.

3.2 Three features showing that fair trade institutionalisation has gone too far

Even though FLO officially keeps a Polanyian stance of embeddedness aiming to promote ‘trading partnerships’ and ‘producer control over trading processes’ as

¹² A more detailed explanation of the trade relationship with Starbucks is given in chapter 5.1.1

one of its primary objectives (FLO, 2011a) the organisational development from a federation towards an international institution has started to display controversial side effects. Both externally and internally it is becoming perversely similar to the system it was once created to fight.

In comparison with other social movements, the fair trade movement's incorporation of a strong economic sphere meant its institutionalization was not solely based on the need for a social movement professionalization but it was rather its business aspects that demanded it. The strategy of certifying larger volumes by entering the mainstream distribution forced it to institutionalize (Jaffee et al., 2004; Renard, 2003) and play along with the rules of market economy instead of continuing being a Polanyian counterweight social justice movement. Moreover, the fact that the fair trade movement increasingly included agro food products made it maybe more difficult for it to dissociate itself from the general development of standards globalization (Mutersbaugh, 2005). As Ritzer (2011) portrays in his book "*The McDonaldization of Society*" the world has increasingly become driven by concerns for rationality, speed and efficiency through a pattern of standardization. By illustrating McDonalds style of operation as an example of how society has evolved as a whole, he argues that speed, convenience and standardization have replaced the flair design and creation in cooking, the comfort of relations in serving, and the variety available in choice. The McDonaldization has become so pervasive that wherever you travel in the world you will be able to find the same chain-style restaurants, hotels and shops, which has fostered a homogenisation of global culture and life, streamlined along a set of rational, efficient and impersonal principles (Ritzer, 2011). The standardizing process of the fair trade movement was undoubtedly influenced by this simultaneous global introduction of a standards homogenisation. For it to become a global alternative it could not surround the transnational standards and certification institutions, directed by organisations such as the International Standards Organisation (ISO) and the World Trade Organisation (WTO), bringing products as well as provisions into agreement across national and transnational contexts (Mutersbaugh, 2005). Much like these transnational institutions or chain-style restaurants, the creation of FLO's rapidly expanding certification system, with its corresponding *Fairtrade* trademark,

subsequently managed to centralize the original civic self-governing and self-certifying initiative. FLO translated fair trade into a system of rules, regulating the production and trade of labelled products, reorganizing the movement's features and transforming it into an institution accredited under international norms (Raynolds, 2012).

While the fair trade movement's institutionalization derived from this ability to harness transnational advocacy networks and embed its vision in socialized market arrangements, it has become increasingly recognized that the FLO system has altered the fair trade movement's alternative principles of embeddedness, based on trust and relational structures, into a quality-management system, based on formal standards and bureaucratic oversight (Mutersbaugh, 2005; Raynolds, 2012; Renard; 2005). According to Touraine (in Gendron et al., 2009), it is the institutionalisation of a social movement that degrades social mobilisation and weakens its political message. He argues that the formalization of social conflict within the political system makes institutionalization a degraded form of social action and consequently loses its transformative potential in terms of resource mobilization as it "it corresponds to both the recognition of the interests of actors and the integration of these same interests into the political structure" (Gendron et al., 2009: 72). Indeed, the biggest challenge confronting the fair trade movement has always been to be in the market but not of it, i.e. to be able to pursue its alternative values and objectives without being captured by the market's conventional logic, practices and dominant actors (Taylor, 2004). Unfortunately, it seemed as if the absorption of market logics is exactly what happened through the increasing notoriety of FLO and now more recently through the separation of Fairtrade USA from FLO.

Even though the advantages, as we have seen, have been many working through FLO's system, it is clear when speaking to the producers that there are also several challenges and disadvantages. One can distinguish three main features in relation to the fair trade movement's institutionalization that have been to the detriment of its values and benefits for the small producer:

- 1) FLO certifications have created standardized control systems that have altered its original stance, contrary to a Polanyian embedded movement. The producer

has become disembedded not accessing the decision making process of standardized certification structures that has now evolved from a trust based relational system to a financial traceability and quality-management system for importers.

2) Global certifications have altered the framework of value production such that farmers and their organizations have become, to use Mutersbaugh's (2005) description, "consumers of certifications" (p. 2034). Standardized certifications have developed into an expensive policy rent for the small producers; an unavoidable expense if they want to reach the Northern markets with higher fair prices.

3) Fairtrade USA official separation from FLO this year effectively marks the voicelessness of the producers by taking away their last benefit of 'market differentiation' that the *Fairtrade* label previously gave by now certifying large estates and multinational corporations, consequently furthering the movement from its *raison d'être* of helping the marginalized small-scale producer.

Hence, both the economical and the social features of fair trade are seriously threatened by the adaptation of the fair trade movement to fit it the global neoliberal standard mould and has consequently disembedded the small producers from the movement. By increasingly orienting itself towards a more economic sphere, enhancing its economic status such as mainstream consumers, standards and large estates rather than social activists, independent fair trade values, and small producers; the fair trade movement wants to pressure its antagonists on a higher socio-political level, but at the cost of the values and persons it originally was created for. However, in opposition to Touraine, as we will see, it is not necessarily the institutionalization itself that transformed and dissociated the fair trade movement from its embedded trade model, but rather the fact how the institutionalization led to its standardization. In the following chapters, I will present more in detail the three features mentioned above. I will try and portray how the FLO-system consequently has managed to disembed the producer from its movement and created a distance relationship between producers and institutions: degrading much of the social mobilisation of the movement's grassroots members and weakened its political message by reaching

for the inclusion of large capitalist multinational corporations for more quantifiable impact.

4 Certified to receive a fair price

4.1 Standardizing ethical behaviour

Indeed, FLO standardized certification systems have not been without effects on the small producers in the South as it is they who are becoming increasingly guided by these certifications. Even though fair trade was defined by its key institutional participants as an effort to re-qualify trade based on alternative norms of fairness and partnership (Raynolds, 2009), the increased restrictions imposed by FLO certification requirements have seemingly become a major challenge for the small producers who have become progressively subordinated production standards and buyer contracts (Mutersbaugh, 2005). A Comon's Certification Coordinator explains:

“The disadvantage or challenge [working with FLO] is that we have to do a lot of compliance, this is one, and the other thing is that we have to sign contracts under certain criteria... Of course, FLO said that it is because we shouldn't create distrust towards clients because they do not know us except through emails... but I consider it a disadvantage”.

Today, working through the FLO system has become equal to the requirements and bureaucratization of the conventional market, imposing conditions on how producers are supposed to work and consequently creating an additional burden on the already limited resources of the small producer. Comon's President also mentions how the requirements are becoming stricter, making the FLO system hard to work with, saying *“every year the restrictions are stricter and it makes it very hard to work. We have to reduce the norms for it [fair trade] to be more accessible”*. The excessive bureaucratization was also emphasised by an American coffee consultant visiting the cooperatives in Chiapas while I was there, giving me a visible example by proposing me to take a closer look in CESMACH's office and the number of files that took up the entire walls, saying *“this is how all cooperatives offices looks like nowadays, it's unbelievable”*.

Among producers one notices that FLO is destabilizing the original values of the fair trade movement; instead of embodying principles of trust the use of standardized certifications has imposed a system of oversight where producers, in particular, are subject to intensive external control (Raynolds, 2012). When asking producers if they felt part in the fair trade movement, Comon's Secretary

answers: “yes, since without the producers there is no fair trade; we are fair trade”; and another Comon producer saying: “yes, because we are participating when working with this structure no?”. However when asked if they are allowed to take part in the decision making process of FLO there is often a plain “no”. There unquestionably exist a problem regarding the embeddedness of the producer when Comon’s President is saying, “we don’t have a voice”, regarding the possibilities to take decisions within the larger movement which is FLO. Many of the interviewed producers said that they were able to communicate to FLO-auditors desired modifications, i.e. give feedback to proposals or decisions, but that they were never allowed to take part of the decision making process itself, as a CESMACH Accountant explains:

“Well, to take decisions, no, this is not possible. Maybe since a short time a little bit through the CLAC coordinator; there, there is a space for us to have some voice, but further than that, no. FLO sends us the changes, the norms etc. but there is no direct participation of the producer to be able to make changes”.

There apparently is a great lack of a relational link within the fair trade movement’s grassroots producer member and its own institutional Board of Directive. As Renard argued already in 2003, the reinforcement of the network clearly needs more efforts to clarify the relationship between the fair trade movement and the farmer’s representatives (Renard, 2003). In accordance with the opinions expressed by interviewed producers in Chiapas she argues that producers “are involved in an on-going dispute over their representation in FLO, arguing that fair trade is a partnership, that they have the right to a larger number of representatives in the organisation” (p. 95). This dispute has also been forwarded by Taylor (2004) where he explains that FLO’s formation introduced into fair trade a more impersonal structure than that of the previous ATO system. Even though progress has been made towards greater democratization “FLO is still characterized by a pyramid decision-making structure, where the top often does not communicate with the base” (VanderHoff, 2003, cited in Taylor, 2004:140) and that “governance of the fair trade coffee movement has been dominated by Northern interests” (Murray et al., 2003 cited in Taylor 2004:140). The critic made by Taylor, Renard, VanderHoff and Murray was made almost a decade ago making the situation today even more acute since the interviewed producer organisations in Chiapas still present the same critic, showing that not

much has evolved. When asking a Comon Community Delegate what sees as lacking working with the FLO-system he says:

“I think that together with coop representatives we should have some reunions or something with those of FLO, because they only come to see if we are complying with the norms and standards...”

On the question what would be something to change regarding working with FLO, Comon’s President says it is would be *“to give more information and at the same time more participation to the producers and the cooperatives; I think this would be important”*. However, FLO has very recently, in 2012, tried to meet this critic by including more producers in its annual General Assembly where they now hold 50% of the seats (FLO, 2011e). Yet there still remains a distance problem between the fair trade institution and its grassroots members. In FLO’s Board of Directors only 4 out of 14 of the seats are dedicated for representatives from Fairtrade certified producer organizations (FLO, 2011e), making them a minority in a democratic decision-making process.

When talking with producers they are seemingly disconnected from FLO decisions and changes, as they do not know much about these except for when being solicited. The Comon’s President explains:

“Two years ago they presented us some formats to see how we could look over our coffee prices; until what price we would like [minimum] price to increase. It did not increase as much as we wanted but yes, they raised the fair trade prices a little bit more. Perhaps this is producer participation. But I don’t know if it will continue, if it was because we told them; maybe they didn’t take it much into account, I don’t know. We don’t know what the result was because there was no information if they did the surveys in each cooperative; if they did it in all. I know that they did it with me because they came to Comon, but I don’t know if they told everyone, if they took everyone into account... So to give more information and at the same time more participation to the producers and the cooperatives, I think this would be important”.

The lack of a good information flow to producers certainly seem like a persisting problem as the producer in charge of Comon’s certifications explain how they are often not aware of FLO changes until very late:

“Last year in June they changed some requisites regarding FLO and I came to know about it in January, 6 moths later. So the 30th of January we went to a workshop in Jaltenango and the 31th, the following day, they came to do the inspection and they were already applying the things that were decided in June, only 6 moths before, which they then later left us as

a non-compliance. They gave us the changes very fast and we didn't have the time to understand. I understand that they have a lot of clients but I think their transfer of information should be a little faster, principally with the clients and the small producers..."

Moreover, the evolution of standardizing fair trade did not only mean the subsequent replacement of its original stance in a Polanyian polyphony of independent principles and alternative structures, but contradictory it took the neoliberal values to a new level by standardizing ethical behaviour. While Polanyi questioned the fact of regarding money, labour and land as commodities, referring to these as fictitious commodities since none of them were produced with the intent of sale on the market, nor that they can be dominated by the logic of supply and demand (Polanyi, 1944, 2001), the certification of socially good behaviour has taken the moral discussion regarding commodities even further. Whereas earlier standards regarded product specifications, fair trade certifications concerned a standardization to codify social practices and environmental production processes. It implemented norms and rules of institutional processes and specified inter-organisational contractual relations, resulting in the transformation of social practice into a commodity able to be advertised like any other (Mutersbaugh, 2005; Reynolds, 2009). The certification system has thus sadly undermined the Polanyian social-economic embeddedness of fair trade, built on the conceptions of a direct and trust-based relationship between buyer and seller, and instead furthered the neoliberal system of commodity profits. The globalized fair trade certification now suggest that producers' ethics can be evaluated through a standardized accreditation system, which independently rates both the local production conditions and the management practises in use (Mutersbaugh, 2005).

Indeed, all small producers on the field mentioned fair trade having ameliorated their living standards and being content with the system. However, farmers more aware of the certification implications and processes, such as the Cooperative Community Delegates and the Board of Directors, are more sceptical about the advantages, mentioning the challenge of understanding the certification norms in order to not be subordinated them. A Comon Community Delegate says:

"The tricky thing is to know the norms that FLO asks for; to understand the standards and the norms. If I know the norms and the standards then

FLO cannot come and oblige me to do anything; I know what FLO can or cannot tell me to fulfil.”

Wade (2003) means that this sort of certification of social behaviour continues to build on a set of trade features that are broadly embedded in the Northern strategy in which wealthy countries can protect intellectual property rights and thereby preserve a privileged economic position (Robert Wade, 2003 in Mutersbaugh, 2005). Since the post-war era, transnational organisations such as the WB, the IMF, and WTO have been the main actors in forming our global economic system. These multilateral institutions managed to profoundly influence the globalised market in accordance to their own ideological belief by bringing standardisation compliance into trade agreements and certifying bodies across borders (Mutersbaugh, 2005). Through the homogenisation of standards the forming process was further enhanced as the set of national standardisations became harmonised with the creation of standardized certifications when ISO created the Guide 65 program on third-party certification standards in 1996. Since then certifications has emerged increasingly as an important vehicle for governing relations within both agricultural and manufacturing sectors (Bartely, 2007; Mutersbaugh, 2005). In the food sector, fair trade and organic certification today represent the most important of these third-party certification systems (Raynolds, 2012). Thus, even though FLO tried to occupy a separate social and political sphere to the dominating neoliberal organizations it was rather absorbed by it as FLO substantially overlapped with WTO and ISO in the process of its Fairtrade certification standards compilation and through the creation of its third-party certification body, FLO-Cert. FLO-Cert is itself certified for following ISO's Guide 65 program on third-party certifying standards (FLO-Cert, 2011), resulting in that WTO and ISO have effectively had a hand in the writing of Fairtrade certification language. Mutersbaugh (2005) means that this evolution has lead to that fair trade values are being “progressively removed from their network crucibles and institutionally (re)embedded in multilateral institutions” (p. 2037), which is also a shared understanding of Vander Hoff (2009) saying that this new fair trade system has reintroduced fair trade in a formal Northern organizational structure.

By establishing bureaucratic division of labour and setting ISO oversight procedures, FLO managed to change its producer certification from being in-house for free to being carried out by an autonomous agency verifying producer compliance charged to suppliers (Raynolds, 2012). This, however, follows the evolution of ISO itself from having been a negotiated, democratic activity in its early post war years to now take on a rather activist approach to standards adoption. Today, global compliance to ISO standards is enforced by an institutional triangulation with the WTO as, under the agreement to Technical Barrier to Trade, if a WTO signatory nation fails to comply with standards, they may risk prosecution for trade obstruction (ISO, 2005, in Mutersbaugh, 2005). The relational to notional shift of underlines the replacement of network norms to globalized standards language, and the prohibition of certifying agency personnel, working under ISO-based rules, to work directly with producers to resolve certification problems, demonstrates the shift from trust-based to third party certification notoriety in global certification institutions (Mutersbaugh, 2005).

Even though FLO include producer representatives in its Standards Committee, the notional power that FLO-Cert holds distances the small producer from the possibility of more direct decision making possibilities within the institutionalized fair trade structure. As generations of leadership of the national initiatives has changed with time, some mean that it has lost its personalized contact with members of the national initiatives and producer cooperatives, evolving from an alternative democratic organization to an institutional certification and traceability system (Raynolds, 2012; Renard, 2005; Taylor, 2004; VanderHoff, 2009). However, the transformation of bringing increased power to the movement's leaders over its grassroots members has shown to be a characteristic pattern of social movement institutionalisation (Pleyers, 2012; Gendron et al., 2009) where "this type of institutionalization cannot operate without a transformation of the actors or without the intervention of political forces..." (Touraine, 1973 in Gendron, 2009: 71). The problem of the fair trade movement however is that its leaders, the labelling organisations, are in the North, and its grassroots members in the South, consequently leading the institutionalisation towards a clear North-South divide, very much in

contradiction of the structure it was originally fighting. VanderHoff (2009), one of the founders of the Max Havelaar fair trade label initiative, also argue this as being one of the main problems with the current fair trade structure:

“Organizationally, the decision-making power of these organizations is largely in the hands of people from the North, not the small producers from the South. The logic of the organized producers from the South and the logic of those from the North who are in charge of the fair trade market do not always coincide. The latter are often more committed to the goal of poverty reduction than they are to upholding the values and practices of the alternative market. As a result, they often seem to focus on selling products at almost any cost. In doing so they sometimes paternalistically make decisions for the good of small producers to which small producers are totally opposed” (Vander Hoff, 2009: 71).

Most recently this paternalistic behaviour has been taken to its most extreme with Fairtrade USA separating from FLO, wanting to create “Fair Trade for all” by including large estates in the labelling program to increase fair trade imports into the US. However, even though Fairtrade USA acts with the objective of increasing fair trade impact ‘for all’, in Chiapas there is general opposition among small producers towards these developments, as a CESMACH’s Accountant explains:

“We are trying to say to them, when they came here; why aren’t they following the same mission as when they started, because they said that it [fair trade] was for small producers, and now it’s for ‘finceros’ and finceros are not small producers”.

There lies a great complexity in this because by resorting to stronger economic methods of pressure through large-scale distribution, the fair trade movement is indeed confronted with the fact that “coordination of the civic opinion had to be reinforced through the recognition of their criteria and an official institutionalization of their symbol” (Renard, 2003: 95) to not be reabsorbed by the market. And if the Fairtrade label was not to suffer from trivialization, control needed to be kept over the mechanism of access to the network and the market niche, effectively leading to that fair trade organisations had to institutionalize criteria of certification (Renard, 2003). Nevertheless, as mentioned before, it is not the institutionalisation itself that has created a separation of the movement from its Southern roots, but rather the way the fair trade institutionalisation became standardised. By placing fair trade certification standards under harmonizing transnational codes it has created contradictory

implications for certified producers, where standards are increasingly notional, non-negotiable and verified by external inspections, since they are defined outside the producer networks. Nevertheless, producers are not questioning the fact of having third party certifiers and following norms, but it is seemingly the complexity and the quantity of norms to comply with that cause excess burdens. The cooperative President of Comon explains:

“I believe there has to be norms, maybe not so strict, but yes. If not how can we do to respect a client or an organisation as in this case? ... The question is of certifying so many things; you have to do a lot of things to get certified, maybe if it could be a little bit simpler because there are things that don't have much sense or that we are already doing and that we don't have to all over again every year... Every year they come to supervise us and we have to grade up, but we also have to understand that all this also has a cost and that in the end this cost definitely harms our price.”

The multitude of certifications requirements imposed on the small producer are starting show maybe unexpected effects as it has indeed created a feared label fatigue, risking the survival of the fair trade movement. A fatigue, however, that is not on the consumer side as many believed, but rather on the producer side.

Many of the small producers are starting to feel that the advantages of being certified are at too high of a cost, even to the point that there is now a recognition among producers, several saying that “*el comercio justo no es justo*” – fair trade is not fair. A US coffee importer also supports this by saying how “*there seems to be a general lack of understanding of what we are asking of these producers*”, further explaining how the he sees a “*producer fatigue*” with all the different certifications that are presented to supposedly help them improve their situation. The multitude of certifications also means a never-ending quest of fund searching to be able to afford the certifications transforming the empowering system into a system where producers have become “consumers of certifications” (Mutersbaugh, 2005: 2034). Accordingly, both coffee importers and an American coffee consultant explained how the fund searching for example for certification fees, has caused such a burden on producers that they are now ‘outsourcing’ the fund searching to people who write the applications for them, resulting in an additional cost for the cooperatives. The coffee consultant mentions that “*10-20% of the funds they receive goes to paying people that write the reports; it has come to a point where they now hire people to write the*

reports for them". Indeed, Comon also has its own 'Project Writer', a son of one of the member producers, who spends all of his time writing different funding applications or reports for the different projects Comon is engaged in, be it for quality improvement or parallel social projects as demanded by Fairtrade. Renard (2005) also testifies this in her article where "producer organizations have the impression that fair trade's regulatory organization is guided more by commercial considerations than by solidarity, and acts more against them than in support of them" (p. 425). Indeed, as Reynolds (2009) argued, the FLO system has transformed the movement from a mechanism of partnership to one of traceability. Buyers use the FLO certification to their advantage as a supply management tool, facilitating them to trace their product and payments, and be assured of contract compliance from trading producers, putting much work pressure on the small producers while the distributors themselves often are relieved from this work burden. A US Coffee Importer also expresses this when asked about the advantage of fair trade:

"I believe that fair trade as a financial traceability model is really legit, FLO does the job. So when we start to ask them, where did this coffee come from? How much did they pay for it? These questions are easily answered ... it [fair trade] has to do with the traceability of the transaction back to the farmer".

Hence, the strategy of penetrating large-scale distribution and reaching for increased impact through increased sales volumes and by using the FLO certification as a supply management tool has seemingly altered the Polanyian interconnected relationship between small producers and consumers. Through a system of certification, verification, promises, and penalties, FLO has disembedded the small producer from an embedded market model.

The certification also constitutes a guarantee for the coffee importer or distributor, to be able to sell it to roasters, even though quality might not correspond to roasters requirements. The Coffee Importer continues:

"I'll be honest; if we receive a coffee that is not very good quality and it has a double certification [Organic and Fairtrade] it is easier to sell, because the roaster can just put the label and tell a story..."

The marketing aspects of the Fairtrade label is an undeniable advantage for coffee rosters and distributors, thus again presenting an example of how the fair

trade movement is being progressively absorbed by its commercial logic and how “under these conditions the distance between producers and consumers is reinforced and social movement collaborations are rendered more difficult” (Raynolds, 2012: 284), threatening the movement’s original stance of being a Polanyian countermovement to the current market economy. The institutionalization of the fair trade movement has thus unfortunately not managed to use its global interconnectedness as a tool of human aspirations for liberation from a much too anchored North-South world system. The emancipation of the small producer in the South has become emancipation but on standardized terms, still very much dictated by a Northern ethos. In a world where standards harmonization have become considered a corporate social movement (Ritzer, 2011), based in international institutions and private actors that promotes harmonization as an element in neoliberal trade strategy (Mutersbaugh, 2005), FLO and the fair trade movement has indisputably been absorbed by the neoliberal structure when modifying the fair trade certification standards to be harmonized with ISO norms.

In addition to these notarial features of certification, the commercial considerations are also expressed in the cost of certifications. As we will see in more detail in the following chapter, the financial feature of the FLO system is thus another burden for producers acting within the fair trade movement. FLO introduced inspection fees in 2004, and neither FLO nor FLO-Cert nor the national Fairtrade organisations are non-for-profit organisations as their operational funding is based on invoicing the participating actors; collecting fees from fair trade importing actors, producer audit fees or FLO member fees (Nicholls & Opal, 2005; FLO, 2011g).

4.2 A policy rent

In the search for higher prices on the Northern market Comon’s producers are today complying with five different agro food certifications for three different export markets: *JAS* for the Japanese market, *NOP-USAD* for the US, *DAR-EU* for the EU, *Certimex* organic certification, and since 2009, FLO-certified for their social engagements. However, each of the certifications allowing them to penetrate the high segment market in the North comes with a high price tag and

are seriously affecting the fair trade benefits as even the “best-organized cooperatives find their gains severely eroded by the high cost of complying with globalized standards” (Mutersbaugh, 2005: 2040). For example CESMACH’s¹³ Accounting Coordinator expresses that:

“The disadvantage [of Fairtrade] principally regards the costs of certification, because they are very expensive. Yes, it needs regulation, there has to be some norms otherwise everyone would do whatever he wants. There has to be norms but that functions; it would be good with some system that works without profit.”

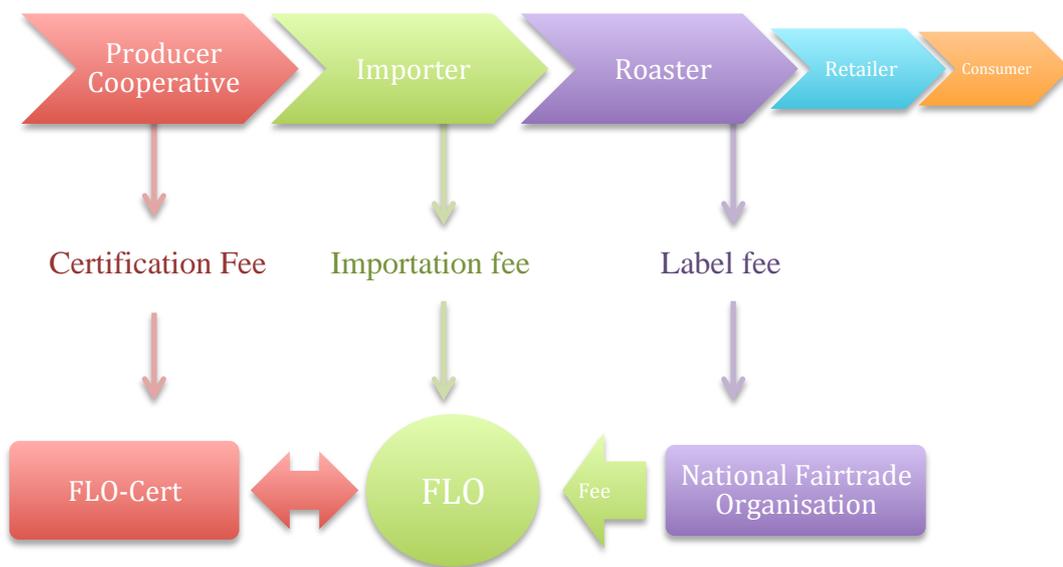


Figure 4-1 FLO Fee Structure

Regarding FLO-Cert, it has three certification fees:

- 1) *Application Fee* of €525 (non refundable) covering the application evaluation for all Small Producer Organizations applying for a Fairtrade certification;
- 2) *Initial Certification Fee*, (charged once and has to be paid before any service is delivered, including the Initial Audit) depending on the structure of the organization, i.e. the amount of products that has to be certified, the number of members and employees in the organization, and the number of processing installations and additional entities other than processing installations forming part of the respective product handling chain owned/subcontracted by the organization;
- 3) *Annual Certification Fee*, (always invoiced by FLO-CERT even if no audit takes place in a specific year, as the certification continues to be valid)

¹³ Which is one a ‘best of class’ cooperative according to many coffee buyers and Fairtrade USA representative I discussed with in Chiapas

based on the same criteria as the Initial Certification Fee, as well as the overview of compliance to FLOs annual development requirements of the cooperative

(FLO, 2011c)

In addition to the initial and annual fees there can also be *Follow Up Audit Fees* if necessary, to verify fundamental breaches and major non-conformities with the Fairtrade Standards by an onsite Follow Up Audit. These Follow up Audits focus solely on the non-conformities identified during an Initial, Surveillance or Renewal Audit and are charged in addition to the respective Initial or Annual Certification Fee. The Follow up Audit Fee is charged on a time and expense basis and the invoiced amount is 350 € per day (incl. travel and reporting days) plus travel costs. In case the certificate of the certified operator is suspended and it has been decided to verify implementation of the corrective measures by a desktop follow-up audit a fee of €630 will be invoiced for this desktop follow-up audit. Moreover, FLO-CERT reserves the right to charge additional costs to the all certification fees if travel costs related to the audit exceed normal travel costs, where the daily rate for additional days is 350 € (FLO-CERT, 2011b).

Hence, the FLO certifications do not come cheap and it is one of the largest disadvantages regarding Fairtrade according to many of the small producer cooperatives in Chiapas. Only the application fee of 525 € would cost them 93 kg of pergamino coffee¹⁴. For the 2011/2012 harvest year Comon paid 1790 € in annual FLO certification fee, which is a little bit less than their initial certification fee of 2775 €. It is worth reminding that Comon is a quite small cooperative, with 141 members, and therefore pays a rather small amount in comparison to e.g. CESMACH who is paying around 3505 € for their FLO certification. However, the FLO certification fee is only a portion of what they pay in certification costs. Additionally, Comon has total costs of almost 5130 € for internal and external audits concerning its other certifications of organic and agro food standards compliance. Thus, the total costs for allowing them to sell their coffee at a fair price to the Northern markets ended up being 6920€ in 2011,

¹⁴ Medium price/kg payed in 2011 = 6,83 USD, medium production/ha = 487,56 kg. Using average USD – Euro exchange rate in 2011 = 1.3904 (ECB, 2012)

which is equal to 4 per cent of the cooperative's 2011 fiscal year gross income¹⁵. This is a large amount of money, especially when putting it into relation to the minimum wage level in the Chiapas region being 3,5 € per day (59.08 MEX) (SAT, 2012).

In addition one has to remember they are dependent of the Northern market, fair trade or not, as coffee is a commodity generally consumed in the North. 100% of their green coffee is sold to the Northern markets, only the low priced defect coffee, or *desmanches*, is sold on the national market. Thus, Fair trade's evolution has developed into that certifications have become somewhat of a condition for small producer to be able to reach the Northern market under fair price structures. Example is when Comon was in the process to leave Starbucks, they searched for other clients but nobody would do business with them unless they had the FLO certification. Comon's Accountant explains that even though they did have a *Certimex* organic certification, as well as *JAS* and *NOP-USAD/DAR-EU* agro food standards certifications, and had worked with Starbucks own *C.A.F.E. Practices* for over 7 years, they needed the FLO-certificate for buyers to be interested in their product.

"We worked for 1-2 years to prepare to be able to leave [Starbucks] and CESMACH supported us in this and they recommended us to new clients but then they told us [new clients] in 2009, when this process began, they said; 'no, show me your FLO certification and then I will buy your coffee'... So when they [FLO] sent us the certification for the first time on the 17th of March 2009, it was like; wow! It was something that really opened a lot of doors and it has helped us in everything: clients, funding, social premiums... All this we really see as a direct benefit".

It was not until they received the FLO certification that Comon not only was able to sell their coffee at a higher price, but it was also the means to receive funding and new clients. In other words, in order to be recognized by the international market, the small producer must himself pay first, proving how not much have changed regarding trade relationships and the trust confided in small indigenous producer organisations. The fair trade certification structure leaves two choices for the small producer in the South: either to be controlled by standardized

¹⁵ Or, if calculated in 2011 year's medium price per kg, it is equal to 728kg of produced pergamino coffee, which is approximately how much is produced on 1,5 ha in that region.

production certifications, or to have their ‘liberty’ but having to sell their coffee at exploited prices.

The choice between the two became evident when asking why some producers chose not to join a cooperative and instead continue to sell through *coyotes* for lower prices, it is that they “*do not like the regulations and the norms set by the cooperative and Fairtrade*”, as one producer says. They want to be able to choose, which is understandable when you look at the high direct and indirect costs getting certified, resulting in that it can take a long time before a producers can start to profit from its fair trade production, making the ‘costs versus benefits’ aspect regarding certifications quite problematic, at least in the start-up phase (Nicholls & Opal, 2005). For example Comon spent 2 years preparing and consolidating to fair trade certification requirements before receiving the actual FLO certification to be able to reap the benefits of their investments. Also CESMACH’s Accountant support this:

“It has been a big challenge for the producers to understand exactly what fair trade and the certifications are. This is a problem when they do not know what they are working with, because there are for example producers that don’t know how to read. Little by little people start to understand but every year it is a challenge with the new producer members that want to join; to make them understand and strengthen their capacities regarding what fair trade is”.

Hence, the high priced standardized certifications starts constitute a policy rent for producers and are restricting access to certified commodity niche markets (Mutersbaugh, 2005; Stoddart, 2011; Alvarado, 2009) and the consequent effect is that the certifications creates barrier to entry so high that much of the benefits earned by market entry is spent on surmounting the barrier. Comon’s Certification Coordinator explains:

“Now we have to pay for the certifications, we have to pay for them to make the visits and this ends up expensive. But we also understand that we cannot sell just like that, if there is no certifier. Although I don’t know how the consumer feels about it, because perhaps the consumer buys his coffee and doesn’t care about if it has a label or not, I don’t know. I don’t know the part of the consumer, but as long as there is no transparency from producer to buyer there will always be in between a certifier.”

Certifications do not only mean paying certification costs and external auditors, it also demands a large internal process of complying with quality norms and restrictions and often many small producers do neither have the capacities to

understand or handle the FLO certification procedures, nor do they have the time available for it as it is a very time demanding process. Furthermore, it is very important that producers understand what fair trade is, not only to be able to present the on-going traceability procedures of Fairtrade, but also because Fairtrade demands certain product quality requirements regarding the production. With the penetration of fair trade into the large-scale distribution and to be able to attract the mainstream consumer, fair trade labelling initiatives had to include a strategy of differentiation by associating fair trade products to quality products. This diversification of quality agro food products opened the door to new quality-based niche market for fair trade products but it also has had repercussions on the producers, having to comply with not only specific management structures as we saw above, but also quality requirements. The certification procedures not only verify social conditions to uphold the fair trade values, but also to assure the customer of a quality-based production strategy (Renard, 2003; Pirotte, Pleyers, & Poncelet, 2006; Raynolds, 2009). As Comon's Certification Coordinator explains, the focus from a social to more commercial quality requirements is clearly shown through FLO's latest social premium changes:

"In 2010 we received a document where they said that they were going to raise it [fairtrade premium] to 20 cents, but that 5 cents that they were giving were to go to quality or productivity, obligatory. Why? Because we said that the producer would like to invest in his coffee field. So yes, they gave us a raise but they said that we should put it here or there, obligatory.

Hence, the FLO Standard Committee decided to increase the social premium from 10 to 20 cts/lb., whereas 5 cts/lb. of the increase had be used for investments in productivity and/or quality, to support improvements in coffee production (FLO, 2009) proving the organisation's focus towards its more commercial aspects. Even though producers mentioned wanting to invest in their field, the fact that 5 cts are obligatory for quality investments demonstrates FLO's increased involvement in the alternative 'empowered development system', not letting the producer choose exactly how much or where parts of their social premium should be invested.

The fair trade market is indeed very restricted leaving the producers no choice but to use all tools available to access the limited market information available

and are therefore more or less obliged to join the certification system if they want to be able reach higher prices and diversify their product on the global coffee market. Also Smith (2009) argues that the inconsistency of limiting access to fair trade by creating high barriers to entry makes that the current fair trade structure is incapable of capturing the most marginalized producers and therefore mean that “the development through fair trade in its current structure is a mirage” (p. 134). While the fair trade movement was meant to create ‘spaces of inclusion’ for small-scale producers “the dictates of ‘quality’ now act as an exclusionary force at odds with the relational ethic of the movement” (Goodman and Goodman 2001 in Jaffee et al., 2004: 183), i.e. even if producers can meet the costs of certification they may be excluded from the network because of the strict quality standards imposed by importers and suppliers (Jaffee et al., 2004).

Hence, as proven by previous research (Renard, 2005; Mutersbaugh, 2005; Jaffee et al., 2004; Smith, 2009; Reynolds, 2012; VanderHoff, 2009) as well as observed on the field in Chiapas, the current fair trade structure has created a perverse effect, opposite to a Polanyian inclusiveness by excluding the producer from the decision-making process through standardized certification structures and by limiting access to the fair trade movement to cooperatives with sufficient funds and organizational capacity to maintain a consistent quality and meet Northern buyer demands, following the logic of conventional market system. Since the fair trade movement seemingly is losing its social and inclusive stance, what remains of the movement’s original structure is the fair trade price structure and labelling differentiation.

In the next section I will quickly present how the minimum price structures is now also filled with many flaws as there are now markets that provides higher prices than fair trade prices. This is an important fact because it shows that minimum price guarantees, as one of the main advantages of the Fairtrade certification have become obsolete for the small producer in Chiapas, proving that the only remaining benefit of the certification for them is that it allows them to differentiate their product on the global market. This will lead us to the third feature of the disembedding process that we saw in 3.2, where Fairtrade USA is now certifying large estates and multinationals, which will be presented more in detail in chapter 5.

4.2.1 Minimum price and complex commodity pricing

The minimum price structure explained above is formulated in such a way that it is supposedly covering the certification costs. However, when talking with producers the reality looks quite different as it shows that the fair trade minimum prices are not accorded to production costs and seemingly hindering the development features of fair trade as the current minimum prices are actually insufficient to have a significant effect on their living situation (Smith, 2009). A Comon Community Delegate explains that this is a problem and when asked if costs of production are higher than those calculated by FLO he answers:

“Yes, they are higher of course... Because we did an exercise with some producers last year that came to visit us: we did a calculation and we saw that in fact the cost of production for a pound of coffee cost us around 1700 pesos, and that is only here on the harvest site. Then you have to add the cost from here to the port of Veracruz, the milling process and all this. There are a lot of costs and when you subtract all these costs from the price we receive, the producers are still left with a minimum gain.”

The production costs calculated for the minimum price are just an approximation as he continues by saying:

“Until now, the production costs that some coops supposedly have are not real. Nobody has the exact number of how much it costs to produce one pound of coffee, only when there are reunions and they ask us ‘how much does it cost you?’ the cooperative representatives only say ‘approximately’; there is never any real data of how much it costs us”.

Comon’s President also mentions the problem of not having made a sufficiently detailed calculation of production costs, for example not including the labour of the wife or family that invests a lot of time in the production process:

“Many times we calculate the cost but we don’t include our labour, for example the labour of the wife, we include our labour but never that of the wife, which is the same because she is often helping us in our work. So, there are many things that has o be more included.”

Also, since FLO creates minimum prices per products and not necessary per region (FLO, 2011c) consequently results in that a global minimum price does not correspond to living and production costs all over the world. However, producers start to see this contradiction as they mention the advantage of being certified actually just ends up being a cost for the cooperative, especially now when coffee market prices are high. Comon’s President continues by saying:

“There are other markets that also are high in price and that now are higher than the Fairtrade price. Maybe when the coffee prices go down we have the fair trade differential left and the producers would have more utility selling their coffee through fair trade than not, but now there is not this difference. Without fair trade, without label, you can now sell it at the same price as we are. This is a disadvantage for us now.”

When talking with a fair trade advocacy employee¹⁶, it is also mentioned that some buyers start to demand the fair trade minimum price when negotiating with small producers, refusing to pay more as they think that FLO has calculated the fair cost of the product, even though the value of the product might be much higher due to higher regional production costs or higher quality. Indeed, the Fairtrade minimum price is supposed to reflect the value of the work needed behind the product but it is not taking quality into account in its price structures, even though quality is a prerequisite. Hence, there seems to have been a misunderstanding of the fair trade minimum price, among both producers and buyers.

Agricultural product export commodities, such as coffee, being mainly consumed in the North has had much speculation regarding its prices, seriously affecting the financial outcome of the small producer. In 2000, Mexico hit a recession and coffee prices plunged, making many producers burning their crop rather than selling it (Alvarado, 2009). The floor price was thus created to serve as a guarantee for the small producer that he will be paid a fair price regardless of market speculation attacks, such as the one affecting the coffee market a decade ago (Jaffee, 2007). The problem for a cooperative such as Comon, CESMACH or Triunfo Verde, however, is that with their high quality coffee, even if the market plunges, their prices will never go below the fair trade minimum price since it is set at a quite low level, as mentioned by a Ramál producer: *“the Fairtrade price is not fair, because we can get a higher price elsewhere”*. Hence, regardless of the existence of minimum price or not, since the floor is set too low in comparison to their market value it does not have any impact. Nevertheless, the volatility of the C-market still affects the small producer in Chiapas a lot, as a US coffee importer mentions *“...it is traditional supply competition that’s the biggest challenge, and we all kind of want to divorce*

¹⁶ Informal discussion regarding FLO and fair trade with a Belgian Development Agency employee

ourselves from the C-market but it is not possible". For example in 2011, when world coffee prices reached an all time high and Comon sold their coffee at USD 345 cts/lb., excluding Fairtrade premium. This is more than the double of fair trade minimum price for coffee in 2011, which was 140 cts/lb. excluding the premium. This year however, in 2012, the coffee price has drastically sunk as a result of speculation of Brazilian exceptional harvest setting the coffee market price at level of 170 cts/lb. in May 2012 (World Crops, 2012) making Comon fix their selling contracts at 258 cts/lb., seriously reducing producer income compared to the previous year, but still very much above Fairtrade minimum price guarantee of 140 cts/lb. Having to constantly adapt to the C-market and not having many MBA's on their curriculum, this results in that the small producers often are *"caught a little bit in either being too high in price or too low in price, and having to deal with that later"*, as the coffee importer says. Commodity based pricing is indeed very particular because it is heavily influenced by market speculations and it remains one of the biggest challenges for the fair trade movement, both among small producers as well as buyers. The importer continues:

"I think ultimately the biggest challenge is finance – I need twice as much money to trade the same amount of coffee, that's an issue. Although if you compare to what happened to the grower when it went to 41 cts/lb., it was devastating... They're getting half as much for the same product, same work, same effort, and it was devastating... Every penny that the market moves is equivalent to 375 dollars in value, so the cost of hedging goes up. A 10 cents move in the market mean that a container is worth 3750 dollar more or less. If I own that coffee and I hedged it I have to put that in my margin call; if I'm a farmer and I own that coffee and the market goes up and I sell, I make that money. But if it goes down I make 3750 dollars less. This is the problem with commodity based pricing; the fluctuating in futures can have really devastating effects. Not just on price but on cash flow as well."

Even though efforts are made to counter these market speculations through the creation of minimum price and the guarantee of a 'fair' price, in the case of the cooperatives in Chiapas it is rather the high quality of their coffee that is the reason for why producers receive higher prices. This consequently results in that the incitement of higher prices through Fairtrade for the Chiapan producers actually is lost. So one might wonder why do they have the certification then? The only remaining reason is that the FLO certification differentiates their product on the global market. The next chapter will take a closer look at this

existing tension between the movement's solidarity and market models, and showing the reality of when multinational corporations take advantage of the system by using the example of Starbucks and Comon. I will then present the last of the three features that has disembedded the producer from the fair trade movement: the recent separation of Fairtrade USA from FLO and the certifications of large estates.

5 Is Fair Trade dead?

5.1 Tension between solidarity and market models

Alvarado (2009), Renard (2003), Raynolds (2012), Jaffee (2007) and Van der Hoff (2009) all agree on that the transformation of the fair trade movement has indeed created a tension between two visions, blurred under the uniform term ‘fair trade’:

“One, a more radical conception that sees ‘fair’ trade as a tool for modifying the dominant economic model, and the other, more pragmatic, that emphasizes the insertion of products from the South under fair conditions in the markets of the North” (Raynolds, 1999 in Renard, 2003:91).

The first group is regarded as more politically and ideologically linked to militant movements and sees the fair trade labelling system purely as a tool of transition. The challenge for them lies in making fair trade the general rule; making fair trade an alternative to the dominant model and aiming to make all exchanges fair. While the second group, defined by its institutionalization and conforming to the existing mind-set of globalized trade, attempts to penetrate the market and the lifestyle of consumers in order to sell more quantities of fair trade labelled products as the way to strengthen producer organizations in the South (Renard, 2003). Hence, even though FLO’s and Fairtrade USA’s strategy undeniably causes larger impact than its previous more activist structure (Nicholls & Opal, 2005), it remains ambiguous as it is not clear if it wanted to transform the rules of international commerce by proposing to the public an establishment of a global alternative, or if it simply responded to the demand of an increased wave of ethical consumers. As Renard (2003) argues, within the fair trade labelling model there is a “need to satisfy the businessmen who participate in the network and who do so, not from ideological conviction, but because it is convenient and profitable” (p. 92). She continues by saying that that this ambivalence leads to “compromising ethical principles and juggling them with mercantile consideration” (p. 92): threatening the Polanyian social economic inclusiveness.

Indeed, the ease at which the fair trade labelling model has been accepted among policy makers and corporations, testifies the many benefices, for all actors and

not only the small producer, behind such a system. What FLO managed to do was not only to conform fair trade with a neoliberal system, but it controversially gave the system a push by presenting the possibilities of a new prosperous market for corporate actors, without them having to change their market system, or even profits for that matter (Jaffee, 2007). The big market actors has since a long time been confronted with an progressively sceptical consumer threatening their continuous growth as western consumers started to be increasingly informed of the injustices and unsustainability of neoliberal corporate policies, consequently demanding more transparency from corporations (McPherson, 2012). Before the globalized information society consumers did not have access to information regarding production conditions and consequently could not make the 'rational choice', the argumentation of neoliberal ideology. In other words, there was a veil between consumption and production that did not allow consumers to understand the impact of their consumption choices (VanderHoff, 2009). With ATOs taking the lead in awareness rising for more ethical consumption, consumers have gradually become conscious about their consumption patterns and its consequences. However, if consumers drive markets and companies only respond to consumer demand, the creation of a new fair market through a labelling feature assuring consumers the ethicality of the product, was thus exactly what was needed to revitalize consumerism and the neoliberal system.

Not only does an ethical labelled product sell, it sells better than a non-labelled product. A recent study made by Hainmueller et al. (2011) effectively shows that labelling has significant positive effects on sales, as in their study sales rose with almost 10% when coffees were labelled as fair trade, confirming overall findings that there is a substantial consumer support for fair trade as a majority of surveyed consumers claim to prefer ethically certified products over non-certified alternatives. Moreover, maybe even more interesting, their study showed that the price for high priced fairly traded coffee showed to be significantly inelastic. Price inelasticity is indeed very favourable for profits, as the distributor can raise prices and make bigger sales margins without affecting sales volumes: a non-negligible aspect for corporate profit seeking actors. This behavioural pattern of new ethical consumerism is supported by another recent

study, where Eskine (2012) shows that when consumers are exposed to products marketed with moral terms, such as Fair Trade, it leads people to affirm their moral identity and fulfil their moral-justice quota by buying fair trade, i.e. through fair trade consummation the consumer feels good about himself and stills his moral conscience, increasing his willingness to buy these products even though it has a higher price.

For corporate actors searching for new markets enabling them to increase their profit margins 'fair trade' labelling, in effect, seems to be a big incitement. The average annual growth rate in U.S. sales of Fairtrade certified goods was close to 40% between 1999 and 2008, in comparison to U.S. sales of certified organic products that grew by around 20% annually between 1990, when certification began, and 2002 (Hainmuller et al., 2011). Hence, the profitability of labelling as a form of 'cause marketing', providing business with legitimacy enhancing the corporation's reputation in the eyes of its consumers, made many large corporations include fair trade items in their supply to boost sales and profits (Jaffee, 2007; Nicholls & Opal, 2005). Indeed, 97% of marketing executives today believe 'cause marketing' to be a valid business strategy (McPherson, 2012). Thus, the many positive commercial features of fair trade labelling of increased sales, price inelasticity and moral licencing, as well as the fact that the transparency obligations of the fair trade value chain stops at the distributor, allowing the retailer to set whichever price he pleases, are making critics worry that corporations may take a disproportionately large part of the additional margin that consumers pay for fair trade items, making labelling an inefficient method for channelling aid from consumers to farmers (Hardford, 2007).

The tension embedded within the fair trade movement has also expressed itself clearly externally: between the movement and the model, between its activist and business poles. With the inclusion of 'profit oriented' fair trade participants such as *Starbucks*, *Nestlé*, *Procter & Gamble*, and *Chiquita Banana* on the fair trade market, it did not only generate an economic restructuring, but also a major redefinition of the fair trade ambitions (Players, 2010; Alvaro, 2009). Thus, the complexity between solidarity and market systems, activist fair trade movement and corporate fair trade model, prevails as both are undeniably interlinked through its feature of consumption. One example is the case of Starbucks that

entered the fair trade market in 2000 yielding to the pressure of activist groups. The activists however did probably not expect that it was by complying to the fair trade ‘market breaking’, ‘market reform,’ and ‘market access’ approaches, that the corporate giant managed to gain its notoriety on the coffee market, today being the biggest coffee shop chain on the global market (Alvaro, 2009). Even to the point that Ritzer (2011) now talks about the possibility of *Starbucksization* rather than *McDonaldization*, as “Starbucks clearly fits, and operates in accordance with, the principles of McDonaldization” (p. 223). He means that Starbucks has most of the irrationalities associated with McDonald’s, such as homogenization, disenchantment and dehumanization, as well as additional ones of much higher prices than McDonald’s. Ritzer continues by saying that through Starbucks “extraordinary mark-ups and price inflation” on a cup of coffee, Starbucks has managed to shift the focus of exploitation from not only exploiting the worker but to now also exploiting consumers (p. 224).

Since the commercialization of their fairly traded *Shade Grown coffee* in 2001, Starbucks has more than quadrupled the number of coffee shops in the world from 4.709 to 17.651 in July 2012, and is today present in 58 countries (Starbucks, 2012). By using fair trade as a powerful tool in its brand social-responsibility strategy, the multinational has achieved maximum public relations benefits with minimal changes in its actual practices (Jaffee, 2007). Given that the development of their *Shade Grown* coffee practices were created under activist pressure they were nonetheless formatted according to Starbucks’ own interests and kept close to its origins. For Starbucks, fair trade represented a lucrative niche market, where *Shade Grown* is just one variety of coffee alongside its *Breakfast Blend*, *Ethiopia Sidamo*, and *Serena Organic Blend* (Jaffee, 2007). So even though many consumers today identify fair trade with Starbucks it unfortunately appears that its trade relationship with coffee producers has not changed much; proven by the experience of Comon Yaj Nop Tic working with the big corporation for eight years. The next chapter will portrait this relationship in more detail, as it provides a clear example of what the future holds for the fair trade movement, now when Fairtrade USA has included large estates and multinationals in their Fair Trade certification programs.

5.1.1 Entering the alternative market through a multinational corporation

Comon started commercializing their own coffee in 2001 when they began a collaboration project with *Conservation International* (CI) and *Starbucks*. The main reason for the collaboration was that Comon's coffee production is located within the *El Triunfo* biosphere reserve and at that time CI had just initiated the *Preferred Supplier Program* (PSP) and a concept of a trademark coffee, *Conservation Coffee* (CC). In 2003, *USAID* teamed up with CI and Starbucks, creating the *Conservation Coffee Alliance* (CCA): a synergy between public, environmental and private sector to help implement PSP in Chiapas. The program was created for farmers with low incomes that grew coffee in areas with high biodiversity and through the development of a set of land use practices, known as *Best Practices* (today *C.A.F.E Practices*), they wished to better coffee farmers land use in accordance with biosphere conservation objectives and indirectly increase their incomes through the higher prices of *Conservation Coffee* (CCA, 2007). The implementation of Best Practices included the use of shade trees to protect soil and water, provide habitat to wildlife and plants, and prohibited the use of environmentally damaging practices such as hunting, dumping coffee waste in rivers and the inappropriate use of chemicals. This was to prevent the continuation of previous coffee farming practices, which threatened the biosphere in the reserve, as previous producers had cleared the forest to plant coffee and polluted water sources with the waste created from processing (USAID, 2005) when working for *finca Custepec*. To create incentives that encouraged Comon farmers to produce coffee under the best practices Starbucks agreed on to pay a premium price to farmers adopting the practices, simultaneously ensuring that service providers maintained the integrity of that coffee transparently transferring it to buyers. Much like FLO and the Fairtrade market, the CCA partnership also included a strategy to build a 'Starbucks market' with the aim to create a consumer demand to drive the CC incentive system. However, this market strategy came to influence the development of the project to a point where much of the social aspects were overrun by the commercial ones, ending-up not quite providing the alternative that Comon's producers had hoped for. Even though CCA invested in projects for the producers, such as the donation and construction of an online school, and

technical assistance to help them convert to the new organic way of farming, a major part of the program seemed to have resulted to the benefits of Starbucks rather than Comon's Accountant explains:

“When we chose to explore the fair trade market, yes, it opened a lot of doors, but really, before 2009, it was another deal because the negotiation conditions were not appropriated to the cooperative when working with Starbucks. In one way, yes, they helped us with the school project but really there was a moment where, for the producers, there was no longer any difference working with coyotes or Starbucks. This is why, at certain point when we were working with C.A.F.E Practices; instead of more producers that chose to join the cooperative there were more who chose to leave it”.

According to a USAID report on the CCA project one reads that “lead firms with the capital, skills, incentives and commitment to invest in upgrading value chains that incorporate large numbers of smallholder producers can greatly accelerate growth and productivity” (USAID, 2005: 16). However, it is not clear if these growth and productivity aspirations are for ‘market leaders’ such as Starbucks, or for the smallholder producers as it also underlines that there are preconditions for private sector market leader investment in the value chain such as the ability of the market leader to maintain a level of “exclusivity in the market channel and a share of the consequent premiums” (USAID, 2005: 17). These prerequisites for supporting the small producer were indeed very apparent in the Starbucks – Comon relationship, as the ‘lead firm’ did not only control coffee pricing but also demanded exclusivity for Comon's product, seriously affecting the development of the partnership. Comon's Accountant continues:

“There was a moment when Starbucks more or less imposed their differential and where we felt that they tried to control us; basically, we were tired working with Starbucks since they were the only client and all our harvest went to them... but we weren't allowed to have other clients...”

Hence, the relationship was very much on the terms of Starbucks, wanting to maintain their exclusivity for investing in the CCA project. This strategy apparently worked, as mentioned before, since the implementation of CCA partnership and the creation of *Shade Grown* coffee, Starbucks has quadrupled its number of coffee shops in the world, clearly proving the success of the CCA strategy creating a ‘Starbucks market’. For Comon however, they did not make any significant progress as Starbucks had them on a tight leash. A Comon producer explains:

“Yes, there was a development but the problem was that it was based on the conditions of C.A.F.E. Practices that didn’t allow us to create a work plan... e.g. it was not we that determined when to fix the selling contracts, they decided at what date they wanted to fix the selling contract, so with these conditions you can’t move forward, you can’t strengthen yourself”

Thus, although Starbucks yielded to activist pressure, it is still a multinational corporation and not a charity organization. It did not change its business model without a market strategy in accordance with its own profit aspirations.

Starbucks managed to ride on the ethical market wave at the exact right moment: a market that today seems to be increasingly prosperous. Being a ‘pioneer’ among big corporations with a fair trade attitude has led the Starbucks to be considered as one of the “*World’s Most Ethical Companies*” by Ethisphere¹⁷ every year since 2007; ‘a model for other multinationals’. Starbucks has been awarded many times for its environmental and sustainable practices, such as the 2005 *Gold Medal Award for Corporate Achievement* in Sustainable Development by the World Environment Centre, and the “*Most Ethical Company, European Coffee Industry*” by Allegra Strategies in 2009 (Starbucks, 2012b). Controversially to this Northern market recognition the underlying profit intentions working with Starbucks were rapidly revealed for Comon. When talking with the Chiapan producers it seems that Starbucks never made much effort to empower them, but rather left them in a stagnating power relationship similar to the one they had had before with the coyotes. Comon’s Accountant explains:

“They bought all our harvest and the problem was that they said: ‘for this harvest I will pay this price’ but if we said that we wanted more for the harvest they said ‘no, we will pay you this price’. So it came to a point where they conditioned you in the negotiating process and you as a cooperative couldn’t do much, mainly because they also had us confined with a credit, so it was not so easy to leave them since they were also financing our project with Conservation International”.

¹⁷ “The research-based Ethisphere® Institute is a leading international think-tank dedicated to the creation, advancement and sharing of best practices in business ethics, corporate social responsibility, anti-corruption and sustainability. Ethisphere Magazine, which publishes the globally recognized World’s Most Ethical Companies Ranking™, is the quarterly publication of the Institute” (Ethisphere Institute, 2012).

Before beginning the CI project, Comon was aware that Starbucks funded parts of the project but that at the same time the CCA program presented a ‘transparency in trade agreement’, one of the main objectives of the project, which was said to be “an industry changing concept in Chiapas that goes against the grain of traditional exploitative contracts between intermediaries, controlling market access and information, and uninformed non-capitalized farmers” (CCA Final report, 2007: 13). And, indeed, Starbucks did initially place contracts directly with Comon, but as “these cooperatives quickly demonstrated their inability to meet the challenges of exporting” (USAID Micro report, 2005: 2) the multinational established a relationship with a broker, AMSA (Agroindustrias Unidos de Mexico S.A.), which Starbucks later designated as its sole supplier in order to reduce transaction costs (USAID Micro report, 2005). This choice, however, would be to a very high cost for the producers as a Comon Community Delegate explains:

“AMSA did a lot of unpleasant things that we didn’t realize at the time; they didn’t do things as they were supposed to, many things that we as small producers didn’t know about, e.g. the social premium that Starbucks sent, we didn’t know if they [AMSA] gave it to us or not... With Starbucks it was almost like living a nightmare”.

Hence, the relationship with Starbucks did not provide any real market alternative or small producer inclusion, as it did not even manage to change the value chain. Throughout the partnership with Starbucks, Comon harvested the coffee cherries from the tree as before, with the only difference that they also undertook the first stage of processing of removing the beans from the cherry through a washing and drying process. Then, the farmers sold the dried *pergamino* coffee to AMSA, who undertook the milling, a second processing stage that consist of removing the skin (parchment) from the dried coffee beans, but most importantly sorted and graded the coffee quality to finally bag and export the ‘green’ unroasted beans to Starbucks. Starbucks, roasted and blended the coffee, and then sold it to its consumers as C.A.F.E Practices certified *Shade Grown Mexico* coffee. Although the value chain did not alter, Starbucks did supposedly pay a higher price than Comon’s previous buyers did. According to USAID’s study, the CCA partnership did result in price developments for the producers. The results showed that producing Shade Grown coffee increased the profitability of a hectare of coffee, being \$570 for beneficiaries and \$453 for

non-beneficiaries, and Comon beneficiaries had an average yearly net income of \$3.071, almost the double compared to non-beneficiaries with \$1.721 (USAID, 2005). However, there was a discrepancy in the payment structure when working with AMSA: although on the contracts Starbucks paid ‘fair prices’ to Comon, these were prices for green processed coffee, and not pergamino that was actually what was sold to the middleman AMSA. Comon’s Certification Coordinator explains:

“Starbucks paid prices for green coffee to the intermediary, the intermediary took out his part and paid us for pergamino, enabling AMSA to take a good part of the price... it is like this when you treat with an intermediary; he can manipulate the information...”

This resulted in that AMSA, who was also in control of the quality testing of Comon’s coffee, while converting the prices from green to pergamino, withheld information about Comon’s coffee real market value and paid them lower prices as they said: *“yes, we could pay you this higher price, but unfortunately you don’t have high quality enough to reach these prices”*¹⁸, something that Comon now knows to be completely false as they are now in charge of their own quality testing, showing a quality equal to the top segment of world coffee production¹⁹. Thus, working with AMSA, much of the CCA partnership ‘transparency in trade agreement’ got lost or maybe it was just valid for the producer relation towards Starbucks and not the other way around, as Comon’s Certification Coordinator continues:

“CI told us we should have three characteristics: be compliant, maintain quality and be honest. With these three factors you can enter the partnership with Starbucks”.

The honesty factor obviously did not regard AMSA’s relation towards Comon producers. The fact that AMSA was in control of coffee quality grading made the Comon producer completely unaware of its own coffee’s market value and AMSA took advantage of the situation. Comon’ Accountant explains:

“With Starbucks our responsibility ended in Tuxtla at AMSA, they exported the coffee, we didn’t export it directly as we didn’t have control of the maquila, thus much of the traceability of the product was lost because at AMSA they mixed our coffee with other coffees from large estates, so when

¹⁸ Comment from a discussion with one of Comon’s producers

¹⁹ Qualities from 85 Agrons (a coffee quality measurement tool)

they exported our coffee there was no way of knowing which was really our coffee... so, yes, there the traceability was lost; there was no control”.

The trade structure working with CCA was more or less a continuation of the previous exploitative system; never letting the producer be aware of the real market value of its coffee, even though CCA underlined that the contracts between AMSA and the cooperatives were “more transparent than those under fairtrade certification” (CCA, 2007: 13). Moreover, in accordance with the development of a contradictory intermediary to reduce transaction costs, there was an evolution of different objectives within the CCA partnership itself, especially regarding Starbucks and CI. It became clear that Starbucks was primarily in the CCA project searching for quality coffee and gradually increased its exigency on that point; something that often led to pricing contract difficulties with the producers. A Comon Community Delegate explains:

“Finally, Starbucks prices were always the lowest and very exigent in quality... All that Starbucks wanted was the three B’s: ‘Bueno, Bonito y Barrato’ – good, best and cheap”

So, while CI tried to capacitate the producers in understanding the positive links between conservation biodiversity farming and its impact on coffee production creating higher quality, and consequently getting higher price advantages, Starbucks contradicted these efforts when simply rejecting to buy coffee at the promised premium price when it did not meet their quality requirements, even though it was produced according to their C.A.F.E Practices. Thus, many producers who had invested and converted their production into these practices were sometimes left aside and did not manage to sell their coffee at its promised price (CCA, 2007).

In addition, as is often common when trading with big corporations, Starbucks was only interested in large volumes, buying all Comon’s harvest at a non-negotiable price, which eventually led many producers to re-evaluate the partnership with Starbucks and CI, and leave it. Nevertheless, Comon’s long-lasting partnership with Starbucks and AMSA was also associated to the very close relationship between Comon’s former cooperative President and AMSA. At that time, the cooperative structure of Comon looked very different; there was no transparency within the cooperative or Surveillance Committee as there is today. Not only did the Executive Directive and President receive personal

commissions when selling their coffee to AMSA, but the President was also the sole person in charge of Comon's common resources, which it later turned out that he had used to his own profit. For example when Comon bought land in Nuevo Paraiso in 2005, where they today have their offices, the President bought a large piece of land next to the offices with Comon's common funds, thinking he was entitled to the right since he was the President. Today, the land stands there empty with the foundation of a house, unable for Comon members to use it since the land was bought in the former cooperative President's name. He however, has left the community and now works with AMSA in Tuxtla²⁰.

In conclusion, there was never much recognition of the small producers' efforts in the success Starbucks and the program as the USAID report reads "the success of the Chiapas coffee project is largely the result of an MSE upgrading process driven by a private sector lead firm... [Starbucks] created market demand for the product and promoted to the industry greater environmental and social sustainability in coffee producing countries by setting the example" (USAID, 2005: 16). The development of CC production was considered more as a successful private sector led aid project, rather than an empowerment of the Comon producer by enhancing their capacities to develop an independent structure. Therefore, it was not through Starbucks that Comon ever had the feeling to become a part of the international market, and especially not an alternative trade movement. While they are grateful for the donations of Starbucks for the school and the CI farming capacitation, that taught them the values of biodiversity conservation and organic farming that they still use today, it is obvious that they are now looking back at the time with Starbucks with regret. Although they were aware of the contradictions, corruption and low prices working with Starbucks and C.A.F.E. Practices, Comon was one of the last cooperatives in the region to leave the partnership as a Comon Community Delegate says:

"Here in Chiapas, CESMACH and Triunfo Verde left the partnership much before us, because really, C.A.F.E. Practices is not a label where you can consolidate yourself as a cooperative... I do not know why we didn't leave earlier..."

²⁰ Information from various discussions with Comon producers

In hindsight, when talking with Comon producers today, many do not seem to know why they did not leave earlier, but in general, many producers were afraid to leave Starbucks as, although the relationship was ambiguous, it was a security as Starbucks bought large quantities of coffee and provided them with credit. Changing the structure would thus signify a big risk, as they had to solicit new buyers and credit lenders, not knowing who would be interested even though they were recommended by their fellow cooperatives CESMACH and Triunfo Verde. Comon's former Accountant (who is also one of the producer members) explains:

“The problem was that we did neither have funding nor clients, but little but little the other cooperatives [CESMACH, Triunfo Verde] helped us to withdraw from the relationship with Starbucks... It took us 1 to 2 years to prepare the cooperative from leaving since we had to find clients and funding”.

Through the recommendations and help from other fellow small producer cooperatives in the region, that already had left the CCA partnership, Comon finally took the decision to leave it, once again in the hope for a better future with better conditions, and started working with a new partner in 2009: *Fairtrade Labelling Organizations International*.

5.2 Certifying large estates and the creation of parallel fair trade movements

As a countermovement against conventional neoliberal market structures in the beginning of the 80's, the fair trade movement promoted a decommodification and a social re-embedding of the small producer in the market economy. However, as we have seen in the previous chapters, these features have become progressively undermined with new contract and standards systems, where market features such as quality and profit seeking have taken the upper hand on a large part of the movement. With fair trade increasingly orienting itself towards commercial aspects of greater volume for greater impact, the tension between the movement's solidarity and market features has now expressed itself openly, reaching its climax with the split of Fairtrade USA from FLO in 2012. This split is providing an ultimate example of how the small producer indeed has become disembedded from the movement, as Fairtrade USA has completely surrendered to a mercantile model.

Fairtrade USA's written statement regarding its choice to leave FLO is as follows:

There are many voices within the Fair Trade movement, all united by a common mission to alleviate poverty and promote sustainable development. While Fair Trade USA and FLO share the same mission, we have differing perspectives and strategies on how to reach our goals. Ultimately, our membership in FLO became a significant constraint on our efforts to add value to industry and expand impact for more farmers around the world. By leaving FLO, we now have the freedom to innovate and evolve the Fair Trade model with better results for all. (Fairtrade USA, 2012)

This development follows Vander Hoff's biggest concern regarding the fair trade movement's evolution, arguing that "a major challenge that confronts the alternative trade movement is to develop organizational structures and an organizational culture that are true to fair trade values (and not merely to the goal of reducing poverty), that are willing to engage in the larger struggle against the current neo-liberal order (and not merely to retreat into narrow business concerns)" (VanderHoff, 2009: 59). 'A business concern' was however the main reason for Fairtrade USA to withdraw itself from FLO, as the membership fee to FLO was becoming an increasing cost for the US fair trade organisation, seriously eating in on its revenue. A Fairtrade USA Program Manager explains:

"One of the biggest reason why we needed to leave is that our membership fees to FLO jumped from 16% of our revenue to 23%, just between 2009 and 2010, with very little notice. ... So even though our actual number of revenue grew every year, the percentage of how much we were paying to be part of FLO also grew dramatically each year. We paid 1.5 million dollars to FLO in 2010 and that is not sustainable."

By no longer paying FLO this fee, she says, Fairtrade USA's strategy is to use these additional 1.5 million USD to invest in innovating fair trade, direct producer projects, and in their own marketing and evaluation. She underlines that Fairtrade USA has many good things to say about FLO's services and model as it is a model that they themselves have invested in for many years, but that the cost was too high as the services that FLO provided were not adapted to US market strategies. She continues:

"I think they [FLO] provide many excellent services for many allies in Europe, because the marketing can be more streamlined as there is more geographical proximity. But we had to duplicate many of their key services here in the US. Some of the marketing approaches are culturally different so different marketing campaigns need to be designed to resonate more with the consumers here in the US, as well as our supply chains are

different. Europe sources a lot of vegetables from Africa for example, here almost everything comes from Mexico, so we didn't have the same priorities on which area we should focus to develop our standards. ... It was ok to duplicate those services, but to pay 1/4 of our total revenue just wasn't a sustainable model financially."

By allowing the Fairtrade label to be profited by large coffee estates and through further market mainstreaming, Fairtrade USA wishes to maximize certified sales volumes in the US. Their goal is to double US Fairtrade sales by 2015 and accordingly wishes to double impact by creating "Fair Trade for All" (Fair Trade USA, 2012), i.e. including workers on large coffee estates that have before been excluded from the FLO system. The Fairtrade USA Program Manager explains:

"Fairtrade USA is working towards these inconsistencies to empower additional observing workers and farmers to benefit from fair trade. ... We want to reach more producers more workers more farmers, we want to do a lot more."

She continues by explaining that the CEO of Fairtrade USA, Paul Rice, has a motto which is 'small is not beautiful' and mean that by offering 'Fair Trade for All' Fairtrade USA will allow the benefits of fair trade social premiums to reach more workers and farmers and produce more impact on those who do not themselves own land. They mean that there is an inconsistency in the fact that fair trade, up until now, has only been for coffee producer landowners when the reality is that not all marginalized farmers own land and can be part of a cooperative. True as this may be, the inclusion of large estates to benefit from fair trade labelling is still a questionable path for producer or worker inclusiveness in the global market economy. Proven with the example of Starbucks and Comon, certifying large estates will probably not change the social-environmental relation in the South much but rather only increase large estates' and transnational corporations' profit margins more. As a CESMACH's Accountant in Chiapas says:

"To enlarge fair trade to include large estates, we see this as a disadvantage even if they [Fairtrade USA] say it isn't. They say that the beneficiaries are the workers and maybe it will work for other countries but here in Mexico, no. Because here we know how the large estates work, even if there are regulations or norms, the benefices will never reach the workers. There won't be any change. ... We know and we have experience of how large estates in Mexico have worked through the years, so we don't think they will change. During all these years that they have had the possibility to improve the situation for their workers, if they really wanted

to do it they would have already done it. But if they haven't done it until now, then... no."

As mentioned in the introduction Mexico is the fifth largest coffee producer in the world and the largest producer of Fairtrade coffee. According to Alvarado (2009) small farmers (cultivating less than 5 ha) hold 64% of Mexican coffee lands, nevertheless it is the large estate owners, who make up only 8% of producers, who receive over 80% of benefits from the sale of coffee beans (p. 305). Further benefiting the large estates by giving them access to the niche market will then only increase this discrepancy and promote the existing inequality gap in Mexico, contradictory to the original Max Havelaar label and UCIRI's aim to counter Mexico's unequal system of exploitative agriculture liberalisation and to support its historical land rights movement. One cannot help to associate the recent development of Fairtrade USA to that of Nestlé in Mexico, as the Swiss coffee giant announced not long before Fairtrade USA's separation from FLO, its plans to invest US\$ 390 million in Mexican production and infrastructure facilities. The funds will be used to expand the plant's capacity by 40%, which will make it the world's largest coffee processing plant (Business Monitor International, 2010). Nestlé also plans to build on Mexico's position as a regional export hub, with investment in its supply infrastructure corresponding to Mexico's good position as an export market due to its low production costs and vast North American Free Trade Agreements (Business Monitor International, 2010). Thus, seeing from a business perspective, the outlook for the Mexican small producer does not look very good as they export almost a 100 per cent of their coffee to the US market. Now when Nestlé can get Fairtrade USA certified and is expanding in Mexico, small producers will definitely face a very tuff competition when exporting their coffee to the US and are obviously very worried about the consequences of Fairtrade USA's split from FLO, not knowing how this will affect their coffee sales to Northern America. Not even Comon's Accountant, that is also handling the relations with clients, know what the future holds:

"For the following harvest we still don't know how it's going to be, but for the moment we're going to stay with FLO. And we hope that for the following year that the clients wont put new conditions, because most of our clients are from the US you know... This year 90% of our coffee went to the US and 10% to Canada..."

The producers in Chiapas all regard *Fairtrade* to be a label for the small producer proposing, not only an “*equitable price or value for our products*” but also way for them to differentiate their coffee from big agro industries on the global market. “*Normally it is said that fair trade is to help the small producer*” says one Comon producer when asked what fair trade means for him. Indeed, in the context of global markets, large firms already enjoy a clear competitive advantage as a result of their scale economies, access to information, capacity to innovate and develop new products, and not the least millions in advertising budgets. Contrasting this with the small producer cooperative, these respective strategies are relatively inaccessible and they have thus relied on the alternative strategy of a small producer label such as Fairtrade, appropriated to their smaller cooperative structure to be able to compete on the market. As argued by Renard (2005) “this social-quality strategy was limited to small and cooperative producers who used it as a strategy of resistance to the efforts of large agro industrial players against whom they could not compete directly” (p. 421). Hence, the Fairtrade label had provided until recently a way for the small producers to differentiate their coffee on the US market, however now they have to compete, on once again very unequal terms with corporate giants such as Nestlé, the future for the small producer cooperatives is worrying, and the concerns among producers are not ungrounded. When asking a Director of Sales at a US Coffee Distributor if she thinks that Fairtrade USA’s move might influence US fair trade buyer’s supply chains, switching from dealing with small producer cooperatives to large estates, the answer is yes:

“...The reality is that it is easier to work with the plantations because there is one decision maker, the plantation owner has more money and they have access to money to take plane rides to the US... They have everything they need to be able to be at the table more often. And in small coops a lot of the farmers have never been business people so it’s harder for them to figure out how to Skype, to figure out how to sign the contract, and so it’s easier for Green Mountain for a lot of reasons to buy from the large plantation, and so that ultimately is going to compromise the ability of the small farming coops to sell to bigger buyers. And that’s what I’m worried about.”

Fairtrade USA’s Program Manager answers to this critic by saying that their objective is to create more benefits for all, but that they are aware of this concern, which is why they are slowly starting this strategy by only piloting the large

estate certification to a number of isolated cases. However, they have no wish to enlarge fair trade to plantation workers if it is at the cost of producer cooperatives, then, she says, they would have to rethink their strategy.

“It is not a success for Fairtrade USA if we flip a supply chain. ... Success for us is not the benefit of one group but the cost of another.”

However, mainstream corporations have for a long time wanted to capture the various fair trade gains by using certifications and their market power to boost recommodification and corporate profitability (Guthman, 2007). Thus, with Fairtrade USA now proposing large coffee estates to enter the system it is also allowing for transnational corporations such as *McDonald’s*, *Walmart*, *Procter & Gamble* and *Nestlé*, that have less than 1 per cent of their coffee Fair Trade certified (Raynolds, 2012) to access the lucrative niche market and ‘social-wash’ their brands. This not only hollows the values of fair trade but also the only competitive advantage that the small coffee producers have had within fair trade, since before they were the only ones allowed to profit from this niche market. The American Coffee Consultant explains:

“An estates is large enough, they have money, all of these competitive advantages that the small farmer does not. And the small farmer through fair trade and organic has had a marketing advantage to sell their product into the market, and to give that advantage to people who already have money and plenty advantages, then you take something away from those farmers and you dilute the value of that label.”

Starting with FLO’s labelling and certification initiative that responded to requests from Northern large distribution actors wanting to broaden their fair trade offer (Nicholls & Opal, 2005) it consequently slowly disembedded the small producer from the movement; Fairtrade USA has taken this evolution even further to a point where the small producer have no voice whatsoever.

When talking with producers in Chiapas they are all expressing their opposition towards including large coffee estates into the ‘fair’ model, but it is obvious that they are powerless not having been able to influence Fairtrade USA’s decision and can now only sit and watch how this will play out. As shown above, Comon’s accountant does not know what the future holds, and CESMACH Accountant also says:

“The differences that are brought on by Fairtrade USA and FLO have left us like... we don’t know where it [fair trade] is going; there are a lot of doubts among the small producers.”

The Director of Sales explains how the concerns regarding Fairtrade USA’s decision is not only limited to Chiapas but also that there is a general opposition among producers.

“If you talk to any small scale farmer like you saw in Chiapas, and then we went on to Guatemala and we heard it there, small scale farmers are really disappointed in Fairtrade USA and my question to Fairtrade USA is how can you make this decision when you have so much opposition from the people that you are supposed to be benefitting. Was their voice never part of this decision? ... These are the people that we said we’ve been helping all along and they are obviously opposed to the decision. Where was their voice in this? We say that fair trade and its core is about the producer and that the producers have power and a voice; obviously it was missing.”

The split has also presented how little the fair trade movement actually has accomplished in regard to creating Polanyian equal and trust-based relations between producers and importers. Small producers are dependent on the Northern market importers for their survival and as a coffee buyer explains, there is a prevailing fear among producers of losing Northern clients putting them in a subordinate position to the latter. The Director of Sales continues:

“One of the things that became really clear to me now in Chiapas and Guatemala... they asked ‘can we bring up a really uncomfortable topic and we’re kind of nervous to talk about it’, and I’m wondering ‘what do you mean, what are you about to ask me?’, and they say ‘what do you think about Fairtrade USA and what is going on?’ The fact that this was even presented this way that producers and producer representatives are nervous to talk to buyers about this is just wrong. The producers shouldn’t be nervous at all and the same thing happened once we got into Guatemala, they were afraid to talk to us about it, in case of in the event that we supported Fairtrade USA, but as soon as we told them that ‘lets have this conversation, it’s important for us to hear’, we unleashed this major opposition against it and this is what is wrong; this what has been wrong from the beginning and this is what fair trade needs dismantle... It is that producers are fearful to talk to buyers about things that are important to them because they are afraid that they might lose a buyer or compromise a relationship. This is exactly what fair trade is supposed to change in the way the trading partnership is... I mean beyond price and beyond everything else farmers should be able to talk to buyers in a very equal way, in a way that there is no fear and that struck me to my core: there is still so much fear here...”

The actors within the fair trade movement have not lingered to express their concerns about the uncertainty of a future fair trade system true to its original values of producer inclusion. An uncertainty which now seem more present than

ever as the Director of Sales continues by saying, “*if you ask anybody who has supported fair trade as a 100% fair trade company you will hear the same sentiment echo: we’re really nervous for the small scale farmers.*” Indeed, the WFTO, activist groups such as United Students for Fair Trade and 100% fair trade buyers such as Equal Exchange and Coop Coffees have publically condemned Fairtrade USA’s action. Voiced concerns over Fairtrade USA’s unilateral decision and its implications for certification standards and market access have been raised among producer groups such as the Network of Asian Producers, Latin American and Caribbean Network of Small Producers (CLAC) and Fairtrade Africa (Raynolds, 2012): again proving how little impact the producers have in this supposedly ‘inclusive’ market system. Fairtrade USA, however, does not seem to be very affected by this, as the Program Manager instead presents the other side of the coin, the ones supporting their choice: “*Global condemnation might be a little bit strong because we have a lot of support from a lot of places*” referring to the four letters of support on their website²¹ “*with over a 100 signatures of support from farmers, farmworkers union, business partners, and coops...*”. However, one must not forget that certifying large estates is not new to the FLO fair trade labelling initiatives as they began addressing the problems faced by landless workers with the introduction of Fairtrade certified tea from plantations already in 1994 (FLO, 2012f). FLO has thus for many years’ already included large plantations in agro products such as banana, tea and flower, nevertheless, FLO claims that this has been due to market supply reasons. According to FLO, there are too few small producers in certain agro industries to meet demand (Renard, 2005). This is not quite the case with coffee production, at least not in Mexico where 92% of coffee plantations are owned by small coffee producers (Alvarado, 2009). But Fairtrade USA mean that many small producers do not realise that they are already benefitting from the inclusion of large corporations within fair trade and how these corporations have had a large part in the amount of social premiums that have been given. Including mainstream actors has indeed been the golden path of success for the fair trade movement, creating larger awareness to consumers and policy makers about fair trade, increasing the number of fair trade sales (FLO,

²¹ For more info about the letters of support, please see: <http://fairtradeforall.com/join-us/>

2011g). However, when the Fairtrade USA program Manager uses the example of Starbucks, saying that “*they are creating an amazing amount of positive impact*”, it is hopefully referring to fair trade sales volume and social premiums, not for the inclusiveness of small producer in the value chain, as we have seen. By certifying large estates, she emphasizes that nothing will change for the producers concretely, that they will continue to accept the FLO-certification (at least in the near future) underlining that “*producers do not need to obtain two certifications, which is very important to us, to not create an additional burden to producers*”. She also mentions that Fairtrade USA’s strategy is to create more choice for the producers to allow them to find a certification that fits their need. However, a neoliberal discourse for ‘free competition’ is seemingly present when discussing with her; once again reminding us of how an entrepreneurial mind-set has taken over the fair trade movement.

“Something that we have always wanted is for producer groups to have more options. I don’t think that it is a good thing that people who want to participate in fair trade only has one organization by which to be certified. ... Well generally, if there is only one service provider that can provide the customer service they choose and the price they want and everybody who want’s to participate, they have to accept that. So we want producer groups to choose the certifier that is right for them. ... For small producer organization those standards will be identical to FLO-Cert, which we feel fine about because we invested a lot in the creation of those standards”

Finally, there is concern among both producers and fair trade coffee distributors that Fairtrade USA’s strategy will confuse consumers and undermine the years of work invested by the different actors of fair trade movement, promoting it as supporting the marginalized and excluded small producers. Will the Fairtrade label be able to uphold its credibility towards consumers now that Fairtrade USA has chosen to invest in a path contradictory to its original values? Producers are indeed concerned about this as CESMACH Accountant explains:

“This [the split] also affects us a lot regarding the vision of the consumer on the label, that he can be confused. If it suddenly changes, like for us, he might no longer know what Fairtrade is, if it’s helping the small producer or not, and the consumer often doesn’t have so much information either... He might be confused if there are two different kinds of fair trade and this has an impact on the credibility and function of the label. We have invested so much for the consumer to believe in this system, to believe in this program, to finally for economic interests or whatever, change and lose its credibility.”



Figure 5-1 Fairtrade USA *Fair Trade* label, and FLO *Fairtrade* label

The question is however how different these two fair trade labels actually are. As mentioned above, FLO is already certifying large estates but there is a fear that to be able to compete with Fairtrade USA’s notoriety on the market, they might follow their lead. Indeed, in April 2012 FLO announced that they were going to change their approach to ‘hired labour’ by benchmarking living wage levels and “ensure that companies have the resources they need to pay these wages through their participation in Fairtrade” (FLO, 2012f). FLO means “workers have benefited over the years from Fairtrade Premium projects and basic labour rights protection offered by the Fairtrade Standards and certification. But now it’s time to go beyond this, to bring worker participation to the heart of our mode” (FLO, 2012f) showing that its strategy is not very different from Fairtrade USA’s after all. So finally, it all comes down to the definition of ‘fair trade’. The common objective is to better the conditions of Southern producers in the South by recognizing their work through better living wages. However the problem lies in whether a ‘producer’ is a small landowning producer working through the cooperative structure or a labourer working on a large estate, and whether they have a voice in this system or not.

As a response to the developments of the fair trade movement and with the *Fairtrade* label gradually losing its definition as a small producer label, there is now a new label arising: *El Símbolo de Pequeños Productores* – The Small Producer label. However, this time it is not coming from Northern initiatives but it is a label created by the small producers themselves. Brought forward by CLAC and its Foundation of Organized Small Producers, *Fundación de Pequeños Productores Organizados* (FUNDEPPO), “with the aim of ensuring that this Symbol truly benefits small producers, communities and consumers” to (once again) promote the small producer in “a world economy that is

increasingly dominated by large-scale private corporations”, emphasising that “we need this Symbol in order to continue to compete” (Pequeños Productores, 2012e). Hence, with the progressive disembedding of the small producer from the Northern fair trade movement, it has led them to create their own and thus one can indeed see two parallel fair trade movements arise: one disembedded and one embedded.

In accordance with its previous tension between its activist and commercial poles, FLO took the lead in the more commercial direction, while fairtrade USA completely surrendered to it. With Fairtrade USA’s public statement about leaving FLO, Matt Early (2012) posted on the blog of Just Coffee Cooperative pronouncing the *Fairtrade* label now as dead, claiming that it has been emptied out of the true values of fair trade. He writes, “a veteran of the small-farmer movement in Mexico summed up the situation nicely: ‘in 1997 we were in meetings with other fair traders when FLO announced that they were forming and would be setting the standards for our movement. Many of us stood up and walked out.’ He said that from that moment on farmers knew that, despite good intentions, they had already lost control of what would become branded as ‘Fair Trade’”. The disembedding of the small producer has thus been a slow but progressive process that has been completed through Fairtrade USA’s completely denying the voice of the small producers. As Reynolds (2012) expresses in her recent article, Fairtrade USA has “pursued a market-based strategy of recommodification, promoting certified sales to bolster corporate profitability. Fairtrade USA has distanced itself from the collective citizen actions of movement groups, supporting instead the individual consumer choice model” (p. 282). “*Transfair* [old name of Fairtrade USA] *doesn’t do anything anymore; they want to certify estates and their going to develop a parallel system and their protecting their revenue flow...*” says a US Coffee Buyer, supporting the fact of the development of parallel fair trade movements. In addition, both buyers and producers agree on that that Fairtrade USA is selling itself to the multinational corporations as Comon’s Accountant says, “*el comercio justo se esta prostituyendo*” – fair trade is prostituting itself.

However, the fair trade movement is not dead but it is instead becoming stronger. The FUNDEPPO network recently included African and Asian small producer

networks, thus comprising of what fair trade originally was about: empowering the producers in the South to take back their place in the global market as respectable and equal trading partners. Polanyi's double movement theorem is once again proven with the creation of the *Small Producers' Symbol* acting as a countermovement to that of a disembedded *Fairtrade* label. The Polanyian features of humanizing relations between producers and consumers including a larger environmental frame are obvious when reading the description of the image of the Small Producers' Symbol: "The graphic image of the Small Producers' Symbol represent a house that has been built and is open to everyone, as well as balance and unity between producers and consumers, between men and woman, and between nature and dignified living. Its colours represent the vitality of the land, of crops, new life and the heart" (Pequeños Productores, 2012b).



Figure 5-2 Small Producers' Symbol

Indeed, the Chiapan producers seem to incorporate another vision of society as solidarity, dignity and land are values strongly tied to their past. With the development of the Small Producers' symbol one can once again see how a countermovement to neoliberalism is taking form and maybe this time it is here to stay. The big challenge for the producers is now whether or not they will be able to hold on to these values, which could transform the current economic system if they succeed, as Polanyi (1944) means that "a market economy only can exist in a market society" (p. 74). As *Etnias y Montañas*²² coordinator say, "we share everything", to emphasize that compared to capitalist corporations the formation of cooperatives on all levels, from producers to between producers'

²² Etnias y Montañas is an organization formed by 10 small producer cooperatives in Chiapas (CESMACH, Triunfo Verde, Comon, PECOTV, ProAgroM, Sierra Azul, Cholom Bola, Tzjib Babi, Iceaac and Flor del Cafetal) that handles these cooperatives logistics and commercialization

cooperatives on national level to between producers' national organisations on a global level, finally has given them a strong democratic voice against imposed neoliberal politics.

Part III

6 ‘Un Mercado donde todos quepamos’

6.1 New democratic grassroots structures

The fair trade movement has to a large extent succeeded in its objective of empowering the producers in the South, making them able to create a strong united voice against Northern capitalist market actors. It has strengthened the organisational capabilities of the producer cooperatives, enabling them to perform a range of collective governance functions that the national government is failing to perform effectively (Taylor, 2004). Even though the Small Producer label has just initiated its process, fair trade actors around the world are watching it evolve with enthusiasm. CLAC and the Small Producer label initiative “promotes grassroots social economy groups and decries the commodification of labour, advancing a key facet of a Polanyian countermovement agenda within Fair Trade” (Raynolds, 2012: 284). In addition, Pleyers et al. (2006) suggest that the cooperative system makes small producers less vulnerable to external neoliberal pressure, as there is greater solidarity among members and community in these organisational structures. Indeed, producer cooperatives represent a key form of social economy by combining collective social representation and services with economic arrangements to finance, process, transport and market their products. As we have seen with CLAC, Latin American cooperatives have remained at the forefront of the fair trade movement by linking the classic agrarian question to the current socio ecological crisis of neoliberalism (Raynolds, 2012). These cooperatives’ evolution is a remarkable example of the autonomous grassroots development; a demonstration that Mayan proposals to control their own economic lives are more than idle dreams (VanderHoff, 2009). Indeed, the Mexican domestic fair trade initiative *Comercio Justo México* insists that its efforts are about transforming the purpose of markets, reordering them to benefit the most disadvantaged members of society and creating “*un Mercado donde todos quepamos*” – a market where we all fit (Jaffee, 2007: 29).

6.2 CLAC and the Small Producers' Symbol

CLAC has its origins in the Latin American Network of Small Coffee Producers and in the Latin American Network of Small Beekeepers (PAUAL), both of them founded in 1996. Since then the network has grown and became legally registered in 2004 and launched the Small Producers' Symbol in 2006 (CLAC, 2012). To guarantee the appropriate use of the symbol, ensuring that it truly benefitted small producers, communities and consumers, CLAC created FUNDEPO. Both CLAC and FUNDEPO are 100% governed by small producers, operating under the same democratic structure as the producer cooperatives themselves with a General Assembly as the supreme authority, composed of 100 delegates from small producer organizations from the different participating Latin American and Caribbean countries. Hence, the voice of the cooperative organizations is communicated through the National Coordinator, whose function is to articulate a stable and permanent communication between the producer organizations, product networks and CLAC (CLAC, 2012). The Small Producers' Symbol would not only be a substitution of the Fairtrade label but would also represent a real alternative economic society, not anchored in a Northern 'classic' democratic society but rather in a Southern holistic society as can be read in the Small Producers' Symbol's Handbook: "The principles and values of the Small Producers' Symbol are those that have been cultivated and practiced in small producers' organizations in Latin America and the Caribbean for several decades. These are values that promote participative democratic organization, respect for the environment and economic justice" (Pequeños Productores, 2011c). One can further read about the "collective philosophical and socio-political foundations of the Symbol" in their Declaration of Principles and Values:

These Principles and Values were generated, developed, respected and promoted by a myriad of organizations of small producers – small farmers, indigenous people and rural artisans - in Latin America, the Caribbean and other continents over the last decades. ... These organizations are not only economic-oriented organizations, such as production and marketing cooperatives, but in essence, they are social organizations that seek to effectively and efficiently dignify the lives of the affiliated producers, their families, and their communities. ... The Declaration of Principles and Values also allows these small producers' organizations to distance themselves from the principles, values, and practices that prevail in the current dominant global economic system and that are not inclusive or

sustainable, in economic, environmental or social terms (Pequeños Productores, 2010)

The Declaration of Principles and Values emphasize social environmental features²³ such as participative democracy, self-management, plurality, collectivity, respect for mother nature, equity and solidarity, and economic features such as dignified living, direct trade, sustainable prices, local economy and local added values; features truly relational to an economic embedded society. This initiative takes a clear stance against neoliberalism as well as the previous standardized fair trade movement:

The concept of sustainable prices is contrary to a system of prices defined by the ups and downs of the market and systems of premiums based on “charity” objectives. ... The principle of a dignified life is contrary to a concept of development that is focused exclusively on generating economic growth, the accumulation of material property, consumerism, the consumption of non-renewable natural resources and environmental destruction, without genuinely contributing to the physical and psychological well-being of people (Pequeños Productores, 2010)

However, the choice of creating yet another label on the fair trade market has not been received without scepticism. Both producers and buyers are very positive to CLAC’s development but remain distant to accept it immediately, the reason being ‘label fatigue’. The Small Producers’ Symbol is not the least known on the market and follows a similar pattern of certification costs as the old FLO system. Comon’s Certification Coordinator comments:

“We are going towards this [CLAC] and the process of CLAC, it is moving, but what is the great disadvantage that exists here? The clients don’t know the symbol of CLAC and what is going to happen if we leave FLO; how are we going to be able to sell our coffee? If we say to Café Imports ‘here is my coffee’ – ‘ok good, are you certified?’ – ‘yes’ – ‘Fairtrade?’ – ‘yes here it is’ – ‘but I don’t know CLAC...”

Hence, as mentioned before, producers are caught in the paradox of having to be certified by a trusted entity, such as FLO, to be able to sell their coffee to Northern markets. The Director of Sales at a large US Coffee Distributor confirms that it will probably take some time before buyers are ready to take on the new label:

²³ Please see complete document for more detailed description regarding these features at http://www.tusimbolo.org/pdfs/Declaration_Principles_Values_V1.0_05-NOV-2010_T_17-DEC-2010.pdf

“I know a lot of companies are experiencing this certification fatigue, so they are not quick to adapt to any new strategy. A lot of them are just sitting back this year and watching what unfolds. ... It needs to be a really thought out certification”.

Nevertheless, the first Small Producers’ products just entered the European market this spring, with the French importer *Ethiquable* taking the first step towards exposing the new label on the Northern market (Pequeños Productores, 2012c). Even though the label holds many of the same features as Fairtrade, ensuring transparency and fair prices, the Small Producers’ label is now the only label that focuses exclusively on small producer organizations, emphasizing that the uniqueness of the label is that it is promoted by the small producers themselves and that it is responding to their own certification and production needs, not that of the Northern market corporate actors. Asking the Fairtrade USA Program Manager what she thinks of this evolution, if there is a fear that the choice of certifying large estates might make them ‘loose’ small producers, she answers:

“I would very much like to see them as complementary and because the goal of fair trade is empowerment and additional revenue to workers and farmers, and if they can achieve that in ways that haven’t been done so far I applaud them and I don’t have anything negative to say about it”.

The new label is indeed a good way for the small producers to diversify their products among the many different certifications and conventional products. So even though the label has been mildly embraced, for the future many producers and buyers do see the new SPS as an alternative to FLO, as CESMACH’s Accountant says:

“I think that CLAC would be an alternative since it is a label exclusively for small producers, but there has to be a transition period so that the consumer gets to know the label; but yes, I think this would be a good alternative to Fairtrade”

A producer son, working at *Etnias y Montañas*, also mentioned the need of a ‘transition period’ meaning that a good solution would be *“to let the producers use the symbol together with the Fairtrade label and when it is recognized, then only use CLAC ... Now we have to pay for a symbol that isn’t recognized on the market, by consumers, and this is a problem”.*

However, not everyone sees the new symbol as an alternative as it is yet another label with yet another cost as Comon’s President says it is “*just another label, you have to pay all the same. Nothing changes*”. Indeed, to be able to use the Small Producers’ Symbol both producers and buyers have to pay certification and registration costs. The Small Producers’ Organizations will have to pay fees to the Certification Entity to cover the costs involved in the evaluation and certification process, as well as an annual enrolment fee to FUNDEPPO that includes the right of membership to CLAC (Pequeños Productores, 2011c). However, in comparison to FLO these are at a much lower level, adapted to the financial reality and region of the small producers. For example in Comon’s case, having 141 members, the Small Producers’ Symbol (SPS) would cost them 153 € (187.50 USD) (Pequeños Productores, 2012d), while FLO’s certification corresponding annual cost is 1,790 € (FLO, 2011c). Moreover, the Small Producers’ minimum price structures have also been more adapted to the reality of these small producers production costs, where for wet-processed Arabic a coffee is set at 220 cts/lb. compared to FLO’s 190 cts/lb. (Pequeños Productores, 2011b).

SPS price structure	Minimum sustainable price (cts/lb.)	Organic Recognition (cts/lb.)	SPS incentive (cts/lb.)	Final SPS minimum Price (cts/lb.)
Pergamino Coffee	160	40	20	220
FLO price structure	Floor price (cts/lb.)	Organic Premium (cts/lb.)	Social Premium (cts/lb.)	Final FLO minimum Price (cts/lb.)
Pergamino Coffee	140	30	20	190

Figure 6-1 SPS price structure vs. FLO price structure

Instead of a ‘social premium’ as under the FLO structure, there is now a SPS incentive with meaning to:

“Strengthen organizational, productive, commercial and business development and for activities that benefit the well-being of producers’ families and their communities. Each organization must have general policies regarding the way in which these resources are handled, and these policies must be approved by the organization’s General Assembly. These policies must define the entity within the organization that will make

decisions regarding the concrete use of these resources, must establish the authority granted in this regard, and must establish the criteria to be used in decision-making, such as criteria specified for market conditions or for environmental catastrophes” (Pequeños Productores, 2012a).

Thus, it is up to the producer organisations themselves how much and where they want to invest their SPS incentive, as long as it benefits the well-being of producers and their families, without further restrictions or obligations such as under the FLO social premium structure.

Finally, and maybe most importantly, in comparison to the FLO’s standards system it is the producers themselves set out the SPS standards. Even though they follow the recommendations of the ISO 65 Certification Guide, it is the producers’ members that regulate and formulates their *Standards Program* through a procedure including CLAC, FUNEPPPO and a producer Standards Committee²⁴ (Pequeños Productores, 2011a). The Standards Program asks that all the SPS members, producers and buyers, comply with the *Critical, Minimum and Continuous Improvement Criteria*, which are verified through certification and registration procedures published by FUNDEPPO, or through equivalent procedures of authorized Certification Entities (Pequeños Productores, 2012a). Like the FLO-certification, the SPS certification requires for example modalities of transparency and traceability among producer organisations and buyers, that buyers should be able to provide 60% pre-financing, that producer organisations “demonstrate that its practical activities promote dignified living for its members and the communities where they live”, do not hire children, complying with existing labour laws, and follow SPS environment and health criteria (Pequeños Productores, 2012a).

However, as mentioned above, regardless of the many benefits that the SPS label promises, now truly providing an embedded fair trade model more adapted to and run by the small producer organisations themselves, some producers still see a disadvantage in regard to certification compliance and labelling processes to be able sell their coffee under equitable terms. When asked if there are any alternatives to the FLO certification system, Comon’s President explains:

²⁴ For more detailed information regarding the procedures for defining standards please see: http://www.tusimbolo.org/pdfs/Procedures_Defining_Standards_SPS_V1.1_05-JAN-2011_T_01-FEB-2011-1.pdf

“For example the visits of importers or buyers that come directly to our organisations, to our coffee plantations, and that they themselves see and say ‘hmm, yes it seems good’, or ‘not good’ for that matter... This direct relation could function, without force of so many labels, without force of CLAC or whatever other thing.”

Indeed, there is yet another alternative movement to the current fair trade systems arising between producers and buyers: Direct Trade.

6.3 Direct Trade and the Polanyian embedded model

Having incorporated much of what the previous fair trade movement has thought them on how to protect their values, labourers and nature; fair trade in Chiapas is after all a success. As the Fairtrade USA Program Manager says, the cooperatives in Chiapas have become “*fair trade +*”, taking the values of fair trade further than what Northern actors could have dreamed of. However, maybe it is not so strange that these small producers have managed to incorporate the fair trade values ‘so well’, as they were already present in their community before fair trade ever came along. “*La tierra es nuestra madre*” – the earth is our mother – says one Comon producer and one do indeed notice these Chiapan producers honest incorporation of the organic and fair trade values. Compared to the urbanized citizen, they are the ones actually witnessing and suffering from the existing global climate changes, seriously affecting their crops and therefore their ability to survive. This year for example, several early rainstorms hit Chiapas 2 months before the rain season, something that was rarely seen before. Also, the fact that many of the Comon producers communities lie within the *El Triunfo* biosphere reserve has made them proud over, and thus careful of, their surrounding nature, now knowing that they are protecting species that only exist in their environment.

Furthermore, having been excluded from globalization in various ways, Comon producers encompass a different culture strongly linked to its surrounding environment, where the embedded features of economics in society were already present in their local life, before learning it from FLO. Societally, the collectivity plays an important role in their daily lives, living closer to family and relying much on their neighbour producers for help, seeing that the large society or the state has not supported them but rather exploited them throughout much of their modern history (Stiglitz J. E., 2003). The cooperative structure can thus be seen

as an extended family, where everyone shares the same history and the same reality. What Van der Hoff (2009) wrote regarding the UCIRI cooperatives can indeed be said in regard to Comon as well, “they are social economy organizations that seek to put economic production at the service of larger goals – defending life, the earth, the beauty of the nature, the right of a decent life, the right of being different” (p. 52). Descending from Mayan cultures, where the earth and agriculture has strong sacred connotations, and where they as producers are dependent of what the earth is giving them, visibly puts them in a different mind-set. Hence, one must not confuse the small indigenous Chiapan producer with the Western neoliberal corporation and its definition of production. Where neoliberalism see land and labour as commodities, quantifiable variables in the maximization equation, the small indigenous producers has a more Polanyian vision of production and work, where the market rather is a means for meeting human needs; where there is a belief in solidarity, not necessarily referring to economical self gain, and where human beings are not just another factor of production.

For example, the difference in perception regarding coffee expressed itself clearly in Chiapas when an American coffee consultant (who is also since a couple of years a coffee producer in Peru) explained to Comon producers the importance of producing quality single origin coffee in order to reach higher prices and more profit. When the consultant rhetorically asked Comon producers “*why are we coffee producers?*” to underline the motivation of paying good attention to coffee processing and providing high quality coffee to consumers, he received the answer “*somos productores por herencia*” – we are producers by heritage. This emphasises the gap that exists between two different worlds of production. So when trading with small producer cooperatives it is important to remember that the marginalized producers in the Chiapan highlands have not had the choice of becoming labour workers or coffee producers. It is not a passion or an entrepreneurial drive that incites them to produce this product to please customers or for personal satisfaction but it is their given path for survival from the day that they were born. What also struck me during my stay in Chiapas is that these indigenous producers have accepted their subordinate situation in society. Having been exploited and suppressed in Mexico for as long as they can

remember and referring to themselves as “*nosotros, los pobres*” – we, the poor – they don’t seem to think that the external society will change their situation much. External politics conducted by the Mexican government, imposing neoliberal politics for the sake of the country’s economic growth, has rather worsened their situation (Stiglitz, 2003; VanderHoff, 2009; Lustig, 1995; Jaffe; 2007). Hence, seeing how much of the neoliberal politics have been to their disadvantage they are even more true to Polanyi values, as we have seen presented in the SPS Declaration of Principles and Values. The remaining question is then: do they really need a certification to prove this to Northern consumers?

The alternative of a direct trade movement seems to be the most interesting of alternatives among producers, even though they take it with a pinch of salt. Comon’s Certification Coordinator explains:

“There are some clients that have said that yes, they could buy our coffee with or without a fair trade label, and that they would pay us as much as if we were in the Fairtrade system with a social premium. So, I consider that this could be a small exit but here in Mexico there are a lot of producers and organisations that are Fairtrade... Possible some organisations that are a little bit more developed, they could search for clients and sell [without a label], but the organisations that have just started, they couldn’t. It is difficult.”

Direct trade would be an option that is the closest to a Polanyi interconnected economic relationship, where buyers recognize that the producer cooperatives follow a more solidary ‘corporate’ model, entrusting them with higher prices and that this will profit their community as a whole. As a Coffee Buyer in Chiapas says: “*we don’t want to tell them do this, do that. Once they get a better price they will get better social aspects*”. When asking another buyer if he would buy Comon’s coffee even if it wasn’t fairtrade certified he says “*yes, definitely. I like organic though... But quality is always going to be the best sale*”. Buyers and producers in Chiapas seem to agree on this, having a common vision on organic certifications and quality to increase income to the small producer cooperatives, as a Comon’s Certification Coordinator answers regarding the possibilities to work through another system that does not include FLO:

“Of course if we have the possibilities to meet clients who say that they aren’t interested in the Fairtrade label and that we could work in a direct way instead and to continue to offer high quality... Because I think what the client wants is quality, he wants commitment, he wants honesty. So yes,

if the client would be interested to treat with us without the Fairtrade label it would be interesting. But for example the organic label, this we would never let go, it is very important because it gives us an important differential and it proves all of the investments we have done and are doing for the environment...”

Direct trade would be based on a much stronger notion of relationship between producers and buyers, where there are long-term commitments from both sides, and where there is an honest and direct relation between both parts. Recognising the good things being in fair trade has taught them, Comon’s President emphasises how a direct relation would be the best:

“Maybe yes, Fairtrade has left us some things; we have to put aside a part to be able to invest in something else, something more social. But in fact now we are already doing it, we have our funds and we will continue working with this independently, regardless if there is or isn’t fair trade... But, yes I think it is important that there exists a direct relation with the buyer. Principally that there is this type of relation and that there are these types of annual meetings where we can talk about coffee, like with SCA for example. Together buyers and vendors, to handle business questions like talking about what is happening, why they aren’t respecting a certain price, and all those sorts of things; I think it is needed. If this doesn’t exist, then I think it is very bad...”

A direct trade system, however, does not mean the exclusion of a third-party certifier verifying the financial traceability between buyer and producer and the fulfilment of contracts. As we saw above, producers are not promoting a system without norms or regulation of any kind, rather the opposite. The Director of Sales argues that if a certification does not work, if it is causing excess burdens on producers then it needs to change and say that a system of verification instead of certification could be a solution:

“If fair trade doesn't benefit small scale farmers then it needs to change. If the certification fees and the inspections and everything that goes along with that are more burdensome on farmers than it is advantageous, then it's not fair trade. ... I feel that certifications are the tool to make fair trade happen between farmers and buyers, and it's just a tool. ... There is a difference between certification and verification. More I think about it more I like the idea of verification and what that means is that the farmers and the buyers are agreeing on their relationship, their trade, it insures that both ends of the supply chain uphold their agreements”

As Renard (2005, 2003) mentions that there needs to be an institution or certifier that governs over the power and benefits of ethical trade for its credibility not to be hollowed, the Director of Sales also mentions the

importance of a verification system to be able to avoid large corporations to green-wash their products:

“I do feel that it is important to have a third party auditor, I don’t know that we need a certification but it’s great to have a third party verification system of some sort that says ‘yes, this company is actually doing what it is saying’ because otherwise what I fear is that we could transition back to an economy where companies aren’t buying anything in a socially just manner and there is no third party watch dog out there that says ‘indeed Nestlé isn’t buying any fair trade but they’re marketing that they are socially responsible’; it’s really easy for companies to make claims if there is nobody serving as a watch dog. ... So until that mentality changes and companies become more transparent I absolutely think that there should be some kind of third party verification program out there.”

Thus, with the recent developments of Fairtrade USA the possibilities for a direct trade movement promoting small producers seem like an eventual alternative. Furthermore, in the same spirit, the Chiapan producer cooperatives are starting to focalize more on the growing national market. CESMACH is planning to open a coffee shop in Tuxtla and Comon is about to commercialize their 100% woman producer coffee, *Café Metik*, for the national market. Even though there is still much work, as Mexican consumers are not familiar with the concept of organic or fair trade production methods, where there is not a large existing “health awareness” among national consumers and where there are not good existing structures of distribution²⁵, they are moving towards the direction of the national market. Indeed, one of the paradoxes with fair trade is that it builds on the small producer’s access to the Northern markets and a paradigm of development through export. Maybe as Pirotte et al. (2006) argue, you have to concentrate production towards local needs rather than exportation needs for it to be a change. As the fair trade movement’s long-going tension between its solidarity and market models recently has become outspoken towards the global society, there still remains a lot of work on how to handle the unknown future of parallel fair trade systems. Should there be a certifier or verifier? Will large plantations stay true to the fair trade values imposed on them? Will national markets be the answer? How can the embedded features of an alternative trade be kept without falling into a much too institutionalized or standardized pattern as we have seen before?

²⁵ From Comon own national market analysis, internal document

What the future holds for the small producers of the fair trade movement, whether it is through a more embedded producer-led fair trade or through direct trade, it is moving in the right direction. Today, fairly traded produced coffee only accounts for 3 per cent of the total retail market for coffee (Transfair USA, 2009) but on the consumer side the demand is increasing (Hainmueller, Hiscox, & Sequeira, 2011). Fairtrade USA and FLO has taken on another path, created its own fair trade direction based on standardized certifications and compliance. Hopefully it will result in increased benefits ‘for all’, as Fairtrade USA says, but it can definitely no longer be considered to be a fair trade movement that will alter the economic system. Undeniably large estates and multinational corporations are operating with a profit-maximizing objective: according to them it is not sustainable business if you do not make money. Nevertheless, indeed, it is nothing else than a good thing if these actors start to take some responsibility, even if it is by just being a little bit less exploitative. Contrary to this there is a parallel movement growing stronger, more faithful to the original values of fair trade, which seeks to alter the current economic system: according to them it is not sustainable business if you do not pay attention to the labourers and the environment.

Regarding Comon, it is not sure whether they are ready to leave the fair trade system quite yet as it still strengthens their work and their cooperation with neighbour coffee cooperatives, as Comon’s Accountant say:

“One of our client that buys a lot of our coffee, they also say that they don’t care about the label and that they could continue to pay us as if we were fair trade. So, yes there are alternatives but so far I think it is necessary to continue to work with fair trade because it is strengthening us, for all that is quality and the social work, I think this is helping us”.

Comon’s certification coordinator means that whether they continue working with FLO or not will depend on how much FLO wants to work with them: *“I think all this depends on how much FLO would like to work with the small producers. This won’t depend on us.”* Indeed, the fair trade movement and its actors are truly facing a crossroads with parallel movements evolving, but this time the small producers are more united and provided with a stronger voice against neoliberal propositions.

7 Conclusion

Using Karl Polanyi's theorems, I started out this Master degree thesis by portraying how neoliberalism has disembedded civil society in a market economy and how it has had devastating effects for a large part of the world's poor. By using the example of Mexico I explained that even though there is no doubt that trade and investment are vitally important for economic growth, trade liberalization by itself does not ensure growth as its impacts are swamped by many other factors (Stiglitz & Charlton, 2006: 22-23). I have also showed how the political economic consensus of neoliberal globalisation, promoted by multilateral institutions, has undermined governance through democratic principles, as the harmonisation of market economies hindered the active participation of producers and consumers to have any regulative control in the market economy (Stiglitz J. E., 2003). Hence, as we saw in the introduction, the challenge was to pursue liberalization in a manner that promoted a democratic sustainable development, in which those at the bottom and middle see incomes and participation rising (Stiglitz & Charlton, 2006: 23). As presented, the fair trade movement provided the world with such an alternative and the basic elements of democracy in the fair trade market were thus not only important in and of themselves but they were also needed to correct this democratic deficiency in the dominant world market (VanderHoff, 2009). However, as we have also seen, the progressive success of global standardized certification systems has altered the fair trade movement's original values and controversially disembedded the small producer. Even though there are obvious evidences of positive effects on small producers livelihoods due to much work of Northern advocacy and awareness raising, promoting social premium and minimum price structures, as Jaffee et al. (2004) argue, "a key question in realizing the promise of fair trade initiatives to generate greater social equity and justice is their inclusiveness" (p. 183). He means that if access to fair trade markets is constrained by entry barriers, such as notional standards or high certification costs, then the movement's transformative potential will be limited. Indeed, we have seen that through three main features, the political aspects of the fair trade movement have been exchanged for its more commercial logic, hindering it from being an alternative trade structure and transform the current market economic

system. In accordance with my hypothesis this has resulted in the appearance of two parallel fair trade networks: one disembedded, represented by FLO and Fairtrade USA, and one embedded, represented by CLAC and SPS.

Thus, regarding the future of this new embedded ‘producer fair trade’ network, I believe it is important that it continues being true to its Polanyian features of trade for it to succeed being an alternative to the existing fair trade standardized movement, and not only refer to its 100% small producer representation as a distinction. For the CLAC initiative to have a transformative impact on today’s market society I believe it needs to keep close to its original Southern cultural roots, more connected to the spirituality of earth and to the importance of solidarity. However, this is not an easy challenge. Going through three stages – from grassroots, to institutions, to mainstreaming – the fair trade movement has created a development of fair trade where the producers are taught how to think more like entrepreneurs. As the Fairtrade USA Program Manager says when presenting their 3 year project, it is “*to help them become more competitive, to improve: we want to invest in these coops to be efficient business that serve their members*”. Even though there is an undeniable positive empowerment aspect in this, producers in Chiapas are progressively embracing a more capitalistic discourse in accordance to the kind of support they receive for the North. A producer from Ramál Santa Cruz confirms this, as he sees the greatest opportunity for the small producer cooperatives to be sustainable on the global market is “*to transform the cooperatives into companies*”. Hence, fair trade has in many aspects become a training ground for the small producer cooperatives to become competitive enterprises on a global market, i.e. for them to eventually leave the fair trade niche market for the conventional market. However, as Vander Hoff (2009) argues, “the alternative market is not a transitional market designed to enable inefficient producers to become capable of competing in the mainstream market” (p. 54). Even if in an alternative market one unquestionably must recognize the importance of efficiency and ensuring competitiveness through maintaining control of the complete chain of production, it must also include other criteria concerned with ensuring the dignity and the survival of producers, consumers and the environment (VanderHoff, 2009). Also Polanyi (1944) argued that “the end of market society means in no way the absence of

markets” (p. 252), emphasising that economics must exist in our society. He continues by saying that “no society can exist without a system of some kind which ensures order in the production and distribution of goods. But that does not imply the existence of separate economic institutions; normally, the economic order is merely a function of the social order” (Polanyi, 1944, 2011: 74). Economics and trade should indeed exist but under human forms by once again subordinating markets to the objectives of truly democratic communities and countries (Jaffee, 2007: 21). Hence, one of the most important aspects in an alternative market is to re-embed civil society in the economical system, creating an alternative where a democratic plural value system is supposed to influence the neoliberal market structure, and not the other way around. As Vander Hoff (2009) accurately puts it: “this different type of market is the practice of making the conventional market different” (p. 59).

To do this, an alternative trade movement should not be primarily associated as a poverty reduction tool or a Southern charity program. Both consumers and producers must engage in this movement by wanting to alter the trade relationship and by wanting to decrease the distance between them. Poverty is not the problem; it is a symptom of a system of commodification, exploitation and accumulation of excess wealth. “Undoubtedly, labour, land, and money markets *are* essential to a market economy. But no society could stand the effects of such a system of crude fictions even for the shortest stretch of time unless its human and natural substance as well as its business organization was protected against the ravages of this satanic mill” (Polanyi, 1944, 2001: 76). We must reorganize the way we consume and produce so that it does not erode the quality of human existence. More precisely, consumers have a great responsibility in this evolution, as it is demand that drives supply. As we have seen until now, fair trade certifications have been much focalized on how the small producer should improve his production methods for it to have less damaging impacts on the surrounding community and environment. Thus, the small producers have once again been the ones who have worked the hardest for this structural change to take place, while consumers have been asked nothing else but to change their consumption patterns. From my experience in Chiapas it is clear that the

producers a succeeding more in this challenge than we are. Hence, as Vander Hoff (2009) rightfully says:

“A major part of this innovation must involve learning from the experience of small producers in the South. Small producers are patient. They are also in a privileged position to see the real nature of the problem. Northern actors must learn to listen and respect the views of Southern partners. Not doing so frequently leads them to focus on symptoms rather than the real problems. Many actors in the North look to solve problems through quick solutions. They do not accept that it is necessary to take time to correct the social economic deformations, which the capitalist system has left throughout the world over the course of centuries. Compromising on the democratic principles and practices of the alternative market for the purpose of poverty reduction, however well intended this might be, does not serve the interests of the poor because, as the poor know, poverty is not the problem – a lack of democratic control is” (p. 59).

Hence, maybe why Northern initiatives never seem to succeed in altering power structures in advantage for the poor is because the neoliberal ethos is too rooted in our society’s way of thinking. Therefore, maybe this time, if we create space and listen to other cultures, rooted in another mind-set, we can actually learn from them. And maybe when that happens, that is when we will have a transformation of the market society into that of an embedded society, and solidarity will prevail.

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9 Figure index

Figure 4-1 Comon Yaj Nop Tic Cooperative organogram	28
Figure 5-1 FLO price structure	37
Figure 6-1 FLO Fee Structure	54
Figure 7-1 Fairtrade USA <i>Fair Trade</i> label, and FLO <i>Fairtrade</i> label	84
Figure 7-2 Small Producers' Symbol	86
Figure 8-1 SPS price structure vs. FLO price structure	92

10 Annexes

10.1 Interview: Comon Producer and President

What does fair trade mean to you?

To sell our coffee for a better price but also the equality between the producer and the buyer in the coffee chain. I think this is fair trade, to give the benefices of coffee primarily to the producer. And to do good work as well and give good conditions to the worker.

What are the advantages and disadvantages of fair trade for you?

The advantages would be the social premium that we are given, a differential for the price of our coffee. With a part of this differential we have been able to invest in our agricultural work – chaparral, pruning... all that. The disadvantage would be that still there is no... well that there is other markets that also are high in price and that now it is higher than the fair trade price. This would be a disadvantage because maybe when the coffee price goes down we have these two earnings a part from what is left, one is the earning of the premium, still... the member producers would have more utility selling their coffee through fair trade than not, but now there is not this difference. Now it is, let say, more expensive to produce a coffee, as you would like, without fair trade, without label – you could sell it at the same price as we are. This is a disadvantage for us now.

Are regarding the fair trade certifications, is it a support or are the complications working with the system... What are your thoughts about certifications?

Well my way of seeing things, I think that, yes there should be an entity that certifies the product but not as much like that of FLO or Fairtrade for example, because it could also be the buyer himself... I don't know if it exists this system already, where you could insert information in a database, so that the buyer or the consumer get to know directly what we are doing in our coffee fields: this would be ideal... We could directly take photos of our plantations, our warehouse, and our maquila... with an iPad for example; it would be ideal because then there would not be this forced certification. Because now we have to pay to do the certifications... We have to pay to make the visits and this ends

up expensive. We also understand that we cannot sell just like that, nothing else, if there is no certifier... Although I don't know how the consumer feels about this, or know about this. Because perhaps the consumer buys his coffee and doesn't care if it has a label or not, I don't know... I don't know the part of the consumer. But if... We have to see... While there is no transparency from producer to buyer there will always be in between a certifier...

And are there any alternatives? Would CLAC be an alternative or...?

No, CLAC, I think it is not looking this part either... How we see it as producers, it easier because, look, it is easier to say to the buyer: look this is what we are doing. For example the visits of importers or buyers that come directly to our organisations, to our coffee plantations, and that they themselves see and say "hm, yes it seems good", or 'not good'... This direct relation could function, without force of so many labels, without force of CLAC or whatever other thing. The movement of CLAC could be good because, yes, they take into account the prices... this yes, to be united as producers, because if we sell to divers organisations they can pay us as they like and that they don't follow any norms... there has to be norms

Do you think there has to be norms...?

Yes, I believe that there has to be norms, maybe not so strict, but yes... I mean if not how should we do to respect a client or an organisation, as in this case. So, yes, there has to be norms.

And the fair trade labels or certifications, how have they affected the social programs you have?

Yes well, with these we have now learnt how to do, that by putting aside a part of the full price we could do a lot of things. Before we didn't do this. Maybe yes, fair trade has left us some things – we have to put aside a part to be able invest in something else, something more social. But in fact now we are already doing it, we have our funds and we will continue working with this independently if there is or isn't fair trade... But yes, I think it is important that there exists a direct relation with the buyer. Principally that there is this type of relation and that there are these types annual meetings where we can talk about coffee, like

with SCA for example, together buyers and vendors, to handle business questions like talking about what is happening, why they aren't respecting a certain price, and all those sorts of things I think it is needed. If we this doesn't exist then I think it very bad...

And do you feel that you are allowed to make decisions together with the FLO certifiers for example? Or is FLO the one who takes the decisions?

Now yes, we don't... we don't have a voice... no. Or at least from what I have understood, because if anything... well, two years ago, and last year they presented us some formats to see how we could look over our coffee prices; until what price we would like it to increase. It didn't increase as much as we wanted but yes, they raised the fair trade prices a little bit more. At the best this is producer participation, so we already saw a little bit more participation but I don't know if this will continue, if it is because we told them... but maybe they did not take it much into account, I don't know... We don't know what the result was because there was no information of they did their surveys in each cooperative, if they did it in all... I know that they did with me because they came to at Comon, but I don't know if they told everyone, if they took everyone into account, I don't know...

So this would be a thing to improve with FLO? To give more...

To give more information and at the same time more participation to the producers and the cooperatives, I think this would be important.

And regarding Comon's future, how do you think it will look like? Will it be with FLO or...?

I think yes, it will be with FLO but with a mechanism that maybe doesn't cover as much... the question of certifying so many things, for example you have to certify... you have to do a lot of things to get certified, maybe if it could be a little bit simpler because there are things that doesn't have much sense lets say... or that we are already doing and that we don't have to do all over again, every year, every year, to go back and do the certifications all over again. I don't know, maybe enlarge that process to every three years, five years perhaps? I don't know.. It true that every year they come to supervise us and we have to grade up,

for sure... But we also have to understand that all this also has a cost and that yes, in the end, this cost definitively harms our price. So yes, it has to be more light; with lower costs...

And do you know your cost of production today? The coffee you are selling today, do you know its production expenses to set a correct price?

I think that yes, this has been lacking, this is still lacking... We haven't come to that much finesse to decide it because it is also hard to calculate: first you have to see to the region where the coffee is grown, then at which altitude, and then between a big producer of 3 hectares and one of 1 hectare there is a lot of difference... But to make a cost per pound and from there to say to FLO 'this is what it costs us to harvest our coffee' this is still lacking I think... We have done it but not as finely; to detail the cost totally to be able to say 'this is the basic, the primary we would like to have to sell a bag of coffee', because many times we do it [calculate the cost] but we don't include our labour... for example the labour of the wife, we include our labour but never that of the wife, which is the same because she is often helping us in our work. So, there are many things that has to be more included...

Regarding corruption in cooperatives, do you feel that fair trade is looking at that part? Is the transparency provided by the fair trade system enough to discover this?

I think that this is missing more is... As long as they show the documents nothing happens, but I think it can be disguised. The thing is that maybe this is not really asked to the producers directly; what the opinion of the producers are regarding the directive or the president. So, this part of the producer, to go more towards the producer because it is good to go to the offices and see how what the documents look like, but with the documents you can do a lot of things... it is not the reality of the producer. The producer is the one who says the truth... Or at least see how the producer feels and if he shares the same view of the office. There are many things to look over... I think there still lacks a lot of finesse

Would you like to say anything else in regard to what we have talked about?

Yes, I would like to say that if it would be possible to have this direct relation, in regard to the electronic question I mean, this would be good but there is not much happening regarding this now... It would be good if there is a way to show direct proof of our work on the field and in the offices, that cannot be modified... I think this would be the best...

10.2 Interview: Comon Producer and Certification Coordinator

What does fair trade mean for you?

Fair trade is so that small producers profit with reason from the sales of their coffee, because since fair trade was created it is precisely that solely small producers can be able to sell their coffee. We are talking about small producers that have 0,5 hectares to 5 hectares.

What are the advantages and disadvantages of fair trade?

The advantages are that it provides you a minimum price and that it gives you the opportunity to negotiate a differential with the client. We are talking about a minimum price, a base price, and above that there is a differential, which lets you as a company negotiate it with the client that is within the fair trade system, because not all the coffee buyers are in fair trade. So they are obliged to pay us a minimum price and to negotiate the differential.

And you negotiate a differential from minimum 50 cts/lb.?

Yes from 50 to more. This year we have some contracts at 73 and at the most 75 cts/lb. as differential.

And what are the disadvantages of fair trade? Or what are the challenges working with fair trade?

Well, the disadvantages or a challenge is that we have to do some compliance, this is one, and the other thing is that we have to sign contracts under certain criteria. And logically, something that is also a disadvantage is... of course they have, FLO or Fairtrade, said that we should not create distrust towards the clients because imagine, they do not know us except through email, this is how we know the clients, it is through this form we send them the coffee... But it is the only way they know us and our contact is a guy that doesn't know us... For

example with Sustainable Coffee, yes they know us through a guy that is in Guajaca that is practically a link, a middleman more or less, and through the same way we work with café imports, they that came to visit us, one of them is in Peru and he is more or less the link... So this is another strong disadvantage no? Because imagine how much money in one coffee container and that suddenly it is not paid, but fair trade label says that all clients that are here, we can check it on the internet if they are FLO clients or not, in order to be able to sell to them. But yes, I consider it as a disadvantage... Why is it a disadvantage Ines? Because for example some changes that FLO itself also does... I'm going to give you an example: last year in June they changed some requisites of what FLO was and I came to know about it in January, 6 months later... So the 30th of January we went to a workshop in Jaltenango and the 31th, the following day, they came to do the inspection, and they were already applying the things that were decided in June, only six months before, which they imposed us as a requisite...

And what were the changes?

Exactly, they gave us these very fast and we didn't have the time to understand... I understand that they have a lot of clients but I think that their transfer of information should be a little bit faster, principally with their clients and the small producers. Another disadvantage that we are presently experiencing with FLO is that it seems that they are giving access to big companies and this I consider it to be another disadvantage, because if we are selling 5 or 10 containers, they sell 100, 1000... So the social premium will be given more to the benefit of them and they buy the coffee from small producers, but the small producer will not be given its social premium since it will stay with the big corporation. So this is another disadvantage... We are trying to say to FLO, when came here, why aren't they following the same mission as when they started, because they said that it was for small producers... And now it's for 'finceros' and finceros are not small producers.

And how are you going to face these problems? Are there any alternatives?

Well, look, 3 or 4 year ago another organisation was created, it is another label that would like to enter as a counter to FLO-Cert... They are working with

certifiers as well and are having meeting... their name is CLAC. We are going towards this and the process of CLAC it is moving but what is the great disadvantage that exists there? The clients do not know the symbol or label of CLAC and what is going to happen if we leave FLO, how are we going to be able to sell our coffee? If we say to café import, 'here is my coffee' – 'ok good, are you certified?' – 'yes' – 'fair trade?' – 'yes, here it is' – 'I don't know CLAC...' However, there are some clients that has said that yes, they could buy our coffee with or without a fair trade label and that they would pay us well as if we were with in the Fairtrade system with a social premium. So, I consider that this could be a small exit but here in Mexico there are a lot of producers and organisations that are in Fairtrade... Possibly some organisations that are a little bit more developed, they could search for clients and sell, but the organisations that have just started they couldn't. It is difficult. So this is the big disadvantage of all this.

And the alternative to sell without a label, would it be possible? To sell directly to the client without label?

Yes there are some that have presented this, but there are only a few clients for this... We talked with them when we went to Peru last year and some said yes and some said no. And those who said no are clients with a little it more potential...

And you work with FLO since 2009; is there a big difference working with FLO and before when you worked with Starbucks?

Yes, in the beginning it was good because we didn't have other clients so... yes, it was good working with Starbucks. But the disadvantage that came later was that Starbucks said that they were not going to buy the coffee directly from us, that there was going to be an intermediary and this intermediary was AMSA. So at a certain point the negotiations stopped with AMSA and Starbucks and we didn't have anything here. We didn't have where to do the milling and we didn't have enough warehouse space, we didn't know the process because 'desmanches' that we are presently receiving 3000-4000 pesos for, this money didn't arrive to us it stayed at AMSA who where doing the milling process. Supposedly when we signed the contract with AMSA they said that the price that they were giving us, according to the contract, that it was already included in the price, which was

10-12 pesos per kilo for the desmanches, chaff, and all the derivate from the coffee, that is of second and third quality... They took all this and apart from this they charged us very much for the milling process. So our prices didn't pass... Imagine per pound at that time... Today we are selling it at more or less 50 pesos per kilo, and with them at that time it was like 20 pesos per kilo... Can you imagine, it is the double now! We also realized that the prices that they charged us for services, logistical services, supposedly exportation logistics, but finally as soon as we knew, we could export directly because we had an exportation number. So, yes it has been a great advantage entering fair trade...

And why did you continue to work with Starbucks so many years if it wasn't good?

What happened was that before, the managers of Comon didn't want to. They were afraid. Because what they kept telling us when we started to market our coffee with Starbucks, and another partner that was Conservation International, and so CI told us that we should have 3 characteristics: be compliant, maintain quality and honesty. 'With these 3 factors you can enter the partnership with Starbucks'. So we started to work and work and work, and we continued to work with the people telling them that if they promised 10 bags, they had to present 10 bags. If they couldn't reach this it was better to promise 7 or 8 bags, we told them don't promise 100% if you're not going to fulfil it. So in regard to this aspect we have overcome it. So the old directive they were afraid and they didn't know, and also we weren't attached to the other organisations in Jaltenango, for example CESMACH and Triunfo Verde. We had very little relations with them.

And when did you start working with the other organizations?

I think it was around 2005 or 2006, and to me they told me, the organisations in Jaltenango 'enter fair trade and leave AMSA', because they as well were with AMSA and Starbucks in the beginning but they left much before and told us 'leave it, leave it' but we didn't know because we were afraid of not being able to continue to market coffee, maybe not at a better price, but a little bit more at least, and on a national level. So, this is the reason for why we didn't enter fair trade but at a certain point the managers before them, because they change every 2 years, said why don't we enter? Well it depends on you I said... if you

want then yes ok, lets enter. You see, I am in charge of the organic certification, of all the certifications, NOP from USA, JAS for Japan, and before that CAFÉ Practices when we worked with Starbucks, and now Fairtrade. So I told them if you want, yes we can enter and I will support you, and it was quite easy to go over to fair trade certifications, 3 months more or less... But yes, it was little bit like... with the same distrust that the previous directive had and the producer members, because when we entered fair trade half of the members chose to leave and half chose to stay. Not all wanted to enter.

So they left?

No they stayed in the organisation, but they said that they didn't want to put their coffee in fair trade, they thought that they were going to sell their coffee cheaper and that they would make losses. So there were some that didn't want to enter but what happened when the social premium came and a lot of payment from this side? Thus they asked to join and as good persons the directive told them ok, if you want you can take part of this, even though they weren't supposed to, because fair trade means that you have to be fair no? With the producers, with the workers, with all the people that is in the coffee chain... There has to be justice, there has to be equity, so this was the situation and now everyone is in fair trade because it earns more. This year 8 more producers joined and also for to become organic... because FLO also gives us a premium if we are organic.

And do you feel that you also take decisions within fair trade? Regarding for example FLO norms etc.?

No, you have to do an assembly all together. If there is a change of this type we talk with the delegates and they talk with the communities, there they discuss and form acts of what your community says. So we get the regulations, we wait for the general assembly, we present them and then they are ratified and written down in the books. The books are then presented when the inspectors come. Logically, when there is a more heavy question we communicate it directly to FLO.

But you are you able to decide of the amount of the social premium for example, or of the regulations made within FLO? Are you allowed to join?

No, directly no because we have to wait. Because until 2010 the social premium was 10 cents, then came FLO and their consultants and we asked them why aren't they raising the social premium. So people from FLO came and they made interviews and we had meetings with the other cooperatives and we told them what were the reasons for why we would like the social premium to increase. That they give us more... So in 2010 we received a document where they said that they were going to raise it to 20 cents, yes, but that 5 cent that they were giving were go to quality or productivity, obligatory. Why? Because we said that the producer wants to invest in his parcels... So yes they gave us a raise but they said that we should put it here, or there, obligatory!

You couldn't decide in what you wanted to invest?

No, so what happened was this year we invested in Cal Dolomita, a product that diminishes the acidity of the soil, because if the ground is too acid then the plant can't profit enough from the nutrition that is in the soil. It is to help the soil and the plant... So the plant needs more nutrition so in the following years we will see what helps the plant to add a fertilizer directly to the plant. So with the increase of the social premium we are going to do this.

So ¼ is for production and ¾ are for social projects like health or savings?

Savings no, only for health or the school, or even more for quality and production. Because this year the producers only received help for half of their parcels, so it would be good if next year we could help them for their whole parcels. It would be the ideal.

And the producer has to sell all what he is producing through fair trade?

He should sell on average 70% of his production and 30% for him to sell as he pleases. Why? The producers sometimes have other necessities, for example we have this document: here the producer says that he will have income of 16000 pesos, but this is not sure since it depends on the production, it is an estimate. So what happens is that they don't know how much they will be paid until August or July, because the cycle finishes in June. And sometimes the client still hasn't made and order for the coffee in July. And when it leaves from here to the port it takes 30 days, and that's a lot of money that is on hold. So the 30% that stays

with the producer is for the time lags... Look, they pay him in December and they had made the deal in June, that's almost 6 months, so that's why the producer doesn't have enough money during these months. So during these months they have some coffee that they can sell to the coyote... So the producer can sell some of his coffee so that he survives those months... During these months also the producer does some work on his parcel, for example pruning, 'desombra' (shadowing), things that does after the harvest. So during these months the producer has to invest in his parcel, do the first cleaning of his parcel in July... But either way 100% of their production is protected by the fair trade certification, so they can sell all through fair trade if they want...

And as a final question, in the future do you see Comon continue working with FLO's system or are there other systems you would rather work with?

I think all this will depend on how much FLO would like to work with the small producers, this won't depend so much on us. Of course if we have the possibility to meet clients who says that they aren't interested in the Fairtrade label and that we could work in a direct way instead and continue to offer a high quality... Because I think what the client wants is quality, he wants commitment, he wants honesty... So yes, if the client would be interested to treat with us without the Fairtrade label it would be interesting... But for example the organic label, this we would never let go, it is very important because it gives us an important differential and it proves all of investments we have done and are doing for the environment...

10.3 Interview: Comon Producer and Accountant

In what way has fair trade been an advantage for you?

Really, before we were certified with CAFE practises, when we chose to explore the fair trade market it opened a lot of doors... but really since fair trade and before 2009, it was another deal because the negotiation conditions were not appropriated to the cooperative when working with Starbucks. In one way we have benefited from the education project but really there was a moment where, for the producers, there was no price difference between the coyotes or big companies that buy and the price that Starbucks paid. It came to a certain point

that there were more producers that instead of choosing to enter the cooperative that left it, but it was because of the working scheme that we had with Starbucks. Now with fairtrade label we could enter the Speciality coffee market and this was a great advantage.. Because here we could obtain greater price differentials and this is the door, through the fair trade market, to enter specialty coffee. This is one advantage, and along with that with the fairtrade label we have now another level to negotiate our coffee. Because before, at a certain point, Starbucks imposed its differential so it came to a point where they tried to control us and practically, we were tired of Starbucks.. and because Starbucks was the only client all our coffee went to them, if we marketed 10 lots then they bought it all, we couldn't have any other clients. What Starbucks does is that they want 1 or 2 lots, they buy volume, they buy a lot. If possible they buy your whole harvest because they have this capacity as a big company. So they bought the whole harvest and the problem was that they imposed their differential 'for this harvest I will pay you this much', 'but we want more' - 'no, we're going to pay you this'. So it got to a point where they put conditions on you in the negotiation process, so you as a coop you cannot do much... especially since they hold you to a credit so it's not so easy to leave them. A lot of the time, in the case of CI, they told us that part of the ones who were financing us was Starbucks... So yes, Fairtrade has helped us a lot; it has helped us in the consolidation process. We feel that we are stronger with fair trade, before yes there was a development but the problem was that it was based on certain conditions; this is how I feel it, with café practices. They don't give you a flexible work scheme, they fixed your contracts for you.. So with these conditions you cannot move forward, you can't consolidate yourself and for this we decided to leave Starbucks. We are talking about the case here in Chiapas and it was for this that CESMACH and Triunfo Verde left much earlier than us. Because they said no, café practises is not label where you can strengthen yourself and develop as a coop. So they left much earlier..

Why did you not leave earlier?

The thing with Comon was that we didn't have the finances for it. If we left we had to find new clients, find financing and all that... So it was a challenge to leave Starbucks, where would we go? But little by little we did it because

CESMACH and the other coops helped us... Because they suffered the members of the coop, they had economic problems since we didn't get a good price.. So we worked for 1-2 years to prepare to be able to leave... CESMACH supported us in this and they recommended us to the new clients but then they told us in 2009, when this process began, they said 'no, show me your FLO certification and I will buy your coffee'. So when they sent us the certification for the first time on the 17 mars 2009, it was like wow! It was something that really opened a lot of doors and that has helped us in everything: clients, funding, social premiums.. all this we really see as a direct benefit. Also before we sold our coffee in parchment, we didn't have the milling plant, it was still just starting the process of creating a milling plant.. So from here we sent the parchment to Tuxtla, where AMSA was, and there they did the milling under the responsibility of the intermediary of Starbucks. They exported the coffee, we did not export it directly.. But now yes, before with Starbucks the responsibility ended in Tuxtla, we didn't have control over the maquila, control of over the production.. a lot of the traceability of the product was lost. Because after it came to our knowledge that they were doing mixes with other coffees, and you weren't allowed to enter the maquila to see if it was really your coffee. So there the traceability was lost, but now yes there is more traceability. So this part changed a lot. The problem was also that when we sold our coffee they put high costs on us also, they gave us a service but the price that Starbucks paid us was for green coffee, so AMSA was paid in green, then they took their part and they paid us in pergamino. The problem was that there was a intermediary between Starbucks, there was no real relation with them... This was a problem for us. And with FLO we have direct relations with our clients, this is the advantage: the treatment is different. Now we communicate directly with the client. Now there is no intermediary that controls us... Because an intermediary can manipulate the information and this really, no... Now we know what we are selling, we have a cupper so we really know the quality of our coffee. Before we weren't allowed to participate, now we are participating. Through the coffee chain and quality control we know.. What still is missing is that he doesn't have a passport so it has been difficult to send him on capacitation courses, like in Peru last year... sustainable harvest helps us a lot with the capacitation. So it has facilitated a lot fair trade... The cupper is really important because we gain a lot of information and data on our coffee

through him. But we still lack a good database; we have it in paper but not on the computer. ... In the case of FLO, we as coops what is important is also that we have long-term relationships with the clients. What fair trade wants is that the relations are fortified, but this also costs no? We have to maintain our quality so that the client continues to buy from us.. I feel that if we ameliorate certain things then our relations with our clients will last for a long time. Not only clients but funders also...

And what about the disadvantages? What are your thoughts of Fairtrade USA and FLO separating, will this have any effects?

Well, this evolution... I think the fair trade movement is prostituting itself... well, the big corporations have already taken advantage of fair trade because these capitalist corporations have been in fair trade even though it is supposed to be only for small producers, thus the focus gets lost... And for the following harvest we still don't know how it's going to be, but for the moment we're going to stay with FLO. And we hope that for the following year that the clients will put new conditions, because most of our clients are from the US you know... This year 90% of our coffee went to US and 10% to Canada...

10.4 Interview: Director of Sales at a US 100% Fair Trade Coffee Distributor

So first I would like to know what fair trade means to you? There are so many definitions... and also your thoughts regarding Fairtrade USA separating from FLO.

Yes, this is something we are talking about a lot right now, especially in coffee, and I feel that to really understand what's going on in fair trade you have to go back to the beginning of it and why it was created in the first place. That was because farmers like the ones you met at Comon had no power in the supply chain, they had very little access to information to what was happening with pricing, so as a result had no power to negotiate prices. The intermediaries would come into the communities to buy their coffee and it just became an issue of dignity. And there are other secondary issues around that, a lot of these folks were/are indigenous to their countries and they have been treated like second

class citizens for a very long time and coffee probably, until the mid 1900, were like indentured servitude, folks worked on these large plantations and didn't have any say and weren't treated well. So fair trade came along to give them a voice and treat them like partners in the supply chain, and I think if you talk to farmers they'll say that it has given them access to higher prices and to information they wouldn't have had before about what is going on our end of the supply chain, which helps them to have negotiating power and to organize. That they can be traded more fairly.. I think... if you want to get right into what I feel about Fairtrade USA I'm really nervous that the entry of plantations into the fair trade system it might hurt the ability of small farm coops to compete internationally. And the reason for that is the plantations are largely owned by people that already have access to the best resources, so to own that much land in central America and grow coffee on plantations by enlarge most families have money and they hire day labours. And that's kind of just the tradition of coffee and chocolate.. Anybody that can access the money to buy a lot of land is already a privileged person, so to further support those folks within the fair trade system its kind of contradictory to what fair trade was started for, which was to help the most marginalized people in the supply chain.

And more specifically or concretely in what way are you afraid that it might hurt the small producer?

I don't think the small farmer will be able to compete with the resources that the plantations have, to connect with buyers, to market their coffee, to install quality improvement technology into their fields. Everything that comes along to having an access to resources and people of power, small farmers are going to have disadvantage over plantations. If you ask anybody who has supported fair trade as a 100% fair trade company you will hear the same sentiment echo: we're really nervous for the small scale farmers. It is not that we don't want small plantations to be regulated, I think there should be some sort of monitoring body that goes down to plantations to make sure that they are paying their daily labourers a liveable wage, what's unclear is whether that should be under the fair trade umbrella or the fair trade labelling organizations should have some kind of subsidiary body that handles those kind of evaluations...

So from a buyer's perspective would you rather buy from a large plantation than a small producer you think, now that they're also fair trade labelled?

Well, somebody like green mountain, which is a big coffee company in the USA, and right now they're the no 1 purchaser of fair trade coffee. So them being in the game of fair trade is really helping small farming coops, you know green mountains buying all this coffee from these small coops so.. Hypothetically, plantations are now involved in fair trade and so green mountain wants more coffee and they can source it from the plantations, the reality is that it is easier to work with the plantations because there is one decision maker, the plantation owner has more money, they have access to money to take plane ride to the US.. They have everything they need to be able to be at the table more often. And in small coops a lot of the farmers have never been business people so it's harder for them to figure out how to Skype, to figure out how to sign the contract, and so it's easier for green mountain for a lot of reasons to buy from the large plantation, and so that ultimately is going to compromise the ability of the small farming coops to sell to bigger buyers. And that's what I'm worried about. It is just fundamentally fair trade was about supporting really marginalized small scale farmers, and the social premium part is important.. It is just as important as the question of access to the market and small scale farming coops are new to the business world,. People that own plantations usually have all kinds of connections in their own country's government that could give them access to buyers that small scale farming coops don't have. But back to the question if there're day labours workers on plantations should they be able to own land, well of course they should. I don't think fair trade ever questions that and I think that FLO is addressing this right now, they're bringing on a new initiative internally to promote the right for association among plantation workers, and I think that would be a great first step for plantations to say that yes, we support our workers right for association. And if fairtrade USA is really serious about supporting workers right then they must also put that first and foremost. That workers have the right to associate because in Colombia and lots other countries, what we see on plantations is that often, any organized workers movement are just squashed. If fair trade is going to happen on plantations it has to be around the workers right to associate and to organize.

So FLO is starting this initiative, but isn't this why fairtrade USA separated from them?

FLO is taking this on.. but I don't know if Flo should be doing this under the label of fairtrade, and I don't know that they're gona let plantations in and give them fairtrade certifications and think what they are saying that is that they are doing a new initiative internally, that promotes that any plantation need to have the right to association-. And it may be more outside coffee.. I'm nervous that FLO is going to follow in on fairtrade USA's footsteps and let plantations in. I just don't think it's the best option.

What are your thoughts about certifications? The producers seem to express that every year there are more restrictions and that certifications are quite expensive... and that the fairtrade label is becoming less advantageous.. Do you think we have to have one unique label for it to really be an alternative, or is it possible or better to have several labels? Do we even need labelling?

I absolutely think that if fair trade doesn't benefit small-scale farmers then it needs to change. If the certification fees and the inspections and everything that goes along with that are more burdensome on farmers than it is advantageous, then it's not fair trade. Personally my perspective is that having more certifiers in the mix could potentially move fair trade in the direction of supporting farmers. I feel that certifications are the tool to make fair trade happen between farmers and buyers, and its just a tool. So if a certification isn't working then maybe a new certification needs to be developed or maybe there is a new structure that we haven't even figured out yet.. This is what the difference is between certification and verification. More I think about it more I like the idea of verification and what that means is that the farmers and the buyers are agreeing on their relationship, their trade.. how this trade is going to go down, and then there is some third party that says yes indeed that whatever the importer is follow those tenants of the relationship, weather it be price or when the contract is signed or when the payment is actually made to the farmers. I feel like then you have verification that yes the famers and the buyers agree to certain terms and that indeed it was fulfilled. And that goes to the farmers as well, that when they sign a contract yes they will deliver the coffee by this date

and yes it will be of this quality. It insures that both ends of the supply chain uphold their agreements.

But do we need a third party that verifies this, or could it just be directly?

I think if FLO does well they may work themselves out of business. In the beginning of fair trade there were these institutions needed to kind of set what the standards were for trading practices, but now that there are several companies out there that kind of understand that and goes beyond what the standards are. FLO and fairtrade USA may make themselves obsolete. But the reality that, if you're a 100% fair trade company, mission driven, we will always run up against companies who are green washing, which basically mean that they're doing minimal amount of fair trade purchasing solely to market it and so because of that I do feel that it is important to have a third party auditor, I don't know that we need a certification but it's great to have a third party verification system of some sort. That says yes this company is actually doing what it is saying, because otherwise what I fear is that we could transition back to you know and economy where companies aren't buying anything in a socially just manner. And there is no third party watch dog out there that says indeed nestle isn't buying any fair trade but they're marketing that they are socially responsible, it's really easy for companies to make claims if there is nobody serving as a watch dog. I think that companies like peace coffee who voluntarily offer them up to scrutiny, like look at our contract are kind of the exception. If you go to peace coffees website or coop coffees website, we can see all of our contracts back to the farmer.. There are very few companies and importers in the world that are willing to share that level of transparency.. That's how it should all be but in reality that's very unlikely to happen with most companies. So until that mentality changes and companies become more transparent I absolutely think that there should be some kind of third party verification program out there.

There are flaws though within the fair trade and certification systems that exists, and those need to be addressed. And I think the producers voice needs to be empowered. I think FLO's move to incorporate over half of their board as producers was a great step in that direction.. But there are still flaws, like the cost of certification. I mean in the consumer's end of the supply chain should be

shouldering most of the cost of certification. That's why fair trade certification came to exist in the first place. And what we saw this year in the green coffee market, the rise of the price in green coffee was more of a benefit to small scale farmers than fair trade has ever been. To me that's a reality check. Here we are kind of patting ourselves on the back and fair trade works.. and to a small degree it was working until the prices went up a 100% in 24 months, that is actually of more benefit to farmers.

That's the other question: are we as consumers paying enough for our coffee? And are we're really paying what coffee's worth.. How do we get prices back to farmers that are really fair over the long term?

There are sort of two movements within FT, one more activist that really want to change the system, and the other movement which is creating a niche market to try and empower producers that way. Do you feel that it is true or that finally in the end they just want the same thing?

No I agree that there are two different movements. There is the niche movement that are the Procter & gamble, green mountain, and nestles have subscribed to so far.. That if you add a little bit of fair trade coffee or whatever it is to you line up and market that as a corporate social responsibility initiative. Then there are companies that are 100% fair trade companies, they are mission driven companies and the idea behind that is to change how economics has been working. And I think especially in the US, as we see corporations really struggling in the last 20 years, more and more companies are coming around to the fact that having a sustainable supply chain is actually in their best long term interest. I think any companies that are in it for the long term realize that paying the farmers a liveable wage and actually paying workers and the staff in this end of the supply chain a liveable wage, actually create a more sustainable business. Because if you are squeezing your supply chain and your vendors and the producers, than nobody along than supply chain is in a healthy situation to continue doing what they do. So I believe that business can be a tool for social change, but it has to be a commitment for a long-term overhaul. And I feel that this is an evolution of business in our evolution, where we've tried different business models and then we see what doesn't work or some reason and then you

evolve. Fair trade is just in its infancy and it is just one schematic that arose because we need to support farmers, but as we have more access to info and people are travelling more.. We have more info on what's working and not working for farmers and hopefully if we're smart we'll continue to adapt fair trade and other movements so that we're making it more and more sustainable. Both economically but also for human dignity giving everybody in the supply chain power to make decision for their own families...

This year there has been a lot of fractioning of the fair trade movement though, fair trade USA is going to try this new thing and I don't necessary agree with that and that's find. But I think that sometimes fractioning and trying new things will solve some of the problems that we have right now, and that's great...

Many who work in fair trade seem to be against Fairtrade USA's strategy, so what do you think their objective is with certifying large plantations?

You have to puts yourself in the shoes of Paul Rice, the CEO of FT USA.. My suspicion in some of the things I know about FT USA their budget primarily come from fees, that coffee chocolate or tea companies pay to them every time they buy more fair trade. So if green mountain, which is one of their biggest sources of revenue is selling more fair trade than that means that FT USA has more money. So FT USA especially this past year, if companies are growing and FT USA can convince them to buy more FT certified coffee, then FT USA is going to look for other sources to certify in order to make sure there is more and more supply for companies like green mountain to buy..

But if FT USA gets more revenues, wouldn't these revenues be reinvested in producer programs? So why is that necessary a bad thing?

Well, if you look at FT USA and what they are promoting, it is a difference to me. I mean I think it's great if they put money back into producer programs but what we're seeing on this end of the supply chain is that e.g. peace coffee was buying FT certified coffee all of last year and what we see that what FT USA is spending a lot of money on is marketing their fair trade certified coffee in the us but if you look at their brands that are on their marketing materials you will rarely ever find a small company and peace coffee was never part of FT USA marketing

materials. I remember occasions where I look at their marketing material and there would be Starbucks and green mountain and all of these huge companies that are doing a small percentage of fair trade in their entire buying and peace coffee was never among those companies in the literature, and yet we were paying them 10 of thousands of dollars a year and we had no presence in their marketing material. So it then becomes a question for a company like peace coffee that is a 100% fair trade company, 'is it smart for us to continue to pay a lot of money to a program that is essentially marketing our competition'? We're more or less subsidizing the marketing of Starbucks and green mountain, when we are the ones who are doing 100% fair trade. We're the ones who are building the trust among consumers for what fair trade is and then helping to pay for the marketing for these big companies. I feel FT USA maybe they are going to have a great program on the producer end of things but on our end of things, the roasters and the importers to the consumers. We felt that they were definitely giving more value to large brands that weren't fully committed companies and that's a challenge for a small company. Recently in the US, equal exchange they took out a full page ad in Burlington Vermont, which is the closest news paper to green mountain headquarters and equal is encouraging green mountain to leave fairtrade USA. And the idea behind that is if Green Mountain leave fair trade USA that fair trade USA no 1 revenue-generating source would be gone. So it potentially cripples FT USA. I'm not suggesting that the best tactic but I think FT USA made a huge mistake because if you talk to any small scale farmer like you saw in Chiapas, and then we went on to Guatemala and we heard it there, small scale farmers are really disappointed in FT USA and my question to FT USA is how can you make this decision when you have so much opposition from the people that you are supposed to benefitting. Was their voice never part of this decision? What is this decision about? These are the people that we said we've been helping all along and they are obviously opposed to the decision. Where was their voice in this? We say that FT and it's cores is about the producer and the producers have power and a voice and obviously it was missing. So that alone to me is enough to say that fair trade USA made this decision way to hastily and that there must have been other motivations to why they did it and the only thing that I can figure out is that they're opening revenue stream for

themselves. If they include plantations they may have the ability to make more money because there are more certified products out there.

From what I have seen is that the small producer seems to have been put aside within this northern fair trade dispute and that they are a little bit stuck in the middle, and at the same time both movement's are there for them so it's the situation they find themselves in has become absurd... So in this there has been an alternative arising that is CLAC, what are your thoughts of this? Is CLAC a good alternative to northern fair trade institutions?

I do feel that it is a good alternative, I need to look into it more to understand it better. But since it came from the producers as an alternative to what's going on and I think it's worthy of pursuing for a lot of companies in the us and Europe. I think it's going to be.. I think what is happening this last year in fair trade is going to take 5 or 10 years to play out in the field, so I think there is always this lag time. But I think that a small producer certification is relatively new and I am excited and the producers in Chiapas and Guatemala that I have spoken with are really jazzed about it, and they seem to be the ones who say 'hey, check this out this comes from us' and I feel that it is worth investigating by companies in the us. I know a lot of companies are experiencing this certification fatigue so they're not quick to adapt any new strategy; a lot of them are just sitting back this year and watching what unfolds. Because say for e.g. small producer certification it becomes like the leading option out there. There has to be inclusion of African and Asian south pacific producers and I think there is probably a pact to that but I don't feel that another certification should just spring up... It needs to be a really thought out certification. And so far from what I see from the small producers I am personally excited about it and I know that a lot of people that are 100% committed to fair trade are looking at it and considering it and kind of watching to see what is going on. And one of the things that became really clear to me now in Chiapas and Guatemala, and we got into the car in Tuxtla at the airport, so it was the first hour in Chiapas in the car, and we're with Hugo and Ealizar just a short while down the road they ask 'can we bring up a really uncomfortable topic and we're kind of nervous to talk about it', and I'm wondering what do you mean, what are you about to ask me, and they say 'what do you think about fairtrade USA and what is going on'.. And

the fact that this was even presented this way that producers and producer representatives are nervous to talk to buyers about this is just wrong. The producers shouldn't been nervous at all and the same thing happened once we got into Guatemala, they were afraid to talk to us about it, in case of in the event that we supported FT USA, but as soon as we told them that lets have this conversation it's important for us to hear we unleashed this major opposition against it and this is what is wrong, this what has been wrong from the beginning and this is what fair trade needs dismantle; it is that producers are fearful to talk to buyers about things that are important to them because they are afraid that they might loose a buyer or compromise a relationship. This is exactly what fair trade is supposed to change in the way the trading partnership is.. I mean beyond price and beyond everything else farmers are should be able to talk to buyers in a very equal way, in a way that there is no fear and that struck me to my core: there is still so much fear here and the farmers are right, what if we just stop getting FLO certification and we decide to tell fair trade USA that we don't want to participate then all of a sudden we don't have all these certifications and we're gona loose all these buyers and in the short term, they are probably right. But in the long term I'm hoping to see that things are going to change. It's a tough question and FT USA, FLO, or any certification that is out there needs to work on behalf of the small scale marginalized producers. And it's not a welfare program, so it should never subsidize low quality production of coffee... A good system will also look at the consuming end and have some degree of.. it would distinguish between a company that pays their workers well and that doesn't. I don't feel that we can put al this pressure down on the farmers to be good stewards of land and then on our end we're not doing anything to do our companies sustainable.. It has to go from both ends of the supply chain. But right now it is clear that some of our systems are broken and hopefully coming out of that we're gone see improvement...

10.5 Interview: Program Manager for Producer Services at Fairtrade USA

What is Fair Trade USA's definition of fair trade? And what are the main objectives of fair trade according to Fair Trade USA?

This is in our mission statement, so I'll just send it to you: Fair Trade is a market-based approach to alleviating poverty in ways that are socially, environmentally and economically sustainable. On a deeper level, Fair Trade tries to promote and achieve sustainable development and community development by cultivating a more equitable global trade model. So trying to change the model in which trade is done by encouraging transparency, so that it can provide additional benefit to farmers and workers, to increase involvement of consumers in industry and to protect the earth. We achieve our mission by certifying and promoting Fair Trade products. Because fair trade is a market-based approach in every definition of it, it's creating impact through purchasing and selling, so you definitely need to make an approach that works. Consumers have to be motivated to participate or else no matter how organised the producers are there can't be impact, so it has to happen in all points of the supply chain.

Could you develop Transparency a little bit more, is it only on the producer side, or is it through whole supply chain, intermediaries for example?

Basically transparency, the keys there are e.g. when auditing at the producer level that the organisation needs to show whatever organisation it is, an estate or an independent small holder setup, a coop, there always needs to be transparency so producers know how much premium has been paid so that they can democratically vote on that. Part of the audits is that these individual farmers know the final price that their product is being sold for. So the first step in transparency is in between the producer and the coop, or the worker and the farm where they work so it is clear what margins are being made.

Regarding intermediaries I've worked with coops at all different stages of development, so again as I said these coops in Chiapas are very well advanced and they're ideal in many ways, some of them have been around for 30 years. But if I was working with a brand new group of producers I would not suggest that they export in their first year, reason being that if they don't do it exactly right or insurances are not set up and something goes wrong with that container of coffee that's almost 300 000 dollars... So I think intermediaries can provide a positive and necessary service but that's with transparency. The idea isn't that

producers don't have market access and that they don't know the buyers the idea is that all the players can be very clear about this is the service we're providing, this is the price we charge for it.

When you say that the coops in Chiapas are advanced, in what way? Could you precise that?

Their governance is very sophisticated and that they can export for themselves. There are a lot of coops that look good on paper but that do not have the same coop governance that is happening.

So you feel that most coops aren't sufficiently good business wise to be able to export themselves?

I wouldn't say that, I would say that coops around the world are in different phases of development around the world. Me making a general statement about coops would be like making a general statement about businesses. It is not possible and I think for fair trade to be a flexible and impactful tool for development it's good to be able to provide benefit for these different producer organisations that are in different phase of development.

Why did Fair Trade USA decide to split from FLO? What were the main discrepancies?

Our written statement is: There are many voices within the Fair Trade movement, all united by a common mission to alleviate poverty and promote sustainable development. While Fair Trade USA and FLO share the same mission, we have differing perspectives and strategies on how to reach our goals. Ultimately, our membership in FLO became a significant constraint on our efforts to add value to industry and expand impact for more farmers around the world. By leaving FLO, we now have the freedom to innovate and evolve the Fair Trade model with better results for all.

The first thing I tend to say is that I have much more positive things to say about the work of FLO; it is a model that FT USA invested in financially and time efforts over the years. E.g. the standards they have right now is something we applaud and stand behind and quite frankly we've been a very big part of. One of

the biggest reasons why we needed to leave is that our membership fees to FLO they jumped from 16% of our revenue to 23% of our revenue just between 2009 and 2010. With very little notice... so our revenue increase each year, like the amount of FT that is being sold in the us has grown each year and so FT USA we make our revenues by auditing rosters and importers here in the us, in coffee and other brands and products. By auditing them and allowing them to use our FT label, that's the same model that labelling initiatives around the world can implement as a way to fundraise. So even though our actual number of revenue grew every year the percentage of how much we were paying to be a part of FLO also grew dramatically every year. We paid 1,5 million dollars to FLO in 2010, and that is not sustainable. It is just a very large amount of money and I think they provide a lot of excellent services for many allies in Europe, because the marketing can be more streamlined, there's geographical proximity. But we had to duplicate many of their key services here in the US. Some of the marketing approaches are culturally different so different marketing campaigns needs to be designed to resonate more with the consumers here in the US. As well as our supply chains are different so... Europe source a lot of vegetables from Africa for example here almost everything comes from Mexico so, we didn't have the same priorities on which area we should focus to develop new standards.. All things that, it was ok to duplicate those services but to duplicate and then pay a 1/4 of our total revenues just weren't a sustainable model financially.

May I juts ask, I didn't know that you had to pay a fee also, so in FLO you have...

The different labelling initiatives excited before FLO and these made an effort to streamline and created FLO. So the umbrella organisation was created by the labelling initiatives..

But I don't understand since it was created by these labelling initiatives like FT USA why do have to pay a fee to FLO?

That's where their operating money come from because the labelling initiatives in all countries who provide services to their business partners, they pay FLO so that FLO can operate.

But aren't the producers paying directly to FLO also, for the certification fees?

They pay FLO-cert which a separate entity from FLO...

OK, so what does FLO need their revenue for then if it is not for the auditing?

Awareness rising or...?

They do marketing campaigns... But I'd rather prefer to focus on FT USA, since I cannot give you all the accurate info on FLO. As I said before I have more positive things to say about FLO, they provide many good and valuable services, just that for us it was costing way too much and that doesn't even include producer certification so... Something that is very exciting for us in this next phase is that we now have a little less than 2 million dollars additional each year to invest in direct producer projects, to invest in some of our own marketing and evaluation. ... So in summary, we have a shared mission just different approaches. And the decision to leave was in negotiation for a period of 5 years, it wasn't a over a night decisions.

What will be the major changes for producers, distributors and consumers? (e.g. in regard to certification procedures, costs etc.)

For the producers very little will change, we will continue to accept Flo certifications, producers do not need to obtain two certifications, which is very important to us to not create an additional burden to producers.

And for how long will this be for?

The example that I compare to a lot when I talk to producers is that you have an organic certification, in many countries there are multiple certifiers that can provide organic certification, so there is Certimex and the producer group owns that organic certification, they can sell to any country that acknowledges those organic standards and producers own the FLO certification, they have put in the work, they meet all these requirements, and that's their stamp of approval that their a democratic organization, that they meet all the rigorous requirements of certification. So with that certification, importers and rosters that are certified by FT USA we will accept that certification. So very similar to organic...

Retailers, distributors and consumers – the more inclusive model that FT USA is working towards allows more businesses to participate in fair trade. And certification procedures will remain the same, so farmers and workers still must meet very rigorous fair trade standards, and this is the same in coops and in some of the set ups we're piloting for independent workers. So some of the FT premiums are the same across all of the scenarios, so we're not suggesting that anyone should get paid less and that there should be less premium...

Are you considering to have another premium structure...? Give more premiums now that you have more money?

So one thing that has been very unfortunate that we've heard from a lot of producer groups is that when the FT premium increased from 10 to 10 cents, that would be ideal if buyers just decided to pay 10 cents more for coffee. Unfortunately because of margins and being competitive many of them lowered the base price, so individual producers actually got less money and the coop org itself gets more money.. it didn't have a universally positive effects the first time. I think this is something that we would work towards but sometimes this ideal to let just make FT premium 50 cents it cuts into margins on other places and quite frankly we saw less money paid for the coffee itself with more money going into premium and I think producer leaders are still in favour of that because it supports the work of the producer org, but we have to look at how much money is going towards these individual producers as well..

We're not promoting an increase in the FT premium right now, but we are staying consistent with FLO and across all of our work with coops as well as the small member of workers on farms and the independent smallholders that we're piloting with., we're keeping the standards consistent...

But will you also certify directly?

Something that we have always wanted is that producer groups to have more options. I don't think that it is a good thing that for people that want to participate in fair trade only have one organization by which to be certified. It doesn't create... Well generally, if there is only one service provider they can

provide the customer service they chose and the price they want and everybody who want's to participate they have to accept that. So we want producer groups to chose the certifier that is right for them and we are partnering with scientific certification systems, they do a lot of organic certification, they do café practices certification, they have a whole list...they have a lot of experience in certifications and we will continue to accept FLO certification, that's the no 1 things, but if a producer group choses or look at costs or they say ok, scientific certification systems already does my audit for café practices and we work well them, if they choose they can also be audited by scientific cert systems. For small producer org those standards will be identical to FLO-cert which we feel fine about because we invested a lot in the creation of those standards and then they will also help us with certification for independent small holders that are not yet organized into a coop and for certification for farm workers...

What will be the consequences on the producer? If they want to sell a fairly traded certified product on the US market will FLO certifications still be recognized?

Absolutely yes. For the producers we trying to minimize change we will continue to accept all FLO-cert certificates we know the system we trust the system...

Why does Fair Trade USA want to certify large estates? What will these be certified for? Is it the estate organization as a whole that will be certified or its products?

I'm going to read a written answer and develop it a little more:

For many years different stakeholders have rightfully criticized the fair trade system for inconsistencies and how fair trade principles have been applied, for example under the FLO system coffee, cacao, and sugar, fair trade have been limited to coops. However in India the independent small holder farmers can be certified for rice, banana, tea, flowers, farm workers on large estates can be fair trade certified. So the FLO-system is not exclusively for small holders and coops and fair trade USA is pro estate, the inconsistencies have been hard for us because... We just think why should banana workers be able to benefit and we have amazing examples of workers benefitting.. And we would really like to see

that benefit for producers in other products as well. So FT USA is working towards eliminating these inconsistencies to empower additional observing workers and farmers to participate and benefit from fair trade. So we're very proud of what has been accomplished today... the need is much greater. Just to give you an idea, less than 5% of coffee imports into the US are FT certified. We've accomplished a lot but fair trade is still very much a niche. And we see a lot of potential to grow consumer awareness and grow demand and grow impact. We want to reach more producers more workers more farmers, we want to do a lot more. That is why we are conducting a series of polite programs to test the feasibility of extending fair trade benefits to far more framers and workers. How we did this was that we took standards that where developed by the international fair trade system for products like banana flowers and tea, so the existing FT standards on farms and applying them first to workers in coffee. So how it works is that on an estate there are rigorous work safety... the wages that workers need to be paid, the breaks that are... first over all criteria on overall rigorous criteria on the working conditions that workers must have. And then secondly there are environmental criteria as well, but the real empowerment through FT is that FT premium is also paid, for coffee 20 cents per pounds. And the workers form a premium committee, these workers they vote they elect which one of their fellow workers they want to participate on this committee and they democratically decide how to use the FT premium. Ft premium does not go for quality because it's different than if a small hold farmer invest in quality their investing in an additional income for themselves. The workers on farms, that's a democratic decision, but we've seen examples of investing in having an eye doctor, childcare services. I met some flower workers in Ecuador recently and the workers together, not everyone can be in a coop because not everybody can own land, so these workers had been receiving FT premiums for years and actually use the premium to buy a piece of land in town near the farm and started a garden near the farm for both self consumption and also to sell for additional income, so we've seen amazing premium stories around. People improving their housing their access to health care, building schools in the community. We've seen innovative use of the premium also for immigrant workers, the committee dividing the premium half goes to projects near the farm where the permanent workers are and half, like the case in Mexico, is sent down

to the south of Mexico where the migrant workers come from. so we've seen some really great examples of premium use by workers on farms. And also the organizational empowerment piece is very important as well, the ability to decide how to best use the fair trade premium to vote on it to organize...

And this premium, who is allowed access to it? Is the estate owner in charge of that? How will FT USA control that the money goes where it should?

Yes well the audit is very rigorous; similar to the auditing system your aware of FT USA has transactional data for every fair trade purchase that comes from these farms. So the auditor that goes there looks at their banking records, FT USA, we audit our partners to ensure that they paid the premium in the first place so we understand how many sales and how much money is going in. and then on farm records they see the bank records, there needs to be proof that the fair trade committee met so there has to be an attendants list showing that these committee members that were elected that they actually were present, that they had a meeting to decide how these funds should be used. And receipts need to be shown for the premium projects, similar to what the coops need to show, but if you say I've built a school with this money we need to see receipts for the construction, we need to see that it adds up. They need to be able to pass an onsite yearly audit showing the use of their premium money.. In addition a lot of it is training, so a lot of the pilots that is starting we're also doing a lot of training for the farm workers. Because the more people on the farm that understands how it's supposed to work, that they are the owners of the premium, the more accountability you have. If only a half full of people at the top understands how it's supposed to work it is very vulnerable to fraud in any set up, weather it's a coop or an estate. So really doing proper training is the key.

Many mean that the Fairtrade label is a small producer label: wouldn't it be better creating another label for the large estates based on CSR recognition rather than using the existent label at the risk of undermining the small producer's diversification possibilities?

The reason why we're piloting expanding FT certifications is because we think it is possible to do this and create additional benefits for everyone. The reason why we are piloting it with a number of isolated cases and rolling out this opportunity

very slowly, is that we... it is not a success for FT USA if we flip a supply chain. We have all the transactional data; we know where every single container of coffee that our partners are buying on fair trade terms comes from. Right now it's less than 5 containers from a coffee estates we're experimenting with this are importing small number. Success for us is not the benefit of one group but the cost of another.

We work with a lot of big companies that for the quality profile they offer they use a mix of coffee from estates and from coops. The very first FT certified estate through our piloting program in Brazil, the coffee from that farm is going into a blend with coffee from coops that are FT certified. So both actors are now getting premiums. We think that if fair trade can work and divers supplying options than more and more big companies are going to feel comfortable enough flipping their supply chains to fair trade. And that includes, coops play a huge part in this supply. The second thing is that we've fundraised over 10 million dollars over the past 2 years for direct capacity building programs with coops. So that's one of the reason why we were in Chiapas to do a 3 year project there to help them become more competitive, to improve... we want to invest in these coops to be efficient business that serve their members and that quite frankly I see a lot of excellent coops that... I am very confident in their ability to continue be excellent providers to our partners. The second thing I've tried to explain to the coops is that when consumers in the us, when they see FT they don't say oh if it's a banana that can be from a worker oh, if its rice it can be from an independent small holder, oh but if its coffee then it's from a coop.. The typical consumer here doesn't even have a fraction of that deeper understanding of ft. they say ok I see it's FT certified I know what that means, more money goes to the people that work the hardest, I want to put this in my cart. I don't see it as a... It's not as if the consumer used to think that it meant this but now it mean this...

So in the US you don't see fair trade label as a small producer label...? I think here fair trade is more linked to small-scale production...

Do consumers in Europe know that products like bananas and tea that products sold with the fair trade label do come from estates?

No, I don't know... but just as a general idea regarding the label, from the reactions from what I have seen here is that it is more of a small producer label...

I know many of the groups I've spoken to Mexico would prefer a fair trade where there are no transnational participating, they prefer stricter rules, but at the same time I know that many producers groups that have very forward thinking politics still benefit from sales to large companies. So producer groups that are, that really identify with the origin of fair trade you know small, and land rights movements and producer groups that represent every single one of those very positive things, they still benefit from sales to big companies. Starbucks is the second biggest fair trade buyer in the world and they are creating an amazing amount of positive impact and I know that there are people in the fair trade movement that say that they are big transnational and that they shouldn't be included. Our goal here is that we want to double impact doubling fair trade imports here to the united states. We want coops to be a big part of that supplying that product; we don't want to exclude big companies with the potential to purchase a lot of product that is sourced very responsibly... I know that there are different opinions on that in the fair trade movement but our goal is to make fair trade so that it can benefit workers on farms that it can benefit small producers that either don't have access to a coop or maybe the coop in the region... The political or cultural context is very different from country to country, the tools of the government in many countries; they're not always as positive and amazing as those in Chiapas. I'm just saying that FT USA doesn't think that the best model has to be all around the world for every product, this one model that works excellent in some context... So we really want to focus on driving impact and we're trying to be rigid enough to guarantee the benefit. To be flexible enough and to see that maybe in this particular context the producers choose not to form a legal coop or producer association...

What I don't understand is why the big estate would need a fair trade label because either way these are supposed to follow the international norms we have on labour rights and all what fair trade tries to accomplish.. Why would they need label to the fact that they follow the law... or will they do something more? Why do they need the label?

Well the fair trade premium that will go to the farm workers is the biggest benefit of it. People pay additional money for FT certified coffee by paying a FT premium, 100% of that premium goes to farm workers, it's not for advertising for the estate, it's not for quality improvements, it's for projects that are democratically decided by these workers. There are many criteria in fair trade certification that are part of laws, like child labour. You could say that the local government should take care of that but it's important that that's part of fair trade certification. Wouldn't it be great if international laws were enforced everywhere? ... The reason why private certification exists is because consumers want a third party verifying these things. I think it's important to understand that everybody is not a land owner, but that these workers can use that premium to.. I will send you a few examples. They can invest in their own businesses they can improve their housing, they're community members in the same community as a lot of these small hold producers live in, that are part of coops live in. and they don't have the opportunity to be apart of that coop because they don't won land.. The story that we hear a lot is that someone father will own a piece of land then he has 5 kids, and those 5 kids cannot live of that piece of land. Just recognizing that workers needs are different and they pay a very important role in agriculture and I think that FT can provide benefit to them..

What is Fair Trade USA's reaction to the global condemnation of their decision? E.g. that Fair Trade USA seeks to maximize sales volumes rather than the impact on producers.

I'm gona send a link, it's a public letter of support, and with over a 100 signatures of support from farmers, farmworkers union, business partners, and coops... We work with over 700 business partners; we've added 65 new partners, 10% of which is Canadian since the beginning of 2012. That's post publicly stating our goal of expanding fair trade. There are many partners who want to work with us, there are a lot of companies that are excited abut the opportunity to work with us.

Global condemnation might be a little bit strong because we have a lot of support from a lot of places. I work only with cooperatives and I understand that they are afraid of loosing their market share so what we emphasize over an over

again is that it is a test, we have the data to track our success and we have transactional data for us FT imports, success for us is not benefitting workers instead of coops. So we understand why it's controversial but most coops I talk to, say that they don't want to lose their market opportunities but they're not necessarily against a worker being able to benefit. So I think right now a lot of the critic comes from fear and that's totally understandable but I think is we are able to continue... our goal is to double FT imports by 2015, if we're able to grow coops sales of FT coffee to the us market in addition to begin to benefit workers I think people will be able to support that if it turns out that coops sales become stagnant or decrease, that FT USA has to readdress our approach you know. We've been very clear to the coops about that, we're not promoting a FT that coops are not involved in...

Do they fear that the choice of certifying large estates might make them lose the small producers? Do Fair Trade USA see new labels like CLAC as a threat?

I had this conversation in Chiapas and I said right now there is coffee out there that is triple certified, rain forest, fair trade and organic. I don't think the solution is having 20 certifications but I would be more than happy to buy a coffee that was FT CLAC organic. I don't view it as a threat, because the goal of the FT movement... the certifications I believe are a 100% similar except... and the CLAC the volume the coffee that could come from... under FT certification terms from FLO, 50% of their coffee can already come from a large estate. And under the CLAC label, my understanding is that the only difference is that that percentage is lower. I would very much like to see them as complimentary and because the goal of fair trade is empowerment and additional revenue to workers and farmers, and if they can achieve that in ways that haven't been done so far I applaud them and I don't have anything negative to say about it... I don't think their label can work for everyone as a mentioned to.. I would like to be able to be able to benefit, but I agree with the benefits it brings to small producers and I see this complementary because I see workers and producers that can't participate in the CLAC label that FT could provide benefit to...

What does Fair Trade USA think about the development of fair trade as a niche market within the neoliberal market, rather than an alternative market?

So FT USA sees FT as a way to transform the market from within. So basically saying, companies are driven by their consumers, so if I want a company to source more organic products I would only buy that company's organic products.. I think consumer decisions are what drive company decisions because if consumers don't buy their products then they don't make any money. People demanding fair trade, demanding better treatment of workers, better benefit of workers, empowerment of workers, people demanding democratic producer organizations, that's how supply chains can be changed...

So you believe it's more in the hands of consumers, that if they continue to consume FT more enterprises will engage in FT and that eventually will be the only thing that consumers would like to have?

Absolutely, I know our CEO that says 'small is not beautiful', because something's that are absolutely perfect but it is only benefitting a 100 people, to me that's an example of a beautiful model that we should... I mean the need is so great, so many products are sourced in an unsustainable, unethical way.. The sense of emergency that comes when you see how so many people who work so hard day in and day out are living, we really want to grow fair trade. Grow the number of imports.. That's not to say that people can't.. What I always say is that people within the FT movement, as I talked about best in class coops, that people can always go above standard. But I think a lot of people will benefit, will have the resources they need to maybe make their cooperative even more progressive, FT premium helps coops do that. People can always be better than the standard but when a standard ensures is that people are making enough that's it's sustainable, that the practices are not environmentally destructive, and that they're getting a FT premium to invest in their additional efforts. I think that's where a lot of producer organizations get a lot of momentum from. But some of these groups in Mexico has been benefiting from FT premium for 15 years, and the things they have invested in have been amazing.. They've become fair trade +. And I think FT premiums have been a big part in their ability to do that.

One last question, to get the FT USA label, if they get certified Flo cert to have your label, will they pay you an additional fee then?

So labelling, our has always been different from FLO's, we call it the bucket boy, and now we have a new label, but ultimately it is the roaster and the brand who choose which final label to put on their products. Some producers roast final product and it is their decision on what final label to put on it would depend on what their final client would be asking for. So these FT certified producers are certified by FLO-cert and they can sell to exporters and importers and then the importers are going to chose if they are going to work with Flo or FT USA, and what final label to put on it. Another example is that there are a lot of companies that buy FT certified FT coffee and chose not to label it at all. So the final brand has that decision how it will be marketed to consumers...