

Forging New Consumer/ Producer Links in Fair Trade Coffee Networks

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Introduction

The Fair Trade movement seeks to transform international market relations, forging new consumer/producer links based on trust, equity, and fairness. In the words of the major US Fair Trade organization, “Our vision is nothing less than restructuring the relationship between producer and consumer—the trade inequalities between North and South” (TransFair USA, 2001). Fair Trade networks link consumers in the global North with producers in the South via multi-faceted market and non-market exchanges. The rapid growth of Fair Trade labeled agro-food products suggests provocative possibilities for socially re-linking production, trade, and consumption and challenging the domination of the agro-food system by oligopolistic transnational corporations infamous for their socially and environmentally destructive business practices.

Though the international trade in Fair Trade labeled products is quite young and represents only a minor share of the global market, this trade has grown dramatically in recent years. The world market for Fair Trade products is currently valued at US\$ 400 million, with sales growing at close to 30 percent per year (Fair Trade Federation 2000). There are currently 800 producer organizations in 45 countries of the South producing Fair Trade items, most importantly food commodities like coffee, bananas, cocoa, sugar, honey, tea, and orange juice (EFTA 1998). Coffee, the first labeled commodity, continues to lead the Fair Trade system. Recently established initiatives in North America are making Fair Trade commodities available outside the movement’s European home and fueling their rapid growth. The introduction of Fair Trade labeled coffee in the United States has doubled the world market in just a few years. While the Fair Trade movement’s market success is impressive, I suggest that its true significance lies not in its market share (which will presumably always be relatively small), but in its ability to create progressive new consumer / producer links which span the North South divide.

Alternative Agro-Food Networks: Consumer/Producer Links

Much of the discussion in academic and activist forums regarding alternative agro-food networks engages a commodity system framework. As Buttel (2001) suggests, this approach represents one of the most important strands of current agrarian political economy research. Recent academic literature on alternative agriculture and food pursues, sometimes critically,

discussions of value chains, supply systems, and commodity networks. Fair Trade activists similarly employ commodity system language to describe the evils of the mainstream agro-food system and the benefits of an alternative system which re-links production and consumption. I concur that a commodity system approach provides the best analytical purchase on Fair Trade consumer/producer linkages, though I point out some helpful post-structuralist modifications to this framework.

A commodity system, or commodity chain, approach grows out of the complementary work of Friedland (1984) and Hopkins and Wallerstein (1986) who, from somewhat different vantage points, advocate the analysis of the interconnected processes of raw material production, processing/packaging, shipping, marketing, and consumption embodied in a given commodity. As Gereffi (1994:97) argues, commodity system analysis reveals (1) the interlinking of products and services in a sequence of value-added activities; (2) the organizational and spatial configuration of enterprises forming production and marketing networks; and (3) the power relations determining how resources are allocated along the commodity chain. By focusing on the interactions and power relations within and across the spheres of production, distribution, and consumption, this approach highlights micro-macro connections forged throughout the commodity system. The analytical strength of this approach has been well demonstrated in research on the global movement of agricultural (Bernstein, 1997; Gibbon, 2001; Raynolds, 1994, 2001; Talbot, 1997) and manufactured goods (Dicken, 1998; Gereffi and Korzeniewicz, 1994; Gereffi and Kaplinsky, 2001).. Commodity studies have become too numerous to cite; I note some early, key, and illustrative studies. See Friedland (2001) for a re-consideration of commodity system methodology.

Commodity studies have been particularly revealing in demonstrating the role of transnational corporations in organizing and extracting profits from increasingly global economic networks.

Critiquing what has sometimes been an overly static, deterministic, and undifferentiated view of agro-food systems (Busch and Juska, 1997; Marsden et al., 1996; Goodman and Watts, 1994), recent post-structuralist approaches suggest three important modifications to a political economy commodity approach which can facilitate the analysis of alternative agro-food networks. The first involves an insistence that we balance the historically productionist orientation of commodity system analysis with increased attention to the spheres of distribution and consumption. Despite the commodity system charge to analyze the entire agro-food system, research has typically prioritized the sphere of production. In an important exception, Gereffi (1994) focuses on the distinction between traditional “producer driven” commodity chains, where the concentration of capital and proprietary knowledge in production allows producers to dominate the industry (as in automobiles), with increasingly important “buyer driven” commodity chains, where brand-name distributors dominate the chain via their control over the design process and market access (as in garments). In recognition of the rising importance of distribution in shaping agro-food sectors, Marsden and his colleagues have called for a “political economy of consumption” (Marsden et al., 1996). The integration of a political economy of production and consumption facilitates analysis of the potentially varied social relations embedded within divergent agro-food systems and helps realize the analytical promise of a commodity system approach.

In a related development, the renewed attention to consumption points to the need to give greater weight to the social construction of meanings and values across the commodity system. The Wageningen School emphasizes the divergent values embedded in particular farming practices (Long, 1997). Fine (1994) explores the material culture surrounding commodities and food provisioning systems. Developing these ideas further, a number of scholars demonstrate how “value” and “quality” are socially constructed throughout agro-food networks and how these discursive constructions and their material manifestations have become increasingly salient to “post-modern” consumers (Arce and Marsden, 1993; Ilbery and Kneafsey, 1999; Murdoch, Marsden, and Banks, 2000; Sylvander, 1995). From this perspective, alternative agro-food networks can be seen as challenging the value claims of conventional agro-industrial systems and creating production and consumption systems rooted in alternative values (Murdoch and Miele 1999; Morgan and Murdoch 2000; Renard 1999). Some authors have pursued convention theory to analyze how particular values are reflected in the rules, norms, and conventions of alternative agro-food systems, distinguishing these networks from mainstream agro-industry (Marsden, Banks, and Bristow, 2000; Wilkinson, 2000). A key issue for analysis is how specific values are constructed, contested, and regulated across commodity systems.

The third post-structural modification I integrate into a commodity system analysis, acknowledges the range of multi-scale actors who may be involved in ideologically and materially constructing and maintaining particular agro-food systems. Though the relevant actors are open to investigation in a commodity system approach, as Busch and Juska (1997) suggest, most research focuses on large corporate and state actors. Social movements and less well organized actions by consumers and producers have been critical in forging alternative agro-food networks (Campbell and Liepens, 2001; DuPuis, 2000). Studies which take an actor network approach make two important contributions, highlighting (1) the importance of nature and range of actors engaged in potentially diverse agro-food systems and (2) the role of multi-directional exchanges of discursive and material resources in maintaining agro-food networks (Goodman 2000; Lockie and Kitto 2000; Whatmore and Thorne 1997).. As Buttel (2001), Friedland (2001), and Marsden (2000) argue, actor network approaches may be most useful in their methodological insights and least useful in regards to (1) assumptions that non-humans act on a par with humans in maintaining agro-food networks and (2) the agnostic focus on network maintenance which understates differential power relations and ongoing struggles to transform agro-food networks.

These insights are compatible with political economy perspectives which conceptualize production, distribution, and consumption as sites of ideological and material contestation between actors who together construct, maintain, and potentially transform agro-food networks of varied scope and scale.

Despite the important contributions made by these new approaches to agro-food studies, I find the recent turn toward ethnographic-localism potentially more problematic. The importance of grounded local level analysis and ethnographic methodologies to agro-food studies is clear (Wells, 1998). What is problematic is when micro-level commitments overshadow the need for more macro-level research and the analysis of global-local linkages. Most research on

alternative agro-food systems focuses on micro activities in privileged world regions...See for example the 2001 special issue of *Sociologia Ruralis* (vol 41, 1).

Too often researchers extol “local” food systems producing minor food products for affluent consumers, ignoring the local, national, and global inequalities which make these systems possible. As Hinrichs (2000:301) argues, this strategy is theoretically flawed since it equates producer/consumer proximity to producer/consumer justice, thus conflating spacial and social relations. Politically, interest in food localism often gets translated into what I would call “food nationalism,” as for example in Nygard and Storstad’s (1998) uncritical recounting of how Norwegian consumers, producers, and government officials use food safety concerns to support domestic organic production and thwart food imports.

Activists and scholars often argue that alternative agro-food systems “shorten” the distance between consumers and producers, where the fundamental issue is one of social distance, which does not necessarily correlate with spatial distance. Short agro-food networks are seen as engender tighter social relationships between producers and consumers than one finds in conventional agro-industrial networks where relationships are based on abstract market prices. These alternative producer / consumer links involve alternative norms, values, conventions, and constructions of quality (Thevenot, 1998). Marsden, Banks, and Bristow (2000:425) suggest:

With a SFSC (short food supply chain) it is not the number of times a product is handled or the distance over which it is ultimately transported which is necessarily critical, but the fact that the product reaches the consumer embedded with information...It is this which enables the consumer to confidently make connections and associations with the place/space of production and, potentially, the values of the people involved and the production methods employed.

These authors find that face to face and spatially proximate systems are easier to construct and maintain than alternative agro-food systems based on spatially extended relations. Yet this is precisely the challenge taken on by Fair Trade networks which seek to span the huge social and spatial distances between consumers in the global North and producers in countries of the South. According to the European Fair Trade Association (1998:23), “Fair Trade “humanizes” the trade process—making the producer-consumer chain as short as possible so that consumers become aware of the culture, identity, and conditions in which producers live.” The major US organization suggests that Fair Trade “connects producers and consumers in more equitable, more meaningful, and more sustainable ways” (TransFair USA, 2001).

To facilitate an analysis of alternative agro-food systems it is useful to adopt an alternative schematic view of these systems. Agro-food chains are typically depicted in linear form with producers and consumers at opposite ends of the chain, but it may be more helpful to consider these systems as broken circles, where the distance between producers and consumers is potentially quite close (see figure 1). Using this alternative diagram we can consider how alternative agro-food systems like Fair Trade draw consumers and producers together via systems of shared understanding and trust, despite the fact that the products being exchanged are handled by a number of intermediaries and traverse substantial geographic distances.

Figure 1: Divergent schematic views of agro-food systems

Conventional agro-food system:

Producer----->Processor/shipper----->Distributor----->Retailer----->Consumer

Alternative agro-food system:

Producer

Consumer

Processor
/shipper

Retailer

Distributor

Fair Trade Coffee Networks

The Fair Trade movement has grown out of a variety of European initiatives seeking to alleviate poverty in the global South through a strategy of “trade not aid.” In the words of one of the founding Fair Trade groups, their goal is to “change international commercial relations in such a way that disadvantaged producers can increase their control over their own future, have a fair and just return for their work, continuity of income and decent working and living conditions through sustainable development” (Fairtrade Foundation 2000a). Fair Trade items were initially sold only in specialty shops run by church and development agency sponsored alternative trade organizations. But beginning in 1989, three Fair Trade labels—Max Havelaar, Fairtrade Mark, and TransFair—were introduced in different parts of Europe, facilitating the entry of fairly traded products into conventional retail outlets. Extending the spread of market coverage, TransFair affiliates have recently been established in the United States, Canada, and Japan. These Fair Trade groups have harmonized their activities under the umbrella group, the Fairtrade Labelling Organizations International (FLO), which now represents members in 17 countries.

Sales of Fair Trade labeled products are currently valued at 400 million dollars per year and are growing at 30 percent a year (Fair Trade Federation 2000) {get updated # 520 million in 2000?}. Europe remains the hub of the Fair Trade market with sales of 260 million Euros in 2000 {check exchange rate, about 460 million US?}(EFTA, 2001:14). Fair Trade products are sold in 2,700 specialty outlets and 43,000 supermarkets in 18 European countries. Food items such as coffee, bananas, cocoa, tea, sugar, honey, and orange juice account for 81 percent of Fair Trade sales in Europe, the remainder is comprised of handicrafts (EFTA, 2001:14). Though the US Fair Trade market is less well developed than the European market, it is expanding much more rapidly. TransFair labeled products were introduced in the United States in 1999 and there are currently only two certified food products available: coffee and tea (TransFair USA, 2001). Alternative trade organizations sell fairly traded handicrafts in the United States, but as in Europe the growth potential is clearly in the food sector and TransFair plans to introduce other labeled food items in the near future.

TransFair and other Fair Trade labeling organizations are not directly involved in commodity production or trade. Instead they seek to promote the market for Fair Trade products and uphold the procedures and standards established by the FLO umbrella group. Unlike other certification schemes, like the eco-labeling of organic food and sustainable forest products, which focus strictly on conditions at the point of production, Fair Trade’s certification criteria covers both trade and production conditions. FLO has established detailed standards for its seven certified commodities based on set of common principles. Coffee importers using Fair Trade labels must uphold the following standards: (1) Purchases must be made directly from grower organizations using purchasing agreements which extend beyond one harvest cycle. (2) Importers must guarantee the FLO minimum price (US\$ 1.26 per pound for arabic coffee) and pay a premium (US\$.05 per pound) above world market prices should they rise above the FLO minimum. Certified organic coffee must get a further premium (US\$.15 per pound). (3) Importers must offer pre-financing equal to 60 percent of the contract value upon request. To be included on FLO’s approved registry of growers permitted to supply Fair Trade coffee, producers must also uphold a set of standards: (1) Producers must be small family based

growers. (2) Producers must be organized into politically-independent democratic associations. (3) Producers must pursue ecological goals conserving natural resources and limiting chemical input use. FLO monitors both traders and producer associations to insure that these conditions are upheld. Unlike most certification initiatives, the costs of annual monitoring and certification are paid by Northern importers, not by producers (Raynolds, 2000).

Coffee has formed the core of Fair Trade initiatives in Europe and North America and remains the most widely available labeled commodity. In most countries, Fair Trade and organic consumption have grown in tandem and 28 percent of the world's Fair Trade coffee is also certified organic (TransFair Canada, 2001). In 2000 European countries imported 27 million pounds of Fair Trade coffee valued at over 300 million dollars (MaxHavelaar Belgium, 2001; TransFair USA, 2001). Fair Trade coffee is sold in over 35,000 supermarkets and is served in many corporate headquarters and universities as well as municipal, national, and European Union government offices. Fair Trade coffee holds an average of 1.2 percent of European national markets and has captured roughly three percent of the market in Luxemburg, Switzerland, and the Netherlands (EFTA, 2001). As noted in Table 1, in 2000 the Netherlands and Germany were the world's largest Fair Trade coffee importers, with imports of 6.8 million pounds apiece. Fair Trade coffee sales have leveled off in much of Europe where long running campaigns have successfully acquired a sizable market presence; but markets continue to grow rapidly in countries like Norway and France where it has only recently been introduced.

Table 1: Major Importers and Exporters of Fair Trade Coffee in 2000*

Major Importers

Major Exporters

Netherlands (6,800,000 lbs)

Mexico (7,300,000 lbs)

Germany (6,800,000 lbs)

Peru (4,200,000 lbs)

United States (4,300,000 lbs)

Colombia (3,400,000 lbs)

Switzerland (3,000,000 lbs)

Guatemala (2,800,000 lbs)

United Kingdom (2,900,000 lbs)

Nicaragua (2,500,000 lbs)

Denmark (1,600,000 lbs)

Tanzania (2,200,000 lbs)

World Total (31,000,000 lbs)**

World Total (31,000,000 lbs)**

* These data only include coffee labeled by FLO affiliates.

**World totals include coffee not listed here.

Sources: MaxHavelaar Belgium, 2001; TransFair USA, 2001.

Recently established Fair Trade coffee initiatives in North America are causing the largest growth in the world market. The introduction of Fair Trade labeled coffee in the United States—the world’s largest coffee market—has doubled the world market in just a few years. The volume of coffee certified by TransFair USA increased from 2 to 4.3 million pounds between 1999 and 2000 (TransFair USA, 2001). The United States is projected to become the world’s largest importer of Fair Trade coffee by 2001, with imports of 7-9 million pounds (Rice quoted in McMahon, 2001). Though Fair Trade coffee holds less than one percent of the US market {check #}, this share is likely to rise as labeled coffee becomes more readily available. Rising demand for Fair Trade coffee in the United States is linked to the increased consumption of organic, shade grown, and other specialty coffees and fully 80 percent of the Fair Trade coffee sold is also certified organic (TransFair USA, 2001). Currently 97 US roasters and importers have some or all of their coffee certified by TransFair, including Fair Trade pioneers like Equal Exchange and specialty coffee companies like Starbucks, Peet’s, and Green Mountain Coffee. Fair Trade coffee is sold in 7,000 retail outlets: in natural food chains like Wild Oats, in conventional supermarket chains like ShopRite, in coffee house chains like Starbucks, and even in some ExxonMobile convenience stores (Conroy, 2001; TransFair USA, 2001). Though few institutions in the United States now serve it, a number of restaurants, universities, businesses, and government offices are planning to introduce Fair Trade coffee (Conroy, 2001).

Fair Trade certified coffee is exported by 21 countries in Latin America, Africa, and Asia. There are 300 coffee grower associations on the FLO register, representing 550,000 small-scale growers. According to one estimate this represents 30 percent of the world’s small-scale coffee producers (Conroy, 2001:10). Coffee associations on the FLO register sell only a portion of their harvests via Fair Trade channels, with typically over half of their coffee going to conventional markets (Rice and McLean, 1999:58). Fair Trade coffee production is highly concentrated in Latin America and the Caribbean. The region’s 181 FLO registered producer associations are located in 14 countries and together exported over 80 percent of the world’s Fair Trade coffee in 2000 (MaxHavelaar Belgium, 2001). As can be seen in Table 1, Mexico is by far the largest supplier, followed by Peru and Colombia (with 7.3, 4.2, and 3.4 million pounds of annual exports respectively).

The Role of Labels in Linking Producers and Consumers

Labeling has played a critical role in the expansion of Fair Trade markets in Europe and more recently in the United States. Alternative trade organizations, run by churches and development organizations, have for decades sold fairly traded crafts and other items to socially responsible consumers who frequent their stores, catalogues, and now their websites. Fair Trade labeling initiatives have arisen to make products available to a larger number of consumers and permit expansion into regularly purchased food items. According to FLO (2001), labeling has been essential “to get Fairtrade into the supermarket where most people do their shopping.” Articulating the rationale for labeling in coffee, TransFair USA (2001) argues, TransFair’s strategic premise, based on the European experience, is that if fair trade coffee is made more accessible to consumers, a significant number will buy it...TransFair’s central

objective is therefore to boost total sales and market share for fair trade coffee by penetrating mainstream industry and distribution channels.

The movement of Fair Trade items from specialty outlets to mainstream retail venues has heightened the importance of labels in forging connections between consumers and producers. Where alternative trade organizations explain their social justice vision and tell the stories of the producers they support through extensive narrative and visual exchanges directly with dedicated consumers, this task is increasingly being performed by Fair Trade labels which appear on commodities distributed in mainstream outlets. Fair Trade labels differentiate otherwise similar products in impersonal markets: conveying information about Fair Trade certification criteria and encouraging consumers to make socially aware purchasing decisions. According to FLO (2001) “The Fairtrade consumer label provides a powerful and positive link between the consumer and producer...it helps consumers understand, and take responsibility for, the role they play when buying products from the third world.”

Fair Trade labeling taps the recent rise in “ethical consumption,” where consumers purchase items which they think have positive, or at least less negative, social implications. Ethical consumption is widespread in Europe and social labels are increasingly being used to inform consumers that basic human rights have been maintained in international supply chains (EFTA, 1995:21; Zadek et al.1998). Market surveys in 11 countries find that on average, about a third of European consumers are aware of Fair Trade labels (EFTA, 2001; 71-3). In the United States, 74 percent of consumers agree that we have a moral obligation to try to ensure that workers in other countries who make products we use do not work in harsh or unsafe conditions (Program on International Policy Attitudes, 1999 cited in Gereffi, Garcia-Johnson, and Sasser, 2001). Seventy-eight percent of US consumers say they would buy a product that is associated with a cause about which they care and 54 percent would be willing to pay more for such a product (TransFair USA, 2001). Fair Trade labels address these ethical issues, assuage consumers’ concerns by asserting, as the Fairtrade Mark sticker reads, that buying these products “Guarantees a better deal for Third World producers.”

The growth of Fair Trade labeling in food products is also entwined with the burgeoning interest in “green consumption,” where consumers choose products which they believe are less harmful to themselves and the environment. Consumer trust in the mainstream food sector has been shattered in recent years by findings of high levels of chemical residues, the proliferation of pharmaceuticals like Bgh in milk and GMOs in grains, and outbreaks of ‘mad cow’ disease and E. Coli contamination. Fair Trade labels strive to reestablish consumer trust in the origins and content of their food, attesting that items have been produced outside the corporate agro-industrial system responsible for heightening the health and ecological risks associated with our food supplies. Many Fair Trade labeled food products are also organic, linking the growth of Fair Trade to the global boom in certified organic markets (FAO 1999a; Raynolds 2000a).

Fair Trade labels strive to re-insert social meaning into otherwise abstract commodities, speaking to consumers about issues of authenticity, quality, and naturalness. Recalling the words of the European Fair Trade Association (1998:23) quoted earlier, Fair Trade labels “humanize” the trade process, ‘making the producer-consumer chain as short as possible so that consumers become aware of the culture, identity, and conditions in which producers live.’ Fair Trade labels

actually go beyond embedding information into products, equally, if not more importantly, they “function as a ‘mirror’ for the consumer in securing the benefits of self-expression and positive social identity” (Zadek et al., 1998). As marketers argue, successful labeling and branding imbues products with positive “lifestyle” qualities, transforming their consumption into a self-affirming “experience”(Klein, 2000). Since food consumption patterns are central in shaping and maintaining our social identity, the potential power of labeling in this sector is tremendous as is clearly evidence in the promotion of organic foods. In itemizing the benefits it’s labeled coffee delivers to consumers, TransFair USA (2001) goes beyond issues of product quality and availability to assert that it provides “personal relationships with farmers (through images, publicity, educational materials), trust and security in socially-responsible value claims” and the elusive life-affirming “feel good factor.”

Like other voluntary labeling systems, Fair Trade initiatives work through market channels to reinforce positive social and environmental practices. In this sense Fair Trade is similar to internationally successful eco-labeling initiatives in organic food or environmentally friendly timber products which provide economic rewards to ecologically sensitive businesses (Dudley et al., 1997). Though the World Trade Organization (WTO) identifies concerns over “production and process methods” as being “barriers to free trade,” voluntary labeling is deemed consistent with free market values since it broadens consumer choice. Voluntary labeling schemes are being widely promoted by consumer groups, corporations, governments, and even the World Bank as a way to address social and environmental issues in the international market. Consumers of labeled products grant market shares and typically price premiums to the producers and distributors of labeled items. In the case of Fair Trade, the price premium goes largely to producers, but traders and distributors benefit from increases in market share. Tapping heightened public concern over issues of social responsibility, Fair Trade labeling can build consumer loyalty in competitive markets. As noted by TransFair USA (2001) the benefits of Fair Trade certification for coffee importers, roasters, and retailers include an “enhanced image for brand and company” and the “legitimacy and credibility of social responsibility claims afforded by independent certification.” TransFair’s success in persuading Starbucks and other specialty coffee roasters and distributors to carry Fair Trade labeled coffee speaks to the salience of this message for mainstream corporations.

While heightened consumer brand awareness can be used to enhance corporate market share, it has also provided advocacy groups with a powerful avenue for pressuring companies to uphold social and environmental standards. As has been seen in the apparel and forest products industries, negative campaigning by non-governmental organizations can fuel consumer boycotts and shatter the value of global brands (Conroy, 2001; Gereffi, Garcia-Johnson, and Sasser, 2001; Klein, 2000). Companies which have successfully transformed their commodities into identity affirming experiences are likely to be highly vulnerable to negative publicity which sours the consumption experience. The introduction of Fair Trade labeled coffee by Starbucks, which is lauded in business circles for having created the largest US coffee house chain by turning discriminating coffee consumption into a key dimension of the yuppie lifestyle, is instructive. Starbucks agreed to carry the Fair Trade label only after Global Exchange, a human rights advocacy group, picketed the annual stockholder meeting and threatened mass demonstrations in front of coffee houses in 30 cities. By introducing Fair Trade labeled coffee, Starbucks was able to preserve its socially responsible corporate image, proving the accuracy of TransFair USA’s

(2001) original business plan which noted “reduced pressure from activist groups (reduced damage to the brand image),” as being one of the key benefits it could provide to coffee distributors. The power of advocacy group pressure and the potential of Fair Trade labeling to shield major corporations from negative publicity is being tested again (perhaps more strongly), in Global Exchange’s current campaign against Proctor and Gamble’s Folgers brand, a supplier of low-priced canned coffee, for not offering a Fair Trade labeled product.

The Role of Alternative Trade Networks in Linking Producers and Consumers

While Fair Trade labels are critical in creating alternative marketing and consumption practices, from the production end of the commodity chain it is the alternative trade networks created by Fair Trade which appear the most critical. Fair Trade certification criteria fundamentally alter the nature of market exchanges between producers in the global South and Northern importers. The alternative trade networks established by Fair Trade involve multifaceted non-market exchanges which may be equally important in making historically disadvantageous South North trade if not “fair” at least “fairer.”

Fair Trade certification requires that Northern importers guarantee a minimum price in order to moderate the negative impacts on producers of the frequent collapse in world market prices for Southern commodity exports. FLO (2001) establishes this base price which is considered to be “a price that covers the cost of production” and a “social premium for development purposes.” The importance of this minimum price guarantee for small-scale producers is clearly evident in the highly volatile coffee market. Currently the guaranteed Fair Trade coffee price of US\$ 1.26 per pound is more than double the world market price, which has fallen below US\$.50 per pound as it did in the early 1990s. World coffee prices are notoriously unstable: they have remained below the FLO guaranteed price floor for most of the past decade, but four years ago they climbed briefly to US\$ 3.18 per pound (Lake and Howe, 1999; Contreras and Underhill, 2001). In periods of low prices, the Fair Trade price guarantee has meant the difference between survival and bankruptcy for many small-scale coffee growers. Many Latin American growers without access to Fair Trade markets are currently abandoning their coffee crops, since it costs more than the US\$.38 per pound being paid by local middlemen to harvest the coffee (TransFair USA, 2001). According to a recent estimate, Fair Trade prices are providing Latin American coffee growers an annual income of US\$ 2,000, as compared to the US\$ 500 they would receive selling in mainstream markets (Rice quoted in MacMahon, 2001).

Fair Trade prices move up with the market and are designed to include a premium in periods of high and low world prices. In coffee, importers agree to pay US\$.05 per pound above the world market price when the price rises above the guaranteed minimum. Some of the Fair Trade price premium flows directly to individual producers, the rest is retained by grower associations to be invested in crop quality and infrastructure improvements and community projects such as schools and health services. Asked about the benefits accrued from the Fair Trade price premium, a Peruvian coffee producer reports:

The higher price we get when we sell coffee to Cafedirect means that now our cooperative can afford to pay a doctor who will give treatment to our members. For myself, the price difference

has meant I can afford more food for my family and send my children to school properly equipped with pens and notebooks for the first time. (Fairtrade Foundation, 2001)

The Fair Trade premium provides important material benefits to individual producers, their families, associations, and communities. It also helps strengthen democratic decision-making processes since, according to Fair Trade criteria, producers must be organized into associations in which all members participate in determining the allocation of the social premium.

The requirement that Fair Trade importers pay certification fees and provide producer financing at Northern market interest rates, rather than the higher rates prevalent in the global South, encourages the participation of disadvantaged producers. Low interest loans are critical for poor coffee farmers who traditionally have gone deep into debt to local merchants as they await the annual harvest. The payment of certification fees by buyers is also important, since marginal coffee producers may be excluded from alternative markets—like those for organic or shade-grown coffee—which require that they shoulder high certification costs. According to a Nicaraguan coffee producer, Fair Trade brings both material and non-material benefits:

Before, life was very hard for us, mainly because we could never get a decent price for our coffee. Now we have our own export co-op, and we sell to the Fair Trade market. Fair Trade gives us a fair price and access to credit. It also gives us dignity. We are treated as equals. (TransFair USA, 2001)

Fair Trade certification requires that coffee importers establish long-term purchasing agreements directly with producer groups, thus cutting out the middlemen who in Latin America are called “coyotes” and are notorious for making high interest loans and paying low coffee prices. Direct and long-term market relationships with importers gives producers better and more secure prices and allows them to actively participate in planning for the future. As suggested by the Nicaraguan coffee farmer quoted above, it also helps producers gain a sense of equality in the trading relation. These more equitable trade relationships further Fair Trade’s key goal of setting “an example of partnership in trade through dialogue, transparency, and respect” (FLO, 2001). Fair Trade labels, brochures, and packages frequently discuss how connections between Southern producers and Northern “trade partners” are rooted in norms of “equality” and “trust,” rather than the norms of price competition which guide conventional market interactions. Fair Trade certification deals with the link between producers and importers, yet the normative expectations are seen as extending to incorporate consumers. As TransFair USA (2000) explains:

Fair trade is an innovative concept that connects producers and consumers in more equitable, more meaningful and more sustainable ways. It happens through the development of consumer interest and the creation/cultivation of socially responsible importers. It is both values and market driven.

Fair Trade networks link consumers, producers, and importers via multidirectional and multifaceted exchanges of information as well as exchanges of commodities and money. While consumers use information provided by Fair Trade networks to redevelop trust in the social and

environmental origins of their food, producers draw on these networks to access technical expertise and market information. As the European Fair Trade Association (1995:16) explains: The producer-fair trader relationships usually go beyond just selling and buying, and can include the joint development of new products or product lines, the adaptation of products to European fashions, gaining access to new marketing channels, raising investment or working capital and strengthening or expanding the producer organization.

With the elimination of middlemen who profit from withholding information, Fair Trade coffee producer groups may learn a great deal about market trends, quality specifications, and international prices from Northern importers. A Nicaraguan coffee grower acknowledges this benefit of Fair Trade, reporting: "We have gained a much better knowledge of the international market and of course the price is better" (Fairtrade Foundation, 2001). According to TransFair USA (2001) "Farmers are empowered by what they learn selling through fair trade channels." For coffee growers access to market information can be very important since they sell the majority of their coffee through conventional channels and can use this information in negotiating better prices from coffee buyers. Some coffee producer groups have been able to use the information and resources they gain in working with Fair Trade networks to enter other high return markets like that for organic produce (Nigh, 1997). Though Fair Trade labeling organizations are not development agencies, they facilitate the empowerment of coffee producers in a myriad of ways through their own producer support programs or through collaborative arrangements with development oriented non-governmental organizations.

Conclusions

This paper integrates a re-conceptualization of production consumption relations with an empirical discussion of the Fair Trade movement's efforts to create progressive North / South consumer / producer links. Though not a panacea, the Fair Trade movement suggests provocative new possibilities for socially re-linking production, distribution, and consumption through multi-faceted networks based on trust and solidarity. These transnational networks critique, and create an alternative to, conventional market relations based on price competition. Focusing on the case of Fair Trade labeled coffee this analysis demonstrates how alternative values are embedded throughout the commodity chain. Fair Trade "shortens" the social distance between producers and consumers, despite the fact that the products being exchanged traverse substantial geographic distances.

Fair Trade labeling has played a critical role in expanding markets for alternative commodities and establishing new consumer producer links. Fair Trade labels differentiate items in the market and certify that producers of labeled items are getting a better deal. These labels transform the purchase and consumption of Southern products into a self-affirming experience for socially conscious Northern consumers. As can be seen in the Starbucks case, rising consumer social consciousness may convince mainstream corporations to provide Fair Trade labeled products rather than face brand-threatening negative campaigns by advocacy groups. Yet the ability of certification to create tighter social links between consumers and producers depends greatly on consumer awareness in demanding labeled commodities which

guarantee a true alternative to conventional practices. The threat of corporate-led certification schemes, which maintain conventional business practices repackaged under new labels, is clearly evident in the UK's supermarket driven Ethical Trade Initiative. In this and other cases, Northern consumers' connection with Southern producers will be continuously tested.

From the producers' end of the commodity chain, the alternative trade networks created by Fair Trade appear to provide the greatest possibilities for tightening producer / consumer links. Fair Trade initiatives have created multi-directional and multi-faceted links between Northern consumers and producers in the global South. To the extent to which these alternative networks are based on fairness they ease the distrust Southern producers feel when engaging in international markets in which they have historically been disadvantaged. Fair Trade certification builds greater trust within international market relations by requiring that importers guarantee a floor price, pay a Fair Trade premium, provide credit at reasonable rates, and establish direct long-term purchasing arrangements. The non-market exchanges between producer organizations and Fair Trade groups may be equally important in inserting fairness in North South relations. This is clearly evident in coffee, where Fair Trade registered producers actually sell the majority of their harvest through conventional channels. For Fair Trade to shorten the distance between coffee producers and consumers, alternative networks must enhance the position of producers in conventional market negotiations. Though the importers and labeling organizations which handle the majority of Fair Trade products may not see development assistance as being their central mandate, they must work with others to facilitate the individual and collective empowerment of producers. New producer / consumer links based on fairness can be established across substantial geographical distance, but only if producers and consumers become more equal.

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