

**BREWING DEVELOPMENT THROUGH FAIR TRADE:
POSSIBILITIES AND CONSTRAINTS IN THE COFFEE
INDUSTRY**

by

Erica Stewart
B.A. (hons.), The University of Western Ontario, 2006

PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF ARTS

by Special Arrangements

In the
Faculty of Arts and Social Sciences

In the
School for International Studies

© Erica Stewart 2008

SIMON FRASER UNIVERSITY

Summer 2008

All rights reserved. This work may not be
reproduced in whole or in part, by photocopy
or other means, without permission of the author.

APPROVAL

Name: Erica Stewart

Degree: Master of Arts in International Studies

Title of Research Project: Brewing Development Through Fair Trade:
Possibilities and Constraints in the Coffee Industry

Supervisory Committee:

Chair: Dr. John Harriss
Professor of International Studies

Dr. Stephen Easton
Senior Supervisor
Professor of Economics

Dr. Lenard Cohen
Supervisor
Professor of International Studies

Date Approved: August 7, 2008



SIMON FRASER UNIVERSITY
LIBRARY

Declaration of Partial Copyright Licence

The author, whose copyright is declared on the title page of this work, has granted to Simon Fraser University the right to lend this thesis, project or extended essay to users of the Simon Fraser University Library, and to make partial or single copies only for such users or in response to a request from the library of any other university, or other educational institution, on its own behalf or for one of its users.

The author has further granted permission to Simon Fraser University to keep or make a digital copy for use in its circulating collection (currently available to the public at the "Institutional Repository" link of the SFU Library website <www.lib.sfu.ca> at: <<http://ir.lib.sfu.ca/handle/1892/112>>) and, without changing the content, to translate the thesis/project or extended essays, if technically possible, to any medium or format for the purpose of preservation of the digital work.

The author has further agreed that permission for multiple copying of this work for scholarly purposes may be granted by either the author or the Dean of Graduate Studies.

It is understood that copying or publication of this work for financial gain shall not be allowed without the author's written permission.

Permission for public performance, or limited permission for private scholarly use, of any multimedia materials forming part of this work, may have been granted by the author. This information may be found on the separately catalogued multimedia material and in the signed Partial Copyright Licence.

While licensing SFU to permit the above uses, the author retains copyright in the thesis, project or extended essays, including the right to change the work for subsequent purposes, including editing and publishing the work in whole or in part, and licensing other parties, as the author may desire.

The original Partial Copyright Licence attesting to these terms, and signed by this author, may be found in the original bound copy of this work, retained in the Simon Fraser University Archive.

Simon Fraser University Library
Burnaby, BC, Canada

ABSTRACT

Fair trade is increasingly promoted to consumers as a way to help developing world producers, despite the fact that the effects of the movement have been largely unanalysed. In an effort to determine fair trade's ability to act as a development tool, this paper examines some of the possibilities and constraints of fair trade within the coffee industry. Fair trade offers various benefits including a higher market price, improved access to credit, a social premium for development initiatives, and training for farmers. However, not only are there limits to these very benefits, but also concerns about the size of the fair trade market, the lack of understanding about fair trade, the dangers of commodity production, and the influence of new corporate actors. Overall, the benefits of fair trade proved limited and inconsistent. Fair trade offers some short-term, isolated benefits, but is not a long-term solution to poverty alleviation or development.

Keywords: Fair trade; Coffee; Development; Sustainability

Subject Terms: Coffee industry – Developing countries; Fair trade; Coffee industry – Economic aspects; Sustainable development; International trade

ACKNOWLEDGEMENTS

There are many people I would like to thank not only in the creation of this paper but also for their support throughout the year. First, I would like to thank Dr. Stephen Easton who helped guide me in the making of this paper. Your encouragement and willingness to allow me to explore my own creative and intellectual avenues, all the while providing me with the necessary guidance, has been greatly appreciated.

I offer my sincere gratitude to Dr. John Harriss and the School for International Studies. This opportunity has opened my eyes to the world that we live in and has inspired me to learn more about the complexities, challenges, beauties, and opportunities that lay before us as individuals and as a collective human race. The knowledge that has been bestowed upon me this past year has set me on a path upon which I cannot wait to discover and one that will certainly last a lifetime.

To my fellow colleagues, I am extremely thankful to have had such a supportive and kind group of individuals among whom to share this experience. I wish you all the very best as you move on to other exciting opportunities in your life.

Finally, I must thank my friends and family for their support and encouragement throughout my various academic endeavours. I offer a special thank you to Joshua Smith for sacrificing so much this past year in allowing me to pursue this opportunity. Your understanding, support, and love have helped me more than you realize. I hope that in the future I can do the same for you.

TABLE OF CONTENTS

Approval	ii
Abstract	iii
Acknowledgements	iv
Table of Contents	v
List of Figures and Tables	vii
Glossary	viii
1. Introduction	1
2. A Look into Coffee, Fair Trade, and Development	4
2.1 The History of the Coffee Industry	4
2.2 What is meant by Fair Trade?	9
2.3 How Fair Trade Began	13
2.4 Fair Trade versus Free Trade	17
2.5 What is meant by Sustainable Development?	21
3. Assessing the Possibilities and Constraints of Fair Trade	23
3.1 A Higher Price	23
3.2 Access to Credit	31
3.3 Social Premium	32
3.4 Training, Skills, and Experience	34
3.5 A Full Cup?: The Limits of the Fair Trade Market Size	36
Surplus of Coffee	36
Dual Certification	37
Limited Membership	39
European versus North American Fair Trade	40
Corporate Domination	41
3.6 Understanding Fair Trade	43
Producers	43
Consumers	44
3.7 Dangers of Commodity Production and Fair Trade	46
4. New Marketing Strategies	50
4.1 The Entrance of Larger Corporations	50
4.2 Starbucks	52
4.3 Non-Certified Arrangements	56

5.	Analysis: Should Fair Trade be Promoted for Development?	59
6.	Conclusion	66
	Reference List.....	68

LIST OF FIGURES AND TABLES

Figure 1	New York Futures Prices Annual Averages, 1965-2008.....	5
Figure 2	World Price for Green Coffee.....	6
Figure 3	FTF/IFAT Total Gross Sales in North America by Percent Product Category, 2003.....	15
Figure 4	Arabica Coffee Market 1989-2008: Comparison of Fairtrade and New York Prices.....	29
Figure 5	Robusta Coffee Market 1989-2008: Comparison of Fairtrade and London LIFFE Prices.....	30
Table 1	Estimated Fairtrade Sales Volumes by Product 2006/2007.....	14
Table 2	Estimated Global Coffee Production, 2006	17
Table 3	Households' Coffee Sales and Length of Membership, by Organizational Affiliation, 2003	25

GLOSSARY

ATO	Alternative Trading Organization
C.A.F.E.	Coffee and Farmer Equity
COSA	Committee on Sustainability Assessment
Fairtrade	Represents fair trade products certified under the FLO
Fair trade	Refers to the general fair trade movement and products
FLO	Fairtrade Labelling Organizations International
FTF	Fair Trade Federation
ICA	International Coffee Agreement
ICO	International Coffee Organization
IFAT	International Fair Trade Association
IISD	International Institute for Sustainable Development
lb	Pound
LIFFE	London International Financial Futures and Options Exchange
MT	Metric Tonne

1. INTRODUCTION

The plight of individuals in developing countries has plagued the minds of activist groups, non-governmental organizations, aid agencies, and governments and has been a driving force behind their efforts for years. Unfortunately, efforts to improve their livelihoods and alleviate poverty have many times been met with challenges and disappointment. History and experience have taught us that there is no panacea for growth or silver bullet for development and past efforts aimed towards improving lives in developing countries, including the allocation of aid, have often failed to provide substantial benefits.

A recent effort in this continuing struggle to solve the disparity between developed and developing countries and in another attempt to improve poverty levels is the fair trade movement. Whether viewed as an amendment to traditional trade or an effort towards the transformation of the market structure, fair trade is a movement on a crusade to improve the lives of struggling farmers and producers through 'trade, not aid' (Raynolds, Murray, & Taylor, 2004). For a better understanding of the fair trade movement and the potential that it has as a vehicle for development, this paper will take a closer look at the coffee industry, the commodity that has been the driving force behind the fair trade movement thus far.

Throughout its history, the volatility of the coffee market has caused heartbreak for coffee producers around the world, and recent low coffee prices have caused particular concern for the millions of people dependent on coffee production,

bringing the economic situation of coffee farmers to the forefront of policy discussions. In an effort to cope with the instability of the traditional free trade coffee market, a small but growing number of small-scale farmers have joined the fair trade network.

After many years of consumer activism, fair trade is finally gaining some momentum. Today, consumers and traders are increasingly interested in the origin and quality of their coffee, as well as the environmental and labour issues associated with the coffee they purchase (Luttinger & Dicum, 2006). This growth in ethical consumerism has helped move 'sustainable' coffees, such as fair trade, into the mainstream. With its growing popularity and as fair trade is increasingly promoted around the world as a way for consumers to 'help' producers in developing countries, it is important to assess whether fair trade has the potential to act as a form of sustainable development, offering more than temporary and isolated benefits to participating producers, communities, and developing countries, and whether the effects of fair trade are meeting the intended objectives.

An analysis of the benefits and concerns of the fair trade movement, with a particular focus on the coffee industry and how fair trade works within the industry, will offer a perspective from which to draw some conclusions about the possibilities, constraints, and overall effectiveness of the movement. This paper will also look further into the more recent corporate interests and corporations' direct involvement in the fair trade network in an effort to evaluate how their participation as distributors, retailers, and promoters of fair trade goods is affecting the fair trade movement and the intended beneficiaries, producers in developing countries. I will

attempt to determine whether these new powerful corporate “partners” are truly interested in assisting the development of small-scale producers or whether they are, alternatively, more concerned about their corporate image and/or simply view fair trade as a lucrative niche market.

As Murray, Reynolds, and Taylor (2006) note, the degree to which these farmers benefit from fair trade and the scope of such benefits has been largely unanalysed. As many farmers and producers in developing countries turn to the fair trade movement in hope of improving their livelihoods, it is important to know whether fair trade should be promoted to consumers, or whether the recent emphasis on fair trade is leading both consumers and producers down a fruitless path.

2. A LOOK INTO COFFEE, FAIR TRADE, AND DEVELOPMENT

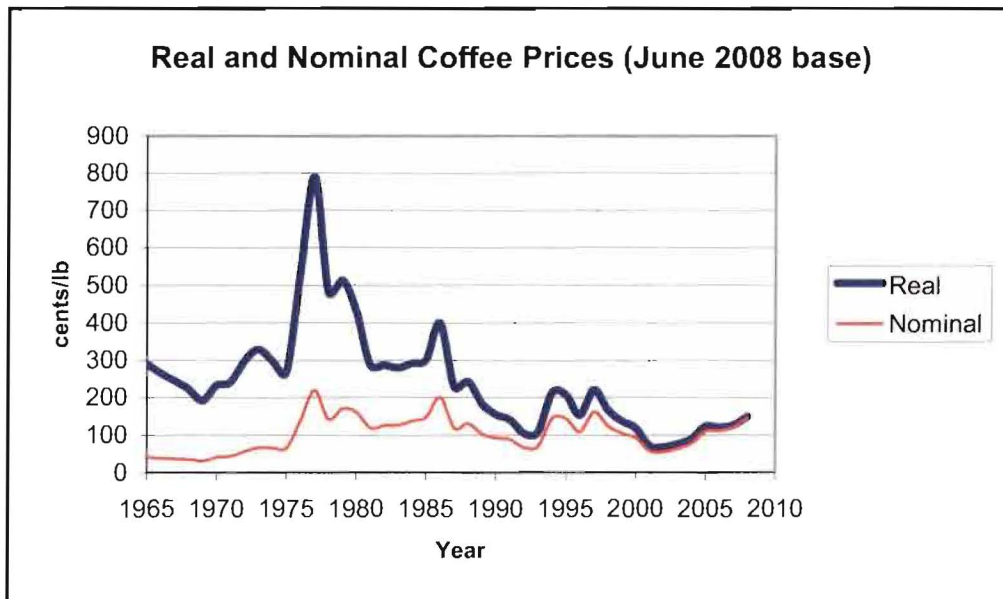
2.1 The History of the Coffee Industry

From the ancient hillsides of Ethiopia began the history of what would become one of the world's most popular commodities—coffee. Although originally used for medicinal purposes, coffee as a beverage soon became a part of everyday life. By the fifteenth century, coffee had become a lucrative trade item and coffeehouses began to appear throughout the Islamic world (Pendergrast, 1999). In the following centuries, this stimulant spread to the East Indies, Europe, and Latin America through trade and under the influence of colonial powers. Coffee production was profitable for the colonists; however, growing demand for the beverage during the eighteenth century also led to massive forest clearings in the South and contributed to the African slave trade (Luttinger & Dicum, 2006).

Later, in the mid-1600s, coffee was brought to New Amsterdam, today New York. However, for years, tea continued to be the drink of choice by Americans, until the British government decided to impose a heavy tax on English tea that caused the American colonists to revolt. In demonstration of their disapproval, colonists threw entire crates of tea boxes from the British East India Company into the waters of the Boston Harbour, an event later known as The Boston Tea Party of 1773. This revolt against English Tea spurred America's love for coffee.

The coffee industry has been notoriously volatile with repetitive cycles of boom and bust. Price shocks are significant not only because they create unpredictability for producers and families, but also because on a larger scale they affect growth (Daviron & Ponte, 2005). Kruger, Mason, and Vakis (2003), suggest that the coffee price drop of 1999-2001 led to a 1.2 percent decrease in GDP among the five main coffee producing countries in Central America.¹ Figure 1, which looks at the price of coffee sold on the New York market since 1965, shows considerable highs and lows in market prices over the last fifty years.² Prices in Figure 2 span the twentieth century, demonstrating the greater historical instability of this commodity.

Figure 1 New York Futures Prices Annual Averages, 1965-2008

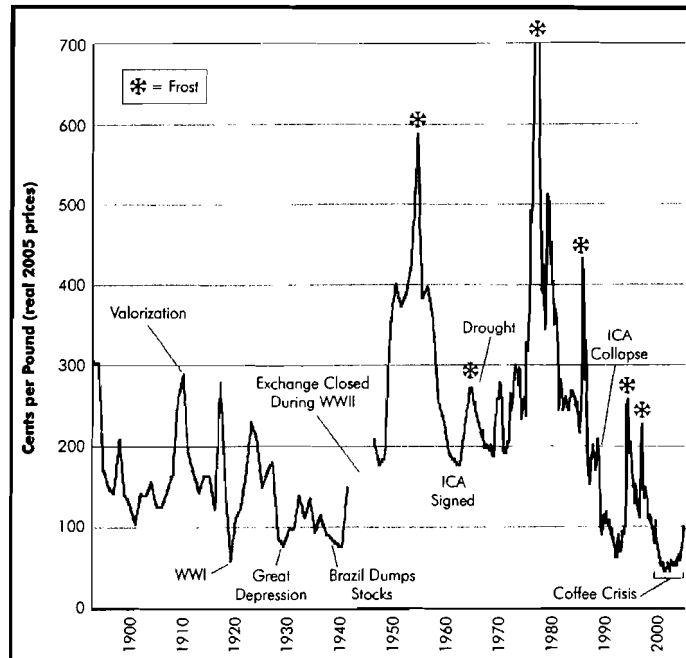


Data Source: ICO, personal communication, July 7, 2008
 Note: 'Real' prices adjusted based on the Consumer Price Index (CPI) from the Bureau of Labor Statistics (BLS) monthly consumer price index

¹ Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

² Both nominal and real prices show a dramatic drop in coffee prices over approximately the last forty years. Adjusting for inflation did not change this pattern. The drop in real prices implies that there has been relatively strong supply relative to demand.

Figure 2 World Price for Green Coffee



Source: © Luttinger and Dicum, 2006, by permission

The combination of unpredictable weather patterns and crop output, the growth lags for coffee trees to bear fruit (one to three years after planting), and natural production cycles have led to discrepancies between supply and demand and resultantly significant price fluctuations on the international markets. Among all the ups and downs, the year 1989 was particularly difficult for the coffee industry with real prices reaching historic lows. The crisis, which devastated coffee dependent economies around the world, was precipitated by the collapse of the International Coffee Agreement (ICA)³ and was exacerbated by the entrance of Vietnam which

³ The principle objective of the ICA was to generate “fair and remunerative” prices (Potts, 2007). Under the ICA, a target price, or price band, for coffee was set, and export quotas were allocated to each coffee producing country (*ibid.*). When the indicator price, which was calculated by the International Coffee Organization, rose above the set price, quotas were relaxed. When the price fell below the chosen price, quotas were tightened (*ibid.*). By 1989, economic and political pressures, caused by bulging coffee stocks around the world, led to the removal of the quotas, and consequently the flooding of the market as countries dumped their stockpiled coffee (*ibid.*).

further flooded the coffee market. Despite various efforts to stabilize the market, such as the implementation of country quotas, the coffee industry remains turbulent and unpredictable. Although the market has recovered slightly as of 2004, these new levels are suggested to be less than half of their pre-1989 value (Jaffee, 2007). Oli Brown, Alec Crawford, and Jason Gibson (2008), from the International Institute for Sustainable Development (IISD), are concerned that “the trends towards increasingly volatile prices, slipping relative prices and shifting power along commodity supply chains have left commodity-dependent countries and producers in a precarious position, grappling with the dual problems of low returns and high risk” (p. 1).

Throughout the twentieth century, the import, processing, and distribution of coffee became increasingly concentrated and by 2002 nearly half of the world’s supply of green coffee beans was purchased by the five largest roasters: Kraft General Foods (with just over 13 percent), followed by Nestlé (13 percent), Sara Lee (10 percent), Procter & Gamble (4 percent), and Tchibo (4 percent) (Fridell, 2007). During this time however, another competitor was brewing in the city of Seattle. It was a small specialty coffee shop named Starbucks.

The rise of specialty coffees during the 1990s breathed new life into and virtually transformed the coffee industry that had witnessed declining consumption since 1962 (Luttinger & Dicum, 2006). The specialty coffee industry grew at an alarming speed and by 2004 retail specialty coffee reached \$9.6 billion in sales and was available in over 18,000 U.S. outlets (*ibid.*). Although approximately sixty percent of the coffee consumed in the United States in 2004 still came from the

major roasters, it was clear that the specialty coffee retailers had tapped into a powerful market. With increased attention to the quality, origin, flavour, and cultivation methods, specialty coffee benefits from a significant mark-up, selling for a higher price of about \$12 a pound retail versus its wholesale price of \$2 a pound (*ibid.*).

Recently, coffee drinkers have shown an increased awareness about what is in their morning cup of coffee, beyond an interest in flavour and quality. With a growing number of ethical consumers, the coffee market today is affected by increasing attentiveness to the impact of pesticides on growers, health impacts on consumers, ecological impacts of cultivation, equity issues, and concerns of exploitation of coffee producers. Ethical consumerism has given momentum to the fair trade movement, organically certified coffee, and shade-grown/bird-friendly coffee. While Starbucks has been very outspoken about its commitment to ethical practices, many businesses are now following its lead, making a commitment towards selling 'sustainable' coffees.

In 2004, over seventeen billion pounds of coffee were produced, among which seventy percent was traded internationally (Luttinger & Dicum, 2006). There are approximately twenty-five million coffee farming families, in over sixty countries around the world, many of who are dependent on coffee production for their livelihood (ICO, n.d.b). Coffee production is also almost exclusively in the poorest areas of the globe with 4.7 million acres harvested in Central and North America, 9.7 million acres in South America, 5.1 million acres in Africa, and 5.5 million acres in Asia (Luttinger & Dicum, 2006). According to the International Coffee Organization

(n.d.a), 13.6% of the world's coffee production comes from Mexico and Central America, 49.3% from South America, 11.5% from Africa, and 25.6% from Asia/Oceania.

On the other end of the coffee chain, the world consumes approximately 1.5 billion cups of coffee every day, a fifth of which is consumed in the United States, making coffee the most valuable imported, non-alcoholic beverage into the United States (Luttinger & Dicum, 2006). On a global scale, coffee is the second largest traded commodity after oil (Murray & Reynolds, 2007).

Overall, it is important to remember that while we are sitting on our comfortable couches in a corner street café, millions of people are hard at work cultivating, processing, and transporting tomorrow's coffee. This commodity is a valuable source of income for millions of people from struggling farmers to the retail clerks at your local coffee shop. It has also had a very powerful influence on the economies, politics, and social structures of various countries around the world (Pendergrast, 1999). Clearly, this beverage has had a much larger influence than simply satisfying our taste buds or awakening our senses. Coffee has a long and complex history and its presence and popularity will surely continue for years to come.

2.2 What is meant by Fair Trade?

At the heart of the fair trade movement is a focus on the producers in developing countries and an effort to reconfigure the value chain to allow greater benefits to flow to the producers and growers. The movement has grown out of a variety of European initiatives that seek to alleviate poverty in the global South

(Raynolds et al., 2004). In contrast to aid, fair trade is a market-driven approach that modifies the trading system with the purpose of improving the livelihoods of small producers by providing them with a proposed fair return for their work and decent working and living conditions.

Throughout its history, fair trade has adopted various definitions. Despite there being no clear standards or unified definition for what fair trade represents, there exist some common principles that include: direct purchasing from producers; guaranteed minimum market prices paid for fair trade coffee; fair wages to labourers; advanced credit or payment to producers; the allocation of a social development premium; transparent and long-term contracts and trading partnerships; provision of market information and technical assistance to producers; democratically run producer cooperatives or workplaces; and safe, non-exploitative working conditions.

In an attempt to produce a more widely accepted definition, FINE⁴ developed the following:

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, disadvantaged producers and workers – especially in the South. Fair Trade organisations (backed by consumers) are actively engaged in supporting producers in awareness raising and in campaigning for changes in the rules and practices of conventional international trade (as cited in Fairtrade Labelling Organizations International (FLO), 2006, para. 1).

The goals of fair trade are further defined by the FINE members as, “deliberately to work with marginalized producers and workers in order to help them

⁴ FINE consists of four of the main Fair Trade networks: Fairtrade Labelling Organizations International (FLO), International Fair Trade Association (IFAT), Network of European Worldshops (NEWS!), and European Fair Trade Association (EFTA).

move from a position of vulnerability to security and economic self-sufficiency”; “to empower producers and workers as stakeholders in their own organisations”; and “actively to play a wider role in the global arena to achieve greater equity in international trade” (FLO, 2006, para. 2).

The factor that distinguishes fair trade from other sustainable initiatives is the guarantee of a minimum market price paid for fair trade certified products. This minimum price acts as a stabilizing mechanism for producers to help protect them from volatile market drops. The difference between the fair trade price and conventional coffee prices are displayed in Figures 4 and 5 in section 3.1. Not only are buyers required to pay a minimum price, but they also pay an additional social premium that may be directed towards local development needs such as schools, infrastructure, and training. Ultimately, one of the most fundamental benefits of the fair trade movement is that it allows coffee producers, who meet a certain criteria, to differentiate their product from conventional supplies. Unfortunately, while the benefits of fair trade may seem appealing, there are also many limitations to these benefits, as will be discussed later in the paper.

Another important aspect of fair trade is the more direct purchasing routes, often eliminating the middleman⁵ from the coffee chain, with the purpose of allowing a greater share of benefits to flow to the producers. The fair trade coffee path, from tree to cup, is in theory supposed to follow a path from producer, to cooperative, then importer, roaster-distributor, retailer or restaurateur, and finally to the consumer (Waridel, 2002). While fair trade coffee is intended to travel a short distance from

⁵ Middlemen or local intermediaries are also known as ‘coyotes’. They often pay a lower price for conventional coffee, but offer more immediate payments and are an alternative avenue through which farmers can sell their coffee.

producer to importer, the conventional coffee path has a much longer route with the involvement of more intermediaries. Conventional coffee typically travels from the producer, to the local middlemen, to the processor, the exporter, and finally the multiple broker, all before it even reaches the importer and continues on to the roaster-distributor, retailer or restaurateur, and eventually the consumer (*ibid.*).

Fair trade is also part of the recent sustainable coffee buzz that also involves organic certification, Utz Kapeh, and bird-friendly/shade grown coffee.⁶ These initiatives focus on a growing awareness to create sustainable development, which is concerned with environmental sustainability, social development, and environmental protection, discussed further in section 2.5. Although there remains no one definition for fair trade, perhaps, as will be uncovered later in the paper, the fair trade movement has greater limitations than simply a lack of unification over its definition.

⁶ Organic coffee production involves a focus on good soil quality and plant health to boost the productivity and immunity of coffee trees against disease, rather than the use of harmful agrichemicals such as DDT, malathion, and benzene hexachloride (Luttinger & Dicum, 2006). This form of production is much healthier for the farmer, surrounding waterways, wildlife, and vegetation.

Utz Certified, formerly Utz Kapeh meaning 'a good cup of coffee' in one of the Mayan languages, is an initiative with a set of social and environmental criteria for sustainable coffee production. Utz Certified claims to create opportunities for farmers to improve business practices and meet market expectations by empowering growers with knowledge about improved agricultural practices and the global coffee market (Utz Certified, n.d.).

Shade-grown coffee is a relatively recent sustainable coffee certification initiative. Its main aim is to conserve forest cover through the production of coffee under the shade of the forest canopy, whereas conventional, sun grown coffee often requires the destruction and cutting of large amounts of forest trees to clear the area for coffee production. This initiative is also known as bird-friendly coffee because it involves the use of fewer chemicals and it helps preserve shade trees, which are a natural habitat for certain types of birds.

2.3 How Fair Trade Began

Fair Trade, as it is meant today, dates back to the 1950s and 1960s when alternative trading organizations⁷ (ATOs) began purchasing products directly from small-scale producers in developing countries and selling them in churches and through networks of Third World shops throughout Europe in an effort to support Southern producer groups. Producers, who were struggling against low market prices and a high dependence on intermediaries at the time, saw fair trade as an opportunity to protect their livelihoods by bypassing the middlemen and directly accessing the Northern markets (FLO, 2006).

In the late 1980s, ATOs began labelling their fair trade goods through fair trade labelling organizations such as Max Havelaar and the Fairtrade Foundation.⁸ These labelling initiatives were designed to act as a guarantee that the product had been produced and traded according to particular social, labour, and, environmental standards. This shift towards making the products more recognizable was also accompanied by a push to make the products available in mainstream retail spaces, such as supermarkets, a decision that largely influenced the success of the fair trade movement.

Coffee was the first fair trade certified product and propelled the fair trade movement, just as it continues to do today. However, the certification of fair trade

⁷ Alternative trading organizations are usually non-governmental organizations associated with the fair trade movement. These organizations typically follow principles and standards similar to fair trade with a focus on creating improved trading relations to allow marginalized producers in developing regions greater access to developed markets.

⁸ Labelling organizations are national-level initiatives that issue fair trade labels to importers and ensure that fair trade requirements are met (Daviron & Ponte, 2005). They also certify products; select, verify, and monitor the producers; as well as promote fair trade products to retailers and consumers (*ibid.*).

goods quickly moved beyond coffee, and by the end of the 1990s, certification had expanded to a variety of commodities. During this time, the movement also moved beyond the European borders and spread into the United States, which offered a huge market for expansion, particularly for certified coffee, in view of the fact that the United States consumes an astonishing one-fifth of the world's coffee (Luttinger & Dicum, 2006).

As the number of labelling organizations grew and an increasing amount of people became involved in the fair trade movement, umbrella organizations, such as the FLO, were established to help set fair trade standards and guidelines to coordinate the activities of the various labelling organizations and to help harmonize the fair trade message. Today, the FLO labels over a dozen products, including coffee, tea, rice, bananas, mangoes, cocoa, cotton, sugar, honey, fruit juices, nuts, fresh fruit, herbs and spices, wine, and footballs, sourced from over fifty developing countries (Daviron & Ponte, 2005). Table 1 provides a breakdown of the volumes of some of these products, as sold through organizations labelled under the FLO.

Table 1 Estimated Fairtrade Sales Volumes by Product 2006/2007

Bananas	Cocoa	Coffee	Cotton	Flowers	Rice	Sugar	Tea	Wine
233,791	7,306	62,209	14,184	237,405	4,208	15,074	5,421	5,740
MT*	MT*	MT*	Items**	Stems	MT*	MT*	MT*	Litres

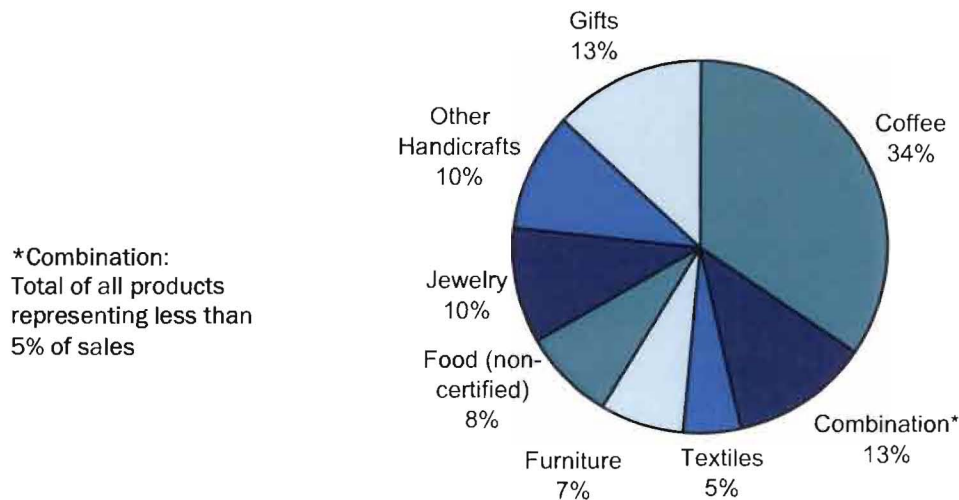
*MT=metric tonnes/**Thousands of Items/Stems/Litres

Note: The above numbers are from Fairtrade certified organizations and are not representative of global fair trade sales. However, organizations labeled under the FLO constitute a significant share of global fair trade sales, particularly in Europe.

Data Source: FLO, 2007b

The expansion into a wider variety of fair trade goods has been much more prevalent in Europe than in North America; however, increases in the sales of jewelry, gifts, handicrafts, and textiles in both North America and the Pacific Rim are beginning to have an impact on the market (Fair Trade Federation, 2005).⁹ Figure 3 demonstrates the dispersion of fair trade sales in North America, based on the sales of the Fair Trade Federation (FTF) and the International Fair Trade Association (IFAT).

Figure 3 FTF/IFAT Total Gross Sales in North America by Percent Product Category, 2003



Data Source: Fair Trade Federation, 2005

Recently, the fair trade movement has gained momentum through its use of conventional retail and marketing methods, pushing fair trade increasingly mainstream. According to IFAT, global sales of fair trade products are increasing at rates of twenty to thirty percent a year, with global sales of fair trade products in 2006 estimated to be in excess of US\$2.6 billion (IFAT, 2006). Despite growing

⁹ In the Fair Trade Federation's 2005 Report, North America includes the United States, Canada, and Mexico. The Pacific Rim refers to Australia, New Zealand, and Japan.

sales numbers in Canada and the United States, Europe remains the dominant fair trade market, with sixty percent of fair trade market sales in 2004 (Raynolds et al., 2004).

Coffee sales remain the principle driver behind the fair trade movement, representing an estimated thirty-four percent of fair trade sales in North America, in 2003 (Fair Trade Federation, 2005). U.S. sales of fair trade coffee grew from 1,263 metric tonnes in 2001, to 11,240 metric tonnes in 2005 (Fair Trade Toronto, n.d.). In Canada, sales grew from 258.1 metric tonnes in 2001 to 1,401 metric tonnes in 2005 (*ibid.*). Europe however, remains the main consumer of fair trade coffee, consuming 82 percent of the certified beverage, with the Netherlands, United Kingdom, and Germany as its biggest consumers (Raynolds & Long, 2007). Despite positive sales numbers in these countries, fair trade coffee remains a small niche market, capturing only 0.03 percent of the total coffee market in the United States and no more than three percent in other countries throughout the world (Raynolds et al., 2004).

Table 2 outlines global coffee production by the two bean types, robusta and arabica,¹⁰ as well as estimates of the shares of fair trade and organic coffees. According to the information below, based on Fairtrade certified goods, fair trade coffee comprises an estimated 0.7 percent of the entire coffee market, while organic

¹⁰ Robusta, which is sold on the LIFFE market, is easier to grow and is tolerant to most diseases, soil conditions, and to hotter climates. Robusta, produced in large amounts in Vietnam and Brazil, is used as instant coffee, and is a common lower-priced substitute for arabica beans. Arabica, typically used in specialty coffees, is considered a better tasting and higher quality bean, often earning a higher price on the market. The main producers of arabica coffee beans are Brazil and Colombia (Luttinger & Dicum, 2006).

production is slightly above at 0.9 percent; however, there is likely significant overlap between these two estimates because of dual certification.

Table 2 Estimated Global Coffee Production, 2006

	Total	Robusta	Arabica	Fair Trade	Organic
(Metric tonnes)	7,510,260	2,756,220	4,754,040	52,064*	67,000**
% of total coffee production		36.7	63.3	0.7	0.9

*Based on sales of certified Fairtrade products under the FLO and is not an accurate estimate of global fair trade coffee sales. Data Source: FLO, 2007b

**Based on global sales of organic coffee. Data Source: Giovannucci et al., 2008 as cited in Organic Trade Association, 2008
Data Source for total, robusta, and arabica estimates: ICO (n.d.a)

Currently, there are over 500,000 fair trade certified coffee producers working in twenty-three countries including the Caribbean, Latin America, Asia, Africa, and elsewhere (Murray, Reynolds & Taylor, 2003). Mexico is also by far the single largest national supplier contributing to Latin America’s domination of the fair trade coffee industry, with the production of 84 percent of the world’s fair trade coffee (*ibid.*). Fair trade has come a long way in just a few years, achieving significant levels of growth in various countries; however, in contrast to the magnitude of the global coffee market, fair trade sales still pale in comparison.

2.4 Fair Trade versus Free Trade

Traced in part to the perceived uncontrollability of free trade, combined with the lack of progress in poverty alleviation and persistent levels of inequality even

when trade is taking place, the intent of fair trade is to act as a more 'equitable' approach to world trade. The movement addresses the perceived injustices of low prices and limited market access of producing countries by offering supposed 'fair terms and fair prices'. This attempt to determine what is 'fair' in trade not only raises questions about how one defines 'fair', but also what is considered unfair in traditional trade.

Fair trade is an alternative trade approach that seeks to improve the livelihoods and well-being of small producers in developing countries through improved market access and a more direct link between consumers in the North and producers in the South. It also proposes to guarantee a fixed minimum price, and greater transparency and stability in trading relationships. Fair trade advocates are skeptical of the benefits of free trade, believing that such North-South trading relations create power inequalities and encourage the exploitation of Southern producers (Bacon, 2008). Fair trade activists also claim that there are declining terms of trade in international commodity markets and that the value chain needs to be weighted more evenly between the developed and the developing worlds. However, is fair trade capable of rebalancing this value chain, and is it even possible for those involved to agree on an 'equal' distribution of the benefits? There is no denying that some areas of the world have experienced greater economic success than others; however, is trade to blame?

Trade has existed for centuries and among the benefits to participating countries are an improved selection of prices and an increased variety of goods. Free trade relies on individuals voluntarily taking advantage of market opportunities,

as opposed to attempting to manage production, fix prices, and restrict the marketplace (Sidwell, 2008). Based on the Ricardian theory of comparative advantage, in trade, every country has a comparative economic advantage. Countries therefore tend to export what they are relatively efficient at producing and import that at which they are relatively inefficient.¹¹ As a result of trade, both countries gain access to products at a more efficient price than if they were to produce all the products themselves, therefore mutually benefiting from the trade. Also inherent in free trade is the understanding that within each country some activities will prosper while others will shrink. However, the failure of some activities to thrive in certain countries is not necessarily a negative aspect of free trade as it helps to weed out inefficient and less profitable activities.

Trade never claimed to be fair, and without it, many countries would likely be worse off than they are today. However, is free trade enough to significantly improve the lives of those who participate in it? While the Ricardian theory may be correct in suggesting that trade is mutually advantageous, this does not erase the fact that there remain glaring inequalities between the developed and the developing worlds, exemplified by the many people in developing countries who, despite having participated in world trade for decades, remain poor. Clearly, traditional trade mechanisms have not allowed equal, or even comparable, distributions of wealth among countries. Traditional trade mechanisms may be maximizing small-farmers' economic advantage; however, whether it is a factor of low worker productivity or low

¹¹ An example of trading through comparative advantage is when even if country A is better at producing coffee than country B, it will still benefit country A to import coffee from country B, since country A is relatively better at making computers than producing coffee and country B is relatively better at producing coffee than manufacturing computers.

product prices, in the case of many developing countries, their participation in trade is not generating the needed changes and improvements to their economic positions.

This lack of economic development is likely in part because many of the countries of the South remain, as they have always been, dependent on producing basic commodities such as cotton and coffee. The volatility of commodity markets, subject to unpredictable weather patterns, changes in consumer demand, and mere speculation, creates sharp price fluctuations and inconsistent opportunities for profit (Ransom, 2006). In regards to agriculture, the terms of trade have long been considered unequal in view of the low prices paid for agricultural products relative to the cost of living and the cost of imports on a national level (Jaffee, 2007). If commodity production is criticized for being inequitable, what is fair in trade?

The term 'fair' is itself questionable and vague. How can any one person determine what is fair in trade? Every country, company, and individual has different needs and expectations from their involvement in trade. Does fair imply a higher price to producers, equal benefits, or is it simply an opportunity to participate in trade? For these reasons, trade may never truly be considered 'fair'. Even the fair trade minimum price, itself, could be considered unfair, as it is not calibrated to take regional costs and conditions into account, despite the fact that some producers face higher transportation costs, more difficult growing conditions, and higher costs of living. Ultimately, determining what is 'fair' is difficult and it can vary significantly based on individual perspectives and what vantage point is being considered.

Without suggesting that the current trading system is unfair or has double standards, as suggested by Oxfam GB (2008), there is a need to address the

continuing impoverishment, suffering, and obstacles faced by third world producers. Although traditional trade may benefit these producers to some degree today and to a greater extent in the future, actions such as the fair trade movement are at work in an attempt to make a noticeable difference sooner rather than later. To what extent this movement is successful will be discussed later in the paper.

2.5 What is meant by Sustainable Development?

There has been a considerable rise in sustainability initiatives, particularly in agriculture and the coffee sector (COSA, n.d.). Sustainable development encompasses a variety of concepts including economic growth, social development, environmental protection, and in some instances the addition of cultural preservation. Within the coffee sector, fair trade, organic, and shade-grown coffee movements have emerged as forms of sustainable development.

According to the Brundtland Report of 1987, the most widely accepted and enduring definition at the international level (*Sustainability in the Coffee Sector*, n.d.), “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987).¹²

An awareness of sustainable development encourages countries and development organizations to consider the more long-term and broader effects of various initiatives. Particularly in regards to the environment and with concerns about global warming, there is an increasing consideration for minimizing

¹² The Brundtland Report was formerly the Report on the World Commission on Environment and Development.

environmental damage. Analyses of fair trade coffee as a form of sustainable development therefore often involve a greater emphasis on environmental sustainability and protection, supported by concerns over forest clearings, the burning of crops, and pesticide and fertilizer use. Within the context of this paper, I intend to focus more on the aspects of economic development and the ability of small farmers, families, and communities to escape poverty, climb the ladder of economic development, and start on a path towards economic growth that will prevail beyond immediate, short-term benefits.

Without dismissing the importance of environmental issues, my interest lies more in determining whether fair trade can act as a development tool to help alleviate poverty, encourage economic growth, and improve the lives of producers. With thousands of people depending on these new forms of sustainable production for their livelihoods, let us be certain that these practices are not misleading and that the benefits can be sustained over time.

3. ASSESSING THE POSSIBILITIES AND CONSTRAINTS OF FAIR TRADE

Fair trade claims to be a way of improving the livelihoods and well-being of small producers; however, how do these proposed benefits actually translate to the farmers? This section looks at the benefits that fair trade offers to small farmers, their families, and communities, as well as the limits of these very benefits.

3.1 A Higher Price

Among the most visible benefits to fair trade cooperatives and small producers is the higher price paid for fair trade certified coffee. Part of the fair trade initiative stipulates that buyers pay a minimum price or an additional premium if the market price exceeds this minimum. The intention of the base price is to help protect producers from the sharp price drops characteristic of commodity production, ensuring that they always receive a price that covers basic production costs.

The Fairtrade Foundation, for example, which is under the FLO, offers a minimum price for washed arabica coffee of 125 US cents/lb, 120 US cents/lb for unwashed, plus a ten cent premium. When the New York market price is at or above 125 US cents/lb, the Fairtrade price is the New York price plus an additional ten cent premium, as is demonstrated in Figure 4 (FLO, 2007a). Figure 5 displays the market trends for robusta coffee, for which the Fairtrade Foundation guarantees a price of 101 US cents/lb plus a ten cent premium (*ibid.*). Similar to arabica coffee, when the London International Financial Futures and Options Exchange (LIFFE) market price is

101 US cents/lb or above, the Fairtrade price becomes the LIFFE price plus an additional ten cents. On June 1st, 2007, the premium was raised from five to ten cents per pound and most recently, on June 1st, 2008, the minimum price for arabica coffee was increased from 121 US cents/lb to its current price of 125 US cents/lb. The fair trade minimum price is suggested to be determined based on consultation and research of the costs of coffee production, the needs of producers to invest in their organizations and communities, and changing Fairtrade market conditions (FLO, 2007b). However, is this price not somewhat arbitrary, given the diversity of needs of the thousands of coffee farmers throughout the world? It is doubtful that this set minimum price is able to meet the production costs and standards of living of all its intended beneficiaries.

The benefits of the minimum price are most apparent when the conventional market prices drop. From this perspective, Laura Reynolds, Douglas Murray, and Peter Leigh Taylor (2004), from the Fair Trade Research Group based out of Colorado State University, suggest that the benefits accrued from fair trade's higher price have been substantial considering the fact that the world coffee price has been below the FLO minimum for most of the past decade. To outline the difference that selling fair trade coffee through certified cooperatives makes in participating families' incomes, Table 3 outlines the survey results, by Daniel Jaffee,¹³ of the average income from coffee sales of various coffee-farming families in Yagavila and Teotlasco, Mexico. In his research, Jaffee (2007) noted significant improvements in the household income of members of the two fair trade independent organizations Michiza and CEPCO over

¹³Jaffee is currently an assistant professor of sociology at Washington State University

their conventional counterparts, which included the groups CNC/Fraternal, Unorganized, and New-entry Michiza.¹⁴

Table 3 Households' Coffee Sales and Length of Membership, by Organizational Affiliation, 2003

Organizational Affiliation	N	Mean Total Coffee Sold, 2002-03 (kg)	Mean Income from Coffee Sales (pesos)	Mean Number of Years in Organization
Michiza	24	407.83	5,573	6.83
CEPCO	2	445.00	4,175	6.00
CNC/Fraternal	5	177.00	1,119	9.60
Unorganized	14	241.85	1,289	—
New-entry Michiza	5	340.00	2,129	—
All Households	50	332.98	3,528	6.22

Data Source: Jaffee, 2007, p. 99

According to another case study by Pérezgrovas and Cervantes (2002), for Majomut cooperative members in Chiapas Mexico, an average harvest of 1,500 pounds earned farmers US\$1,700 for organic fair trade certified coffee, compared to the local street price of US\$550, paid by the coyotes. Research by Christopher Bacon (2008) in Nicaragua shows that fair trade coffee earned farmers an average of US\$0.84 per pound of green coffee; organic, non-fair trade certified coffee earned

¹⁴ Michiza and CEPCO are the fair trade certified cooperatives.

CNC/Fraternal represents the Yagavila Fraternal Association, which was formerly part of the CNC (Mexico's national peasant confederation). It acts as a coffee marketing body, offering prices very similar to those paid by the coyotes.

The group 'Unorganized' represents coffee farmers that do not belong to a cooperative or organization.

The 'New-entry Michiza' are recent members to the organization, which at the time of the interview had not yet sold any coffee at the higher Michiza price and therefore their household income profiles were closer to those in the 'Unorganized' group than of the fair trade group. They were therefore considered part of the conventional group in the survey (Jaffee, 2007).

US\$0.63; the conventional market paid US\$0.39; and selling to the coyotes earned farmers an average of US\$0.37 per pound.

The above examples demonstrate that fair trade coffee, if sold on the fair trade market, does sell for a significantly higher price than if it were sold to the local coyote. It is important to note however, that most cooperatives are unable to sell all their members' coffee through fair trade channels and resultantly must sell the remainder at regular prices. In the Nicaraguan case, up to sixty-percent of fair trade and organic coffee was being sold through conventional markets (Bacon, 2008). In Mexico, it was noted that given the small percentages of fair trade coffee sold by the cooperative CEPCO up to the 2000-2001 harvest, the improvement to families' incomes had not been very significant (Aranda & Morales, 2002). With farmers only selling small portions of their fair trade coffee to fair trade markets, the incomes of fair trade farmers will likely not reflect fair trade prices, as payments to farmers from cooperatives will be a combination of both fair trade and non-fair trade coffee sales. In Bacon's (2008) study in Nicaragua, farmers selling to conventional markets made an average of US\$0.40 per pound for all their coffee sold, whereas members of organic and fair trade cooperatives averaged only slightly above at US\$0.56 per pound. Fair trade coffee farmers may not fair much better than conventional producers, provided that they must sell such a large portion of their coffee on traditional markets.

Even for those who are able to get a higher price for their fair trade certified coffee, the actual impact on individual incomes may not be that noticeable. A reason being that the majority of fair trade coffee is also certified organic (Murray et al.,

2003), making production methods more labour-intensive and therefore much more expensive. Their higher production costs may leave fair trade producers with only a modest improvement in income over their conventional counterparts (Jaffee, 2007). After non-coffee expenses are factored in, and given the increased amount spent on labour, the economic difference between the fair trade and conventional groups can be small (*ibid.*). According to Jaffee (2007), the cost of hired labour is a crucial element of coffee farmers financial struggles, creating a situation that will not be sustainable over time.

Further, while assumptions are often made that a higher price paid for a cup of coffee translates into a higher price paid directly to the farmer, this is not necessarily the case. In many instances, the cooperative is the main beneficiary of the added value to the coffee, not the small farmers and producers. According to the board of directors of the cooperative Las Colinas in El Salvador, most of the profits from fair trade sales go towards debt payments, not towards improving the wages of the farmers (Méndez, 2002). Murray et al. (2003) note similar problems with tracking monetary benefits to the farmers, suggesting that the precise amount of additional income a farmer receives through fair trade is difficult to calculate because of different cooperatives' management of debt servicing, cooperative expenses, and the distribution of fair trade social premiums.¹⁵

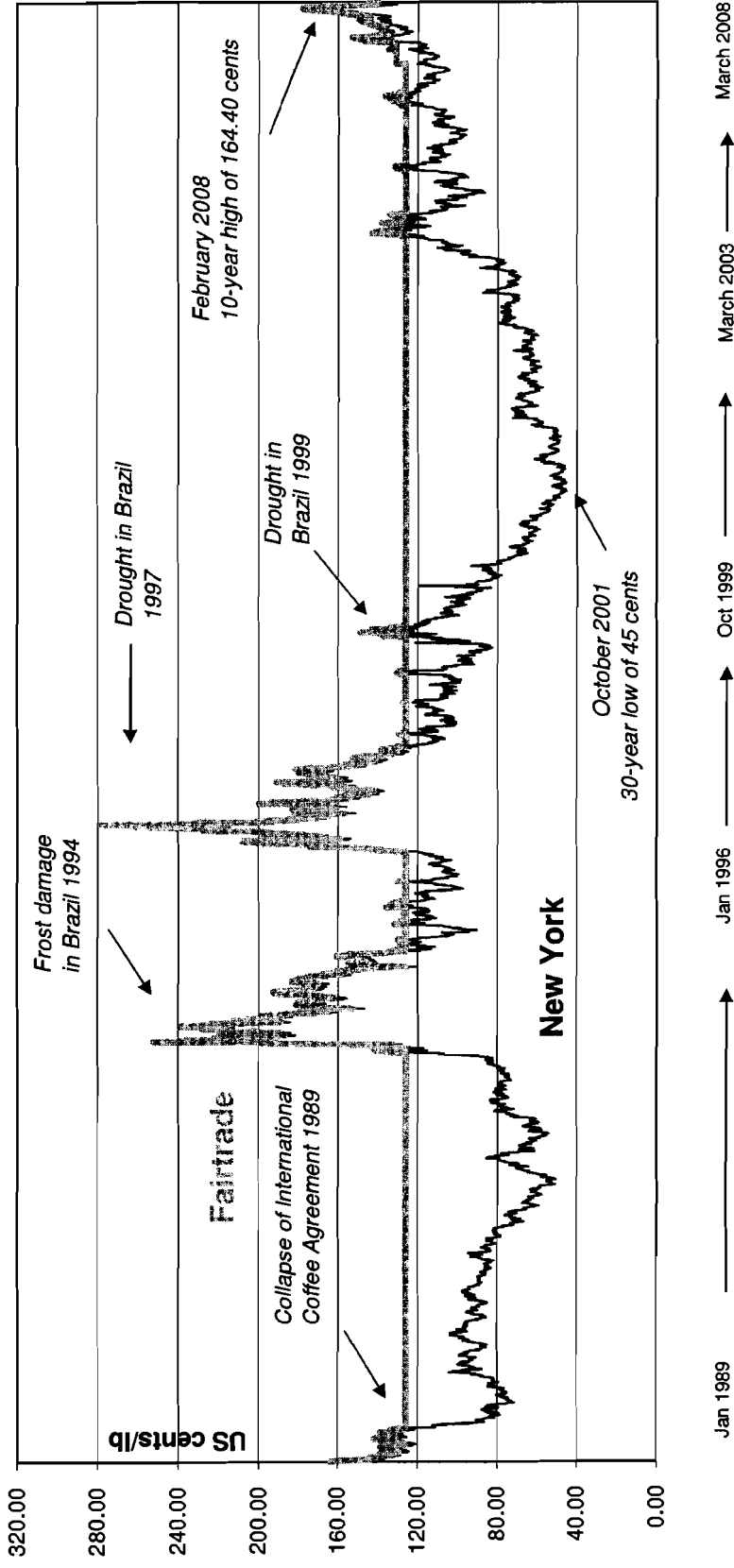
The mere use of the term to 'guarantee' a minimum price raises further questions about how a guaranteed minimum price can be sustained into the future.

¹⁵ Instead of allocating the social premium towards development projects such as training or improving infrastructure and machinery, some cooperatives have alternatively divided the social premium among employees, adding it to their income. This may benefit the farmers financially; however, it counters initiatives for social development.

The fair trade minimum price often pays prices that are significantly above average prices. How will such high prices be maintained in the face of consistently low market prices, particularly in North America where the fair trade market is significantly smaller than that of Europe's and lacks the foundation and established support to continually finance this price gap? As will be discussed in section 3.5, the European fair trade market has received much more public support than that of North America. Without a larger support base, for instance from governments, how and who will be able to continually fund the minimum fair trade price?

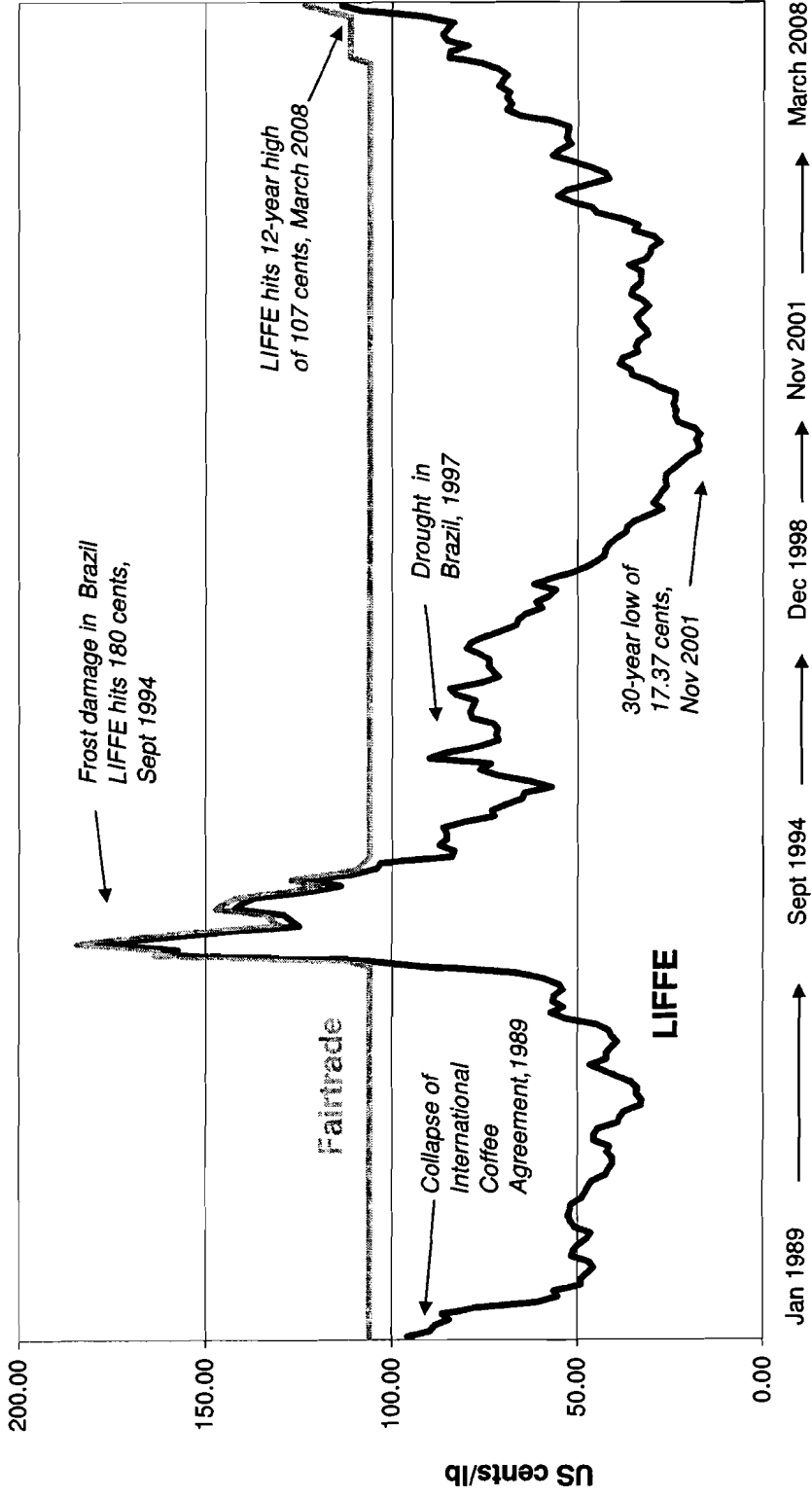
One of the primary constraints in analysing the benefits of the higher price is that there is little systematic economic data available on increased family incomes. It is simple to say that the higher price paid for fair trade coffee benefits its producer; however, as was demonstrated above, this is already questionable, furthered by the lack of data to demonstrate any reasonable improvement in income.

Figure 4 Arabica Coffee Market 1989-2008: Comparison of Fairtrade and New York Prices



The New York price is the daily closing price of the second position Coffee 'C' futures contract at the NY Board of Trade
 Source: © Fairtrade Foundation, 2008b, by permission

Figure 5 Robusta Coffee Market 1989-2008: Comparison of Fairtrade and London LIFFE Prices



LIFFE price is the monthly average of the daily closing price, converted from \$/tonne
 Source: © Fairtrade Foundation, 2008c, by permission

3.2 Access to Credit

Small-scale farmers in the South generally suffer from a lack of access to adequate short- or long-term credit (Fridell, 2007). Since coffee production is seasonal, farmers are often left in search of credit to help finance expenses such as the purchase of farm equipment or fertilizers before the harvest. Typically, rural banks in these coffee-producing countries are either non-existent or unwilling to lend money in the small amounts needed by family farmers (Nicholls, n.d.). Farmers are therefore often forced to borrow from exploitative middlemen who charge extremely high interest rates.

Fair trade helps address this situation with a requirement that Northern partners provide Southern producers with pre-financing of up to sixty percent of the value of the contract. This advanced payment from buyers before the harvest helps farmers avoid going into debt by bridging the financial lull between harvests and consequently helps them avoid seeking credit from the local middleman.

Unlike sales to the coyote, which pay at the time of the sale, Jaffee (2007) explains that in the examination of the Michiza cooperative in Yagavila Mexico, payments for the members' coffee took place in three instalments throughout the year. This involved a prepayment made before the harvest in September or October, a second instalment upon the actual delivery of the harvest in April, and a final adjustment payment usually in June or July. This distribution of payments offers more stability to farmers, and allows them to better plan for the harvest season and off-season; however, it also implies a delay in payment. One of the principle limitations of the fair trade network, as perceived by fair trade workers from two

cooperatives in El Salvador, is the delay in pre-financing and coffee payments (a minimum of three months) in comparison with conventional market sales that pay within thirty days (Méndez, 2002).

It has also been noted by the cooperatives Majomut and UCIRI, that by simply participating in the fair trade network creates greater credibility and increases their legitimacy among government agencies and development organizations, stemming from an enhanced perception and confidence of the cooperatives' abilities to sell their coffee for a higher price (Raynolds et al., 2004). This improved image and the security of the fair trade market has resultantly allowed CEPCO and La Voz greater access to credit institutions (*ibid.*).

While access to pre-financing may increase economic stability, if these payments are delayed and farmers are reliant on them for the year's harvest, this situation could create additional instability than if they were to seek credit from the local coyote. Nevertheless, the availability of greater access to credit, particularly at a lower interest rate, is of significant benefit to producers as it better enables farmers to plan for their coffee production, as well as for personal and family needs (Murray et al., 2003).

3.3 Social Premium

Included in this price paid for fair trade coffee, is a US\$0.10 per pound social premium, recently increased from US\$0.05, paid by the buyers to the cooperative. This premium is added even if the coffee is also certified as organic, and fair trade standards stipulate that the premium must be spent by the cooperative on community development projects. It is through this social premium that the fair trade

movement acts as more than simply a market tool that guarantees a minimum price. Alex Nicholls (n.d.), a professor at the University of Oxford, suggests that this social premium is the essence of using fair trade as a business-oriented development strategy. Often these funds are put towards training programs, improving equipment, building schools, improving healthcare, or purchasing household products. In Oaxaca Mexico, the UCIRI cooperative has designated the funds towards the construction of latrines and the purchase of fuel-efficient household stoves, which have obvious direct benefits for families and the community (VanderHoff Boersma, 2002).

However, while many cooperatives appropriately allocate these funds towards improvement projects for the cooperative or the community, there are also reports that the social premium is being used for other purposes, including paying off the debts of the cooperative. For example, because of the high levels of debt of the Las Colinas cooperative, all members agreed to use the fair trade premiums towards loan payments (Méndez, 2002). Although an obligatory ten percent should go towards community projects, as Méndez (2002) notes, no control mechanisms seem to be in place to guarantee the proper allocation of these funds. It is therefore questionable whether these benefits are filtering down to the producers who are the intended beneficiaries.

Inspections are supposed to be done by the various fair trade organizations to ensure that the proper standards of fair trade are being upheld, including production criteria, quality levels, and the proper allocation of the premium. If cooperatives are using the money towards debt payments or are simply dividing the premium among the employees rather than allocating it for community development projects, this is

an indication that neither the cooperatives, nor the certification or labelling organizations are ensuring that the proper funds reach the producers.

If the social premium is used as intended, this element of fair trade offers great benefits to small farmers and producers. It can be considered a form of obligatory financing towards development initiatives and projects in which farmers may not have otherwise voluntarily invested. The social premium has great potential to make small improvements in the lives of cooperative members; however, the money must first be properly allocated for this use.

3.4 Training, Skills, and Experience

Another important benefit associated with participation in the fair trade network is the acquisition of skills, training, and experience in higher quality coffee production and in activities beyond those associated with coffee. Providing Southern producers with greater access to marketing and technical skills, in an effort to increase their revenues, is one of the primary goals of fair trade (Fridell, 2007).

Some observers describe fair trade participation as an “apprenticeship” through which farmers learn about organic farming and other quality-related techniques (Murray et al., 2003). The more direct market relations allows producers to work closely with fair trade and organic licensors, roasters, and affiliated non-governmental organizations, acquiring a better understanding of how the coffee market operates (Fridell, 2007). Traditionally, many small coffee farmers obtain limited training and have an inadequate understanding of what is expected of them as coffee producers (Murray et al., 2003). Acquiring additional skills will not only make farmers better coffee producers, producing higher value coffee, but an

expansion of skills will also create opportunities for farmers to work in areas other than the production of coffee.

Canadian researcher Gavin Fridell (2007) suggests that producers gain information on such things as permits, paperwork, import and export licences, organic certification, the determination of prices on the commodities market, and knowledge of new technological advances. Among the most relevant to the current circumstances and limits facing the fair trade network, is farmers gaining knowledge of organic production methods. With a growing demand for organic goods, learning these skills will be valuable in obtaining a higher price for their coffee. Pérezgrovas and Cervantes (2002) found in their study of the cooperative Majomut, that its technical advisors provided members with a minimum of six training courses per year in coffee tree management, soil fertility and conservation, pest management, harvesting techniques, and other quality-related procedures.

Whether this added focus on skills and training prove to enhance producers' abilities to earn a higher income or eventually escape coffee production is yet to be determined. Murray, Reynolds, and Taylor (2006) do suggest however, that many of the uncertified arrangements for selling fair trade quality coffee that are taking place without the use of labelling organizations (as will be discussed further in section 4.3), is evidence that fair trade producers have learned from their participation in fair trade cooperatives, acquiring the knowledge and skills to initiate independent arrangements with Northern buyers. Ultimately, any training that these farmers receive will be beneficial, particularly for those who rely on coffee production as their sole source of income.

3.5 A Full Cup?: The Limits of the Fair Trade Market Size

Throughout the past few decades, fair trade labels have become increasingly recognizable and certified products have become gradually more available. However, while this expansion represents substantial and unprecedented growth within the network itself, on a global scale fair trade sales remain rather insignificant, at little over 0.01 percent of total global trade (Ronchi, 2006). Fair trade coffee, which is the most widely available fair trade product (Raynolds et al., 2004), has failed to seize more than a few percent of the coffee market in many countries.¹⁶ As the movement strives to move forward, there are several indications that significant limitations exist for current and long-term market expansion. The surplus of fair trade coffee, the increasing need for fair trade coffee to also be certified organic, the strict membership guidelines of fair trade organizations, the current state of the European fair trade market, and the continued dominance by giant coffee retailers all cast a shadow on the future of the fair trade movement.

Surplus of Coffee

One of the most obvious indications of the current limits of the fair trade market is the abundant surplus of available fair trade coffee that is not being sold through the fair trade market. While fair trade sales have increased, they have not been substantial enough to meet the supply from Southern producers. As a result, most cooperatives sell only a portion of their coffee through fair trade channels, with

¹⁶ In the United States, fair trade certified coffee represents 0.5 percent of the coffee market (Raynolds et al., 2004). In Europe, it is equal to roughly six percent of the coffee market in Switzerland; an amazing 20 percent in the United Kingdom; two percent in Austria, Denmark, and Ireland; and less than one percent in Germany, Sweden, Norway, and Finland (FINE, 2005). These numbers are based on the latest available statistics up to the year 2004.

close to seventy percent of their coffee sold into lower paying conventional markets (Bacon, 2008). The FLO estimates that the fair trade coffee export capacity in Latin America, Africa, and Asia is approximately seven times greater (99,231 metric tonnes) than what is currently being exported through fair trade channels (as cited in Murray et al., 2003). In 2000, over 220,000 bags of fair trade coffee were sold globally, yet the production capacity of registered cooperatives and farmer organizations was estimated at over 1.2 million bags (Daviron & Ponte, 2005).¹⁷ Unfortunately, even if farmers produce coffee under fair trade regulations, unless they are able to sell this coffee on the fair trade market, many of the benefits available from participation in the fair trade movement will be lost. Consequently, it is not surprising that in every case study of cooperatives in Latin America, reviewed by Murray et al. (2003), there was concern about the size and the trajectory of the Northern fair trade markets.

Dual Certification

With the progression of the fair trade movement, there has been an increasing tendency for fair trade coffee to also be certified organic. The fact that producers are now encouraged to produce coffee that meets both fair trade and organic regulations demonstrates the limitations of selling exclusively on the fair trade market.

¹⁷ Coffee is typically measured in 60kg bags. Therefore, Daviron and Ponte's estimate of 220,000 bags of fair trade coffee sold should be equivalent to 13,200,000 kg of coffee, and the estimated production capacity of 1.2 million bags would be equivalent to 72,000,000 kg of coffee.

In the growing U.S. market, the vast majority of fair trade coffee is also organically certified (Murray et al., 2003).¹⁸ Fair trade coffee certification regulations have typically included some degree of environmentally sustainable and eco-friendly conditions; however, today, many fair trade organizations are demanding cooperatives and farmers to additionally certify their coffee as organic. For example, in Mexico the cooperatives UCIRI, Majomut, and CEPCO require new members to make a commitment to convert to organic farming (*ibid.*).

Although organic fair trade coffee production has substantial advantages, including a higher price than traditional fair trade coffee,¹⁹ benefits to the environment, and benefits to consumers' and farmers' health, such benefits come at a cost to the producers who face an increase in labour, additional certification fees, and a potential loss in crop yields. There is also concern about the time and cost required to transition into organic production.²⁰ However, since many fair trade cooperatives have already been producing coffee following guidelines similar to organic certification requirements, the transition may not be that difficult. In addition, if a unification of fair trade and organic certification processes and labels were created, this could save farmers from paying both certification fees. Of greatest value to small coffee producers, in transitioning to organic production, is ultimately the additional market space in which to sell their coffee. Whereas fair trade certified coffee can only be sold on fair trade or traditional markets, certifying it as organic,

¹⁸ The United States is the largest national market for organic coffee in the world; however, there has been no comprehensive tracking of organic imports, and resultant estimates of the size of the organic market show considerable variance.

¹⁹ Certified organic Fairtrade coffee receives an additional minimum of US\$0.20 above the Fairtrade market price, according to FLO standards.

²⁰ Transition costs are associated with infrastructural investments required to enable eligibility to one or another system (Potts, 2007). Costs include investments in the appropriate monitoring and accounting infrastructure or the posting of appropriate signage on farms (*ibid.*).

opens another market avenue for farmers to sell their coffee above traditional market prices.

The movement towards organic certification, while it is a definite illustration of the fair trade markets' limitations and raises concerns over the sustainability of the fair trade movement, this development is likely a positive and more stable investment for producers. The organic market size is difficult to determine; however, estimates in 2006 suggested global sales of organic coffee to be 67,000 MT (Giovannucci et al., 2008, as cited in Organic Trade Association, 2008), fuelled by substantial demand by consumers for safer, healthier products. The direct benefits to consumers from organic products, such as perceived positive health impacts, fuel greater demand among consumers than do the moral rewards and ethical considerations involved in purchasing fair trade products for the benefit of developing world farmers. In proposing that many consumers are more concerned about their own well-being than that of coffee farmers, unless more ethically concerned individuals emerge, organic production may be the most economically appropriate and reliable path for coffee producers.

Limited Membership

Another concern about the capacity of fair trade is its inability or unwillingness to integrate larger numbers and different kinds of producers into the fair trade market. Although many coffee producer groups around the world might meet fair trade standards, unless they belong to fair trade certified cooperatives, their coffee will not be considered fair trade. Despite the fact that many coffee producers seek fair trade membership, it is estimated that of the 25 million coffee farmers in the

world (ICO, n.d.a), only a fraction of them (approximately 500,000) participate in fair trade networks (Murray et al., 2003). Unfortunately, because most ATOs only certify cooperatives, often the poorest people, typically landless workers on large plantations, are left untouched by fair trade (Hira & Ferrie, 2006). With memberships further limited to small-scale farmers, these restrictions directly limit the spread of fair trade benefits among coffee producers.

In El Salvador, for example, until recently, fair trade participation had been exclusively among agrarian reform cooperatives, which excluded a large sector of small coffee farmer associations. Méndez (2002), suggests that it is the farmers who have been unable to participate in the movement that are likely among the poorest sectors of the population involved in coffee production and consequently could greatly benefit from being involved in fair trade.

Within the last few years, the FLO has also started charging initial and annual certification fees.²¹ Charging already struggling farmers participation fees undoubtedly only further limits the number of farmers able to participate in the fair trade movement. If fair trade continues to only help a select few, not much will change on a larger, national level scale. From this perspective, fair trade appears to offer only isolated benefits within participating developing countries.

European versus North American Fair Trade

Amid the celebrated growth of the North American fair trade market, there is a rising concern that it will follow a similar path to that of Europe's, which has

²¹ Based on information from FLO-CERT GMBH, the certification company responsible for the inspection and certification of producer organizations and traders under the FLO, the annual fee for a small farmer is estimated at \$500 (Potts, 2007).

witnessed significant growth and acceptance of fair trade products, but which has now become largely stagnant (Murray et al., 2003; Potts, 2007).²² The North American fair trade market, however, has a long way to go before nearing the level of integration achieved by fair trade products in Europe, despite the recent success of fair trade coffee.²³ Hira and Ferrie (2006) suggest that the difference in development of the two markets is likely due in part to the clearer support of fair trade by both the private and public sectors in Europe, with fair trade becoming almost a public standard. Greater public support and demand for fair trade products undoubtedly stems from a greater understanding of the fair trade movement. As will be discussed further in section 3.6, in Europe, unlike in North America, efforts were made before the introduction of fair trade products to inform its citizens of the intentions and benefits associated with the fair trade concept.

Corporate Domination

In general, fair trade remains a niche market in North America. The recent interest of larger retailers has allowed the movement to integrate more into the mainstream; however, further expansion is limited by the continued dominance of the coffee industry by the major companies Nestlé, Phillip Morris, Sara Lee, Procter & Gamble, and Tchibo, who together control roughly two-thirds of the coffee market (Hira & Ferrie, 2006). With only a few of these companies committed to selling fair

²² Fair trade coffee has reached saturation in some European markets with a share of two to three percent (Potts, 2007). Market shares in Germany have levelled off at one percent; Denmark at two percent; and the Netherlands, where fair trade labelling originated, stands still at three percent (FINE, 2005).

²³ In Switzerland, for example, 47 percent of all bananas, 28 percent of flowers, and 9 percent of sugar is certified fair trade (FINE, 2005). In the United Kingdom, 20 percent of all coffee is certified fair trade (*ibid.*).

trade coffee, and of infinitesimal amounts in relation to their total size,²⁴ unless they commit to purchasing greater amounts, the domination of these companies will continue to limit the growth of fair trade coffee (*ibid.*).

Unfortunately, fair trade does not have any direct financial benefits for businesses who agree to sell fair trade products and therefore any incentives for corporations to become involved in fair trade must come from societal pressures or from the company's own interest to maintain a positive corporate image. Hira and Ferrie (2006), predict that businesses and governments are likely to continue to resist fair trade because of the fear of lower returns and minimal price signals. Profit-driven companies are unlikely to change their ways unless they perceive there to be more direct benefits for them.

As shown above, the limits of the fair trade market size are visible through the abundance of surplus fair trade quality coffee, the increasing necessity for dual certification, the unwillingness to allow more than a select few farmers, the limits of the European market, and the continued domination by large coffee corporations. With too much supply to meet demand, fair trade networks have limited room for expansion (Hira & Ferrie, 2006). Expanding into other certification realms such as organic or shade-grown could open opportunities for a larger number of growers to be able to benefit from the combination of these markets.

²⁴ In 2002, Sara Lee agreed to sell a small amount of fair trade coffee (Jaffee, 2007). In 2003, Procter and Gamble, the makers of Folgers, also agreed to sell a portion of their coffee as fair trade. They are suggested to have been purchasing up to 15,000 bags (or 900 MT) of fair trade coffee around the year 2002 (Daviron & Ponte, 2005). This amount of fair trade coffee works out to be approximately just over 0.3 percent of their total coffee sales, given global coffee production of that year and the size of their share of the coffee market during that time.

3.6 Understanding Fair Trade

Increasingly, consumers are confused by the barrage of slogans, labels and schemes, and are uncertain whether or what benefits accrue to the stated beneficiaries in a complex global food system.
Barrientos and Dolan, 2006, p. 2

Among the various factors preventing the expansion of the fair trade movement is the limited knowledge and understanding by producers and consumers of the different aspects of fair trade. For the producers, if they do not understand the reasons behind why they are producing fair trade coffee or the benefits associated with following fair trade guidelines, they will likely not realize the value of their work or understand the basis for why they are earning more money. However, a lack of understanding by consumers is even more detrimental to the movement itself as it not only seriously limits the growth of the movement, when consumers do not understand the benefits and purpose of fair trade, but it also leads to an inaccurate perception that what they are purchasing is fair trade, when in fact, given the multitude of sustainable coffee initiatives, it is likely not.

Producers

It is important that producers understand the concept of fair trade because they are the ones that will benefit most. In understanding to what extent and in what ways fair trade benefits or hinders them, farmers and producers will be able to make a more informed decision about their participation in the movement. It is safe to assume that what drives farmers and producers to join fair trade cooperatives is the prospect of earning a few cents more for their coffee. However, there are many benefits beyond simply a higher price, of which many producers are likely unaware.

Méndez (2002), in his analysis of various cooperatives in El Salvador, noticed that individual cooperative members and households did not have accurate information about the concept of fair trade. Members saw it as paying a better price and providing them with credit; however, they lacked a clear understanding of the ideological motivations and, according to Méndez (2002), the importance of the movement to producer-consumer relations.

“Many members lack a clear understanding of the fair trade system, as they do not receive regular, detailed information on it and have little direct contact with fair trade representatives” (Taylor et al., 2005, p. 203). Not only is an understanding of fair trade necessary to appreciate and realize the benefits associated with it, but also to recognize the potential limits of the movement.

Consumers

A large part of the success of fair trade lies with consumer education of the movement, which is necessary for building awareness and creating demand for the products. It is through consumers demanding for fair trade products that retailers will begin purchasing and selling greater amounts of fair trade goods. Consumers, however, are not demanding for fair trade, at least not in significant amounts, and this is likely because the vast majority of people are not properly informed about fair trade and consequently do not understand the purpose behind the movement. Marketing and increased consumer awareness are therefore essential to the progression of fair trade (Brown et al., 2008).

In Europe, the introduction of fair trade was preceded by a large campaign to explain to consumers the meaning of the label, what the benefits are to producers,

and who certifies the products. Research commissioned by the Fairtrade Foundation shows that approximately 70 percent of the population in the UK now recognizes the FAIRTRADE Mark, up from 57 percent in 2007 (Fairtrade Foundation, 2008a). Furthermore, 64 percent of the population are also accurately linking this Mark to a better deal for producers in the developing world (*ibid.*). In Europe, the fair trade message appears to be reaching the consumers, with 24 percent of consumers regularly, and 14 percent occasionally, buying Fairtrade products (*ibid.*).

In North America conversely, the fair trade movement has not achieved similar levels of recognition or comparable levels of success. North American consumers, unlike in Europe, have not been properly informed about the various aspects of fair trade. A survey by the National Coffee Association of the U.S.A., as cited in Hira and Ferrie (2006), suggests that only two percent of U.S. consumers were purchasing fair trade products and only seven percent were even aware of fair trade in 2002. Further, the increasing number of labels and sustainable initiatives is only adding to the confusion by consumers of what is fair trade, decreasing the likelihood that consumers will demand specifically for fair trade products. Although the fair trade movement is young in Canada and the United States, introduced in 1997 and 1999 respectively, without growing consumer demand for fair trade, the movement will likely continue to be limited.

3.7 Dangers of Commodity Production and Fair Trade

“They get charity as long as they stay producing the crops that have locked them into poverty”
Paul Collier (2007, p. 163).

Commodity production has historically been very volatile with widely fluctuating prices and unpredictable production levels. Of the 141 developing countries around the world, 95 are drawing at least half of their foreign exchange earnings from commodity exports (Brown et al., 2008). Unfortunately, the growth in demand for primary commodities has been very slow while supply has continued to expand (Wolf, 2005). With the low price elasticity of many commodity products, including coffee, the volatility of prices and the general instability associated with production, pose huge concerns for the estimated two million people who are dependent on primary commodities as a primary source of income (Brown et al., 2008).

A central goal of the fair trade movement is to reduce the dependence of Southern producers on individual agro-exports (Murray et al., 2003). While this movement does bring some benefits to those involved in fair trade, as discussed in previous sections, there is also concern over whether such benefits create perverse incentives that encourage farmers to remain in commodity production. The question this section seeks to answer is whether fair trade is supporting the continuation of commodity production or whether it can help farmers to eventually escape such activities.

One of the objectives of fair trade is for it to become mainstream; however, as fair trade coffee is increasingly promoted to consumers, generating a potential

increase in demand for fair trade products, the expansion of fair trade may create a situation that encourages and requires farmers to continue producing coffee. Paul Collier (2007), former director of development research at the World Bank, suggests that a key problem, with whom he refers to as the bottom billion,²⁵ is that they have not diversified beyond a narrow range of primary commodities. The problem with fair trade, he proposes, is that it encourages them to continue doing what they are doing by raising the prices and making it less enticing for people to move into other activities.

Unfortunately, commodity production has not proven to be a successful approach to sustained economic development. Consider, for example, the most coffee dependent countries, determined by coffee exports as a percentage of total exports. In 2003, in Burundi coffee exports were estimated at over 70% of total exports; Ethiopia at nearly 40 percent; Rwanda at over 20 percent; and Nicaragua, Honduras, and Guatemala at approximately 15 percent, to list only a few (Luttinger & Dicum, 2006).²⁶ The association between coffee production and poverty is unmistakable and history alone suggests that for a country to develop, it must move beyond a focus on commodity production. Collier (2007) suggests that fair trade is not the answer, advising rather the diversification of exports into labour-using manufactures and services, such as seen in Asia.

Some fair trade coffee cooperatives have used coffee profits to encourage diversification into alternative commercial crops, improving the production of basic

²⁵ The bottom billion refers to the one billion people who are failing to move up the ladder of economic development. These individuals are stuck at the bottom, falling behind the other five billion people in the world who are living in countries that are on a path towards development.

²⁶ Luttinger and Dicum note that accurate statistics are very difficult to obtain from many developing countries.

grains, improving related agro-industrial activities, and developing non-agricultural activities such as handicrafts (Murray et al., 2003). While such activities save farmers from being completely reliant on only a single commodity, diversification into areas beyond agriculture and beyond commodity production should be the ultimate goal.

On the other hand, perhaps fair trade will provide the necessary support to small farmers that will allow them to eventually escape commodity production. Among the movement's standards is to provide a higher market price for the sale of fair trade certified coffee. However, as Brown et al. (2008), from the International Institute for Sustainable Development, remind us, development takes place through a higher income, not a higher price. As was demonstrated in section 3.1, a higher price paid for certified coffee does not always translate into a higher price paid to farmers. However, if these higher prices are creating greater stability in family incomes, this stability could be what is needed to allow them to escape commodity production (Brown et al., 2008). "Predictable incomes are critical if commodity-dependent countries and producers are to escape the cycle of commodity dependence, which is in turn integral to wider economic stability and poverty reduction" (*ibid.*, p. 2).

It is difficult to determine whether fair trade has the potential to raise incomes and provide the financial support necessary to help coffee farmers escape the volatility of coffee production. One thing is certain; commodity production has a poor performance record and is not an area with evidence of promising growth. As Martin Wolf, previous senior economist at the World Bank, writes, "commodities seem a bad

place for countries to be. Every effort should be made to encourage diversification” (2005, p. 206). Under this assumption, it is important that efforts, such as fair trade, are not creating incentives that encourage farmers to continue living and working in precarious conditions, void of any opportunity for sustainable development.

4. NEW MARKETING STRATEGIES

It is not clear what the objectives of these large companies are, if they are truly interested in helping the small farmers in the long term or only want to improve their public image...

Concerns of Majomut, a fair trade cooperative in Chiapas, Mexico
(Pérezgrovas & Cervantes, 2002, p. 22)

4.1 The Entrance of Larger Corporations

Recently, the fair trade movement has moved into the mainstream and involved new corporate interests for direct involvement with fair trade. The growing involvement of these larger corporations has generally been celebrated by fair trade activists because of the potential growth and expansion they bring to the fair trade market. However, there is also concern that these developments might come at a cost to the movement itself.

Mainstreaming fair trade has long been a goal of activists, and the incorporation of larger businesses is almost certainly a logical development for the growth of the movement. The involvement of large coffee corporations, such as Procter & Gamble, Nestlé, Sara Lee, Starbucks, and even Dunkin' Donuts, has significantly increased the fair trade market, allowing for the expansion of the fair trade label, while creating new avenues through which to sell the abundance of certified coffee. Daniel Jaffee (2007) proposes that fair trade activists need to dance with the large corporate traders if they are to make a dent in the market. However, he warns, "these corporations bring to the table a very different set of interests and a disproportionate amount of power" (2007, p. 204).

The move to incorporate larger, more powerful companies into the movement may resultantly bring about the very aspects of free trade which fair trade has traditionally sought to avoid, such as power imbalances between the North and South and corporate domination of the market. Already, these larger companies are making their own rules, including negotiating contracts with labelling organizations that allow them to purchase only three or four percent of their coffee as certified fair trade, when the standard has always been an understood minimum five percent commitment (Jaffee, 2007). Allowing these companies to dip their toes in the water, to determine if fair trade is right for them, leaves the power in the hands of the corporations and leaves the fair trade movement in a potentially precarious situation if they choose to pull out.

Allowing these firms to participate may result not only in their domination of the movement but also the eradication of smaller businesses that sell fair trade coffee. Larger corporations that only sell a small portion of their coffee as certified fair trade undercut the fully fair trade, often smaller roasters, by subsidizing the higher prices of fair trade coffee with the purchase of an abundance of lower priced non-fair trade coffees. With larger companies therefore able to sell their coffee at a potentially lower price, the smaller fully fair trade roasters, who cannot drop their prices, may not be able to compete.

In a movement that sought to escape the imbalances of traditional trade for more equal trading relations, there now exists a clash between the motivations of the movement-oriented and the profit-driven roasters. While the participation of these larger players has helped propel the movement and has brought dramatic growth to

fair trade, many uncertainties remain surrounding the true intentions of these corporations and the effects of their involvement. As larger companies begin to take interest in fair trade, or are persuaded by activists to sell fair trade certified coffee, there is the issue of whether their involvement is out of concern for small producers, or, rather, if it is to maintain a positive corporate image, appease activists, or is driven by profit. In the belief that it all comes down to the money, “Starbucks’ commitment to fair trade,” writes Fridell, “is contingent on profitability, and, as its decision to participate in fair trade is purely voluntary, it will almost certainly be revoked if fair trade fails to bring the anticipated benefits” (2007, p. 7).

Marie-Christine Renard (2004) suggests, as cited in Taylor et al. (2005), that these new corporate actors cannot be expected to have the same interests and commitments that initially inspired the fair trade movement. If their involvement is a necessary step in the development and success of fair trade, then perhaps the movement will have to adapt and find ways to protect fair trade values all the while incorporating these new members.

Ultimately there is uncertainty about what these larger corporations mean for the fair trade movement. The subsequent sections take a closer look at the Starbucks Corporation and the multiple alternative, non-certified arrangements that are developing between Southern producers and Northern firms.

4.2 Starbucks

With many consumers now identifying the fair trade concept with the thriving international corporation of Starbucks (Jaffee, 2007), this section takes an important look at how this popular coffee house has influenced the fair trade movement.

Starbucks is the world's largest specialty roaster with the purchase of 352 million pounds of coffee in 2007, approximately two percent of total world coffee production (Starbucks Corporation, 2008).²⁷ Starbucks coffee purchases also represent roughly ten percent of the specialty market's green coffee beans (Fridell, 2007).

Despite claims that the corporation made a valued decision to become a socially and environmentally responsible corporation, it was not until after continued pressure from fair trade activists that Starbucks finally surrendered to the activists' demands in April 2000, agreeing to sell fair trade coffee in all of its U.S. stores (Jaffee, 2007). For fair trade advocates, breaking into the growing specialty coffee industry, with participation by one of the most recognized coffee roasters, was a huge victory. Indeed, since then, the fair trade market has grown dramatically with U.S. coffee imports increasing from 1.3 million pounds in 1999 to nearly 45 million pounds in 2005, accompanied by a dramatic increase in the number of companies roasting fair trade coffee (*ibid.*).

However, the growth of the movement has been bittersweet. More than five years since Starbucks' reluctant acceptance to activists' demands, fair trade coffee amounts to only three percent of the company's total coffee sales and is brewed only a few times a year in its stores (Jaffee, 2007). Starbucks' lack of commitment to the fair trade movement should have been obvious from the beginning, with the company doing little other than what was necessary to appease the activists.

Critics suggest that for Starbucks, fair trade is little more than a lucrative niche market and a powerful tool for displaying its corporate "social responsibility"

²⁷ Starbucks is a multibillion-dollar company with over 15,000 stores in North America, Latin America, Europe, the Middle East, and Asia Pacific (Starbucks Corporation, 2008).

(Jaffee, 2007).²⁸ Indeed, Starbucks appears to have succeeded in associating the fair trade concept with its brand image, and it has done so with minimal changes in its actual practices. “While giving minimal support to fair trade”, Fridell writes, “Starbucks has buffered up its other projects in an attempt to make the argument that all Starbucks coffee is traded fairly, whether it is certified by FLO or not” (2007, p. 260). While purchasing only six percent (20 million pounds) of its coffee certified as fair trade, the company purchased 228 million pounds, 65 percent of their total coffee purchases, from non-fair trade certified Coffee and Farmer Equity (C.A.F.E.) Practices²⁹ approved suppliers (Starbucks Corporation, 2008). Such non-certified agreements of ‘fair’ trade coffee are one of the growing concerns for the growth of the fair trade movement, as will be discussed in the following section.

Starbucks may be falsely promoting fair trade by giving the impression that its coffee is fairly traded, when in reality the majority of the coffee it brews, 94 percent, is not fair trade certified. Because of Starbucks’ ambiguity, unaware and uninformed consumers are likely buying conventional or C.A.F.E. certified coffee under the false assumption that it is fair trade. This misunderstanding adversely affects the very movement the consumers seek to support, since if they believe their coffee is fair trade, when it is not, there is no incentive for consumers to increase demand on Starbucks to supply greater amounts of this fair trade coffee. Starbucks must start

²⁸ Corporate social responsibility, as defined by Starbucks, is conducting business in ways that produce social, environmental, and economic benefits for the communities in which they operate and for the company’s stakeholders, including shareholders (Starbucks Corporation, 2008).

²⁹ C.A.F.E. Practices, introduced in 2004, was designed to help ensure that high-quality coffee is grown and processed in a socially and environmentally responsible manner, an approach that extends throughout the Starbucks coffee supply chain (Starbucks Corporation, 2008). It involves safe, fair, and humane working conditions; protection of human rights; adequate living conditions; minimum wage requirements; and it addresses child labour issues (*ibid.*). For the environment, there are stipulations for the management of waste, protection of water quality, the conservation of energy use, the preservation of biodiversity, and the reduction of agrochemicals (*ibid.*).

accurately informing its clientele, beyond the little brochure tucked behind the sugar packets, about the coffee it brews so that its consumers may make an informed decision about their purchases.

Regardless of the corporation's actual commitment to the fair trade concept, Starbucks remains the largest purchaser of fair trade certified coffee in North America and is a driving force behind the movement's gained momentum. Despite fair trade coffee being such a minute share of Starbucks' overall coffee purchases, the fact that the company bought 20 million pounds of fair trade coffee in 2007, equal to 16 percent of global Fair Trade Certified coffee imports and 32 percent of U.S. Fair Trade Certified coffee imports (Starbucks Corporation, 2008), does not go unnoticed, particularly by cooperatives in producing countries who struggle to find enough fair trade buyers (Bacon, 2008). However, Starbucks has barely increased its share of fair trade coffee over the past eight years, and there is suggestion that this is because the company believes that fair trade is not an appropriate solution to farmers' struggles since the movement only helps a select group of producers, (Fridell, 2007), as was discussed in section 3.5.

Is fair trade then simply a marketing tool for Starbucks? It is difficult to determine precisely if and by how much Starbucks has benefited, itself, from its participation in fair trade. It has definitely gained a positive, yet contested, reputation for its social responsibility. However, from a financial perspective, it is difficult to resolve whether its financial success is correlated with the earlier publicity of selling fair trade coffee, tapping into consumers desires to help third world

producers, or whether its success is attributable to its focus on gourmet and specialty coffees.

The added attention to fair trade from Starbucks' involvement has undoubtedly helped struggling coffee producers and their families, not to mention the scale, alone, of the company's purchase of fair trade coffee. The fact that the company is buying a significant amount of their coffee from alternative, non-fair trade, certification realms is perhaps detrimental to the fair trade concept; however, it does help an increasing amount of farmers than is seen through fair trade certification.

4.3 Non-Certified Arrangements

There has been an increasing tendency among some cooperatives to pursue direct marketing relationships with specialty roasters, supermarkets, and others in the North (Murray et al., 2003). These new relationships; however, while they have allowed for the expansion of the movement and may be a logical development in the growth of the cooperatives, also threaten to distort the principles of fair trade and its future direction.

Direct marketing and labelling initiatives made with North American and European companies such as Starbucks, Neumann, Carrefour, and others are often based on similar criteria to fair trade, but occur outside the fair trade system. Coffee traded through these new avenues may be certified coffee that cannot be sold on the fair trade market due to oversupply, or it may be coffee that follows similar guidelines to fair trade, but has never been certified. Starbucks' C.A.F.E. agreement, for example, is not fair trade certified coffee but it is produced following similar fair trade

standards and therefore is also promoted for its equity trading with Southern producers.

Aranda and Morales (2002), who observed fair trade cooperatives in Oaxaca, Mexico, consider these new arrangements as an achievement of the fair trade system itself, suggesting that the more established cooperatives have learned from their participation in the fair trade network and are now able to form alternative relationships for themselves. These direct agreements are also likely a response by producers to the limits of the fair trade market and the costs of certification, leaving many cooperatives unable to sell their coffee through the fair trade market and resultantly seeking out new, more direct, non-certified trading partnerships.

Although these arrangements open new doors for producers and allow them a greater space in which to sell their fair trade quality coffee, the lack of understanding of fair trade by many producers may leave them susceptible to direct marketing arrangements that offer favourable prices, yet lack the benefits guaranteed through labelling organizations such as the FLO (Taylor et al., 2005). It is here, with the potential disintegration of the added values offered by fair trade certification, that the well-being of small farmers may be jeopardized by these new relationships. The leaders of CEPCO, a large cooperative in Mexico, express concern that fair trade will become a market with higher prices, yet lack the respect for all the policies and ideals that go with it (Aranda & Morales, 2002).

As companies start to establish their own 'fair' criteria, labelling, and certification, the increasing number of brands and logos also adds confusion to ethical consumers of what is fair trade, while also making it difficult to decipher

certified fair trade products from non-certified brands. Unaware consumers may believe they are drinking fair trade coffee, based on, for example, the reputation that Starbucks carries for being so actively involved in fair trade; however, many Starbucks customers likely have never had a fair trade cup of coffee, at least not from Starbucks. Corporations, not completely committed to fair trade, create confusion about their level of involvement in the movement, which may ultimately undermine the expansion of the movement and the impact of fair trade.

The concern over the multitude of new coffee initiatives harming the fair trade mark is understandable; however, fair trade is clearly not meeting the supply of fair trade coffee or the demands of the producers in developing countries. Therefore, if a larger number of farmers are able to benefit from selling their coffee through non-fair trade networks, then such developments are not something about which to be concerned.

5. ANALYSIS: SHOULD FAIR TRADE BE PROMOTED FOR DEVELOPMENT?

As the fair trade movement moves forward, there are signs of opportunity for fair trade to bring substantial benefits to the thousands of coffee farmers around the world. However, alongside these benefits are indications that the fair trade movement may also face various limitations in becoming more mainstream, offering the intended benefits to producers, and in acting as a development tool.

Among the benefits from fair trade are a higher price paid for certified coffee on the market, which ideally would translate into a higher wage paid to farmers who have laboured to meet fair trade standards. Unfortunately, many of the case studies examined in this paper showed mixed results on whether these higher prices actually make an impact on the incomes of farmers and their families. Perhaps the price difference is not substantial enough or the larger revenues accrued from fair trade are being absorbed by the cooperatives rather than the producers. It is more likely that the farmers and cooperatives are simply not selling enough coffee as fair trade to make a noticeable improvement in their wages.

The other noted benefits associated with participation in the fair trade movement included improved access to credit, an emphasis on skills training, and the allocation of funds towards a social premium, which all help farmers to improve their standard of living. As was mentioned above, the availability of pre-financing from buyers helps farmers avoid going into debt, while also creating a more stable,

predictable economic situation. Gaining new skills, which are beneficial for improving coffee production and quality, as well as acquiring skills that allow for the diversification beyond coffee production, is also a valuable aspect of participating in fair trade. The social premium, which allocates funds for community and cooperative development initiatives, demonstrates the movement's commitment to more than simply offering a higher price. However, this supposed standard of fair trade had the most varied response regarding the actual benefits to farmers and producers. Some cooperatives had purchased household items for the producers or invested the funds into a community project; however, there was a noticeable and concerning trend towards allocating the money for the cooperative's debt payments. In many cases, there was no enforcement or surveillance to ensure the proper use of the premium.

Are these benefits therefore enough to make a difference in the lives of the producers? Limited available research shows that higher prices paid for fair trade coffee and the improved access to credit have improved the economic stability of many participating families. There are also signs that the addition of a social premium has helped initiate some development projects within the communities that may not have otherwise taken place. However, there appears to be limited consistency in the findings, with some farmers benefiting from their participation in fair trade, while others do not. The one common thread among the many case studies and cooperatives examined, further supported by the various researchers and authors examining fair trade, was concern over the trajectory of the fair trade market.

Europe shows that fair trade has the potential to become more mainstream with a larger acceptance by the public; however, as the European market slows, there are also signs that perhaps the expansion of the fair trade market has limits. Take the coffee industry for example. Coffee is one of the most popular beverages in the world, yet fair trade has failed to capture more than a few percent of the coffee market in most countries. Preventing its expansion, particularly in North American markets, is the continued dominance of large coffee retailers who, if they have even agreed to buy fair trade coffee have purchased only very limited amounts. The growing number of sustainable coffee initiatives has also created confusion among consumers who already lacked a clear understanding of the concept of fair trade. Without consumers demanding specifically for fair trade products, and without large coffee retailers investing in fair trade, the growth of the movement will surely be limited.

Ultimately, unless there is a change in the direction and functioning of the fair trade system, benefits from it alone will be minimal. Any benefits will likely be in the form of a slightly higher wage and a few development projects, which will help improve the livelihoods of small farmers; however, they will not be enough to help them to escape poverty or coffee production. VanderHoff Boersma (2002) came to a similar conclusion in his analysis of the UCIRI cooperative, which is somewhat surprising as this is one of the most successful and referenced cooperatives amongst the literature and which has been selling fair trade coffee since 1986. He found that, “in spite of the increased incomes achieved through the sale of Fair Trade coffee, it can not be said that these incomes are adequate to secure the survival of the families of producers” (p. 20). There were similar findings from the producers of the

cooperative Michiza who sell a very high percentage of their coffee at fair trade prices, unlike many other producers, yet are still losing money or just breaking even (Jaffee, 2007). The benefits from fair trade will help some producers; however, fair trade efforts will likely not be enough to have any significant impact on the lives of the vast majority of coffee producers.

While this promotion of fair trade is likely not doing much harm, neither is it bringing many substantial benefits to the farmers. For this reason, there should not be concern over the development of other 'sustainable', non-fair trade certified coffee initiatives because while they may eventually disintegrate the value of the fair trade label, at least they bring greater benefits to a larger number of producers than is the fair trade movement. However, just like fair trade, these alternative arrangements and initiatives will likely not be powerful enough to have any significant, long-lasting influence on the lives of the millions of coffee farmers around the world.

If fair trade does not help producers to eventually escape coffee production, then what will? Perhaps, the one thing that will encourage farmers to escape their current situation is the power of natural market forces and farmers finding coffee production to be so unbearable and unsuccessful that they are forced to find another, more profitable source of income. The unpredictability of crop yields, the inelasticity of the market, and the low prices paid to producers have traditionally created a very economically unstable situation for farmers and their families. If natural market forces play out and coffee prices continue to drop, then producers may be more inclined to leave coffee production and assume other, potentially more

stable and prosperous, activities. Aranda and Morales (2002) mention that farmers' "participation in the fair-trade market has allowed them to continue growing coffee while other farmers have abandoned coffee production, moving to the cities or transforming their land to other uses—pastures or *milpas* (basic grain production)..."(p. 18). Rather than being concerned over farmers abandoning their farms and moving to the city, such developments should be viewed as a natural response to the instability of this type of work and a positive indication that some farmers are escaping coffee production.

In the end, should fair trade be promoted as a form of sustainable development for developing world farmers and producers? No, because fair trade appears to offer only short-term, isolated benefits to a select few individuals. Currently, the fair trade market is too small with not enough demand from consumers and consequently not enough space to sell the abundance of fair trade quality coffee. With nowhere to sell the coffee, the resulting benefits from fair trade will be limited. Further, fair trade membership regulations are too stringent to accommodate more than a handful of producers. For those who participate in fair trade, the effects on producers have been in many cases positive; however, there is inconsistency across case studies on the actual benefits accrued by farmers and the impact of fair trade on improving income levels. Unless continued research in the area shows that larger portions of producers are benefiting from fair trade, and in significant amounts, caution should be used in promoting it as a form of poverty alleviation and development.

Should companies, such as Starbucks, therefore be promoting fair trade coffee? The promotion of fair trade is likely not doing any harm, unless it proves to be encouraging farmers to stay in coffee or other commodity production. However, it also remains uncertain to what extent fair trade and the many other 'sustainable' coffee initiatives are actually benefiting producers in developing countries. Ultimately, there is not enough research to determine the true effects of fair trade or its potential to help the developing world.³⁰ It is essential that more research be done on a broader scale, encompassing a wider range of cooperatives and regions. Without a more complete understanding of the effects of fair trade on the lives of producers, the advocates and retailers of fair trade should be cautious about its promotion, as it may be leading producers and consumers down fruitless path.

Based on the research to date, fair trade appears to be a short-term answer to the struggles of coffee producers and will likely not help or encourage farmers to escape coffee production. Nonetheless, considering that the likely future for many of today's coffee farmers is continued coffee production, if fair trade can even slightly improve farmers' lives while they continue to produce coffee, consideration should be given to such benefits. Free trade has been slow to encourage farmers to move

³⁰ One of the main limitations in analysing the successfulness and potential of the fair trade movement is the lack of empirical data, particularly concerning farmers' income levels. There exist a few estimates of coffee farmers' wages and incomes; however, finding information on the average farmer's wage in various countries, in order to compare it with the wages and income levels of farmers involved in fair trade has proven very difficult. Although there is an increasing amount of literature being written on the subject, there remains a lack of data against which to verify all of the theoretical and anecdotal evidence compiled to date (Potts, 2007).

There is also a lack of breadth to the literature and research. Among the various case studies and discussions of fair trade cooperatives, much of the research has been from only a select few cooperatives throughout Latin America, many of them larger and more established cooperatives. Often referenced by fair trade advocates, these larger more successful 'showcase' cooperatives shed a positive light on the fair trade movement, whereas a broader study of all the cooperatives, big and small, new and old, successful or not, would provide a more accurate assessment of the impact of fair trade.

beyond commodity production, and if it is going to take another ten or twenty years for many of the coffee producing countries to diversify beyond commodity production, it is important that farmers are earning enough to at least meet their minimum standards of living. A short-term solution may be the pursuit of 'sustainable' coffee initiatives; however, fair trade is by no means a long-term answer or a sustainable solution to the perils of the developing world.

6. CONCLUSION

As the world continues to consume over a billion cups of coffee everyday, on the other end of the coffee chain are thousands of farmers cultivating, drying, and processing the coffee beans that make up our morning cup of coffee. While we, as consumers, rarely witness a difference in price from our \$1.25 coffee, producers are subject to severe market price variations that have drastic impacts on their lives. Unfortunately, the world's continued enjoyment of this beverage likely means continued hardship for thousands of farmers around the world who are reliant on coffee production as a principle source of income.

While free trade has brought many benefits to many countries around the world, it appears to have left some people behind either because they lack the opportunity to participate in trade, or they face restrictions and impediments to fully benefit from trade. Fair trade is an attempt to improve these trade relations, bringing greater benefits to Southern producers, such as coffee farmers. However, while this initiative is increasingly being promoted as a way for consumers to help struggling farmers, its impact has been highly unanalysed.

In its effort to bring larger benefits to small-scale producers in developing countries, it is possible that fair trade is promoting a losing game to both producers and consumers. Unfortunately, the reality of the influence and power of this movement remains highly uncertain and its ability to help more than even a select few is questionable. As a result, the promotion and expansion of fair trade is met

with delight over the benefits and concern over the limits and potential harm caused by the movement.

Although fair trade does not claim to be a panacea for growth or poverty alleviation, it will likely fail to fulfil many of its anticipated benefits. Nevertheless, the movement is still young and its future unknown. Perhaps, and to the benefit of thousands of people, fair trade will bring noticeable benefits and guide producing countries on a path towards development and growth.

Unfortunately, however, for coffee producers around the world the future of the coffee industry seems just as unpredictable and unstable as it ever did. Hopefully, fair trade and other 'sustainable' coffee initiatives will help bring some stability to their lives; yet, with no signs of the coffee industry or production slowing, the only thing without a guaranteed future is the concept of fair trade itself.

REFERENCE LIST

- Aranda, J., & Morales, C. (2002). *Poverty alleviation through participation in fair trade coffee networks: The case of CEPCO, Oaxaca, Mexico*. Retrieved June 10, 2008, from <http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup/doc/cepcoco.pdf>
- Bacon, C. (2008). Confronting the coffee crisis: Can fair trade, organic, and specialty coffees reduce the vulnerability of small-scale farmers in Northern Nicaragua? In C. Bacon, V. E. Méndez, S. Gliessman, D. Goodman & J. Fox (Eds.), *Confronting the coffee crisis* (pp. 155-178). Cambridge: The MIT Press.
- Barrientos, S., & Dolan, C. (Eds.). (2006). *Ethical sourcing in the global food system*. UK & USA: Earthscan.
- Brown, O., Crawford, A., & Gibson, J. (2008). *Boom or bust: How commodity price volatility impedes poverty reduction, and what to do about it*. Winnipeg: International Institute for Sustainable Development. Retrieved June 18, 2008, from http://www.iisd.org/pdf/2008/boom_or_bust_commodity.pdf
- Collier, P. (2007). *The bottom billion: Why the poorest countries are failing and what can be done about it*. New York: Oxford University Press.
- Committee on Sustainability Assessment (COSA). (n.d.). *Information brief on the COSA project: A multi-criteria analysis of sustainable practices in coffee*. Retrieved June 18, 2008, from <http://www.iisd.org/pdf/2007/cosa.pdf>
- Daviron, B., & Ponte, S. (2005). *The coffee paradox*. London: Zen Books Ltd.
- Fair Trade Federation. (2005). *2005 report: Fair trade trends in North America and the Pacific Rim*. Washington, DC: Fair Trade Federation. Retrieved May 28, 2008, from <http://www.fairtradefederation.org/ht/a/GetDocumentAction/i/278>
- Fair Trade Labelling Organizations International. (2006). *About us: About fair trade*. Retrieved June 2, 2008, from http://www.fairtrade.net/about_fairtrade.html
- Fair Trade Labelling Organizations International. (2007a). *FLO International adjusts Fairtrade minimum prices for arabica coffee to cover costs of sustainable production*. Retrieved July 22, 2008, from [http://www.fairtrade.net/single_view.html?&cHash=39ac7fda2b&tx_ttnews\[backPid\]=168&tx_ttnews\[tt_news\]=32](http://www.fairtrade.net/single_view.html?&cHash=39ac7fda2b&tx_ttnews[backPid]=168&tx_ttnews[tt_news]=32)
- Fair Trade Labelling Organizations International. (2007b). *Annual report 2007: An inspiration for change*. Bonn: Fairtrade Labelling Organizations International. Retrieved June 2, 2008, from http://www.fairtrade.net/fileadmin/user_upload/content/FLO_AR2007_low_res.pdf

- Fair Trade Toronto. (n.d.). *Coffee*. Retrieved June 21, 2008, from <http://www.fairtradetoronto.com/products/coffee.html>
- Fairtrade Foundation. (2008a). *Awareness of FAIRTRADE mark leaps to 70%*. Retrieved July 17, 2008, from http://www.fairtrade.org.uk/press_office/press_releases_and_statements/may_2008/press_office/press_releases_and_statements/april_2008/press_office/press_releases_and_statements/april_2008/awareness_of_fairtrade_mark_leaps_to_70.aspx
- Fairtrade Foundation. (2008b). *Coffee chart (arabica)-comparison of Fairtrade price and world market price*. Retrieved May 15, 2008, from http://fairtrade.org.uk/includes/documents/cm_docs/2008/A/Arabica%20Price%20Chart%2089-08.pdf
- Fairtrade Foundation. (2008c). *Coffee chart (robusta)-comparison of Fairtrade price and world market price*. Retrieved May 15, 2008, from http://fairtrade.org.uk/includes/documents/cm_docs/2008/R/Robusta%20Price%20Chart%2089-08.pdf
- FINE. (2005). *Fair Trade in Europe 2005: Facts and figures on Fair Trade in 25 European countries*. Brussels: Fair Trade Advocacy Office. Retrieved June 15, 2008, from <http://www.european-fair-trade-association.org/efta/Doc/FT-E-2006.pdf>
- Fridell, G. (2007). *Fair trade coffee: The prospects and pitfalls of market-driven social justice*. Toronto: University of Toronto Press Incorporated.
- Hira, A., & Ferrie, J. (2006). Fair trade: Three key challenges for reaching the mainstream. *Journal of Business Ethics*, 63(2), 107. Retrieved May 28, 2008, from SpringerLink database.
- ICO. (n.d.a). *International Coffee Organization annual review 2006/2007*. Retrieved May 28, 2008, from <http://dev.ico.org/documents/review8e.pdf>
- ICO. (n.d.b). *Mission*. Retrieved June 22, 2008, from <http://www.ico.org/mission.asp>
- International Fair Trade Association. (2006). *IFAT annual report 2006*. The Netherlands: Retrieved from July 2, 2008, from http://www.ifat.org/index.php?option=com_docman&task=cat_view&gid=36&&Itemid=106
- Jaffee, D. (2007). *Brewing justice: Fair trade coffee, sustainability, and survival*. Berkeley, Los Angeles, London: University of California Press.
- Kruger, D., Mason, A., & Vakis, R. (2003). The coffee crisis in Central America. *Spectrum*, 3, 16-19.
- Luttinger, N., & Dicum, G. (2006). *The coffee book: Anatomy of an industry from crop to the last drop* (Revised and updated ed.). New York: The New Press.
- Méndez, V. E. (2002). *Fair trade networks in two coffee cooperatives of Western El Salvador: An analysis of insertion through a second level organization*. New York: Retrieved from <http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup/doc/elsal.pdf>

- Murray, D., & Reynolds, L. (2007). Globalization and its antinomies: Negotiating a fair trade movement. In L. Reynolds, D. Murray & J. Wilkinson (Eds.), *Fair trade: The challenges of transforming globalization* (pp. 3-14). London: Routledge.
- Murray, D., Reynolds, L., & Taylor, P. (2003). *One cup at a time: Poverty alleviation and fair trade coffee in Latin America*. Retrieved June 10, 2008, from <http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup/doc/fairtrade.pdf>
- Murray, D., Reynolds, L., & Taylor, P. (2006). The future of fair trade coffee: Dilemmas facing Latin America's small-scale producers. *Development in Practice*, 16(2), 179. Retrieved June 10, 2008, from Informaworld database.
- Nicholls, A. (n.d.). *Thriving in a hostile environment: Fairtrade's role as a positive market mechanism for disadvantaged producers* Retrieved June 5, 2008, from, http://www.fairtrade.org.uk.proxy.lib.sfu.ca/includes/documents/cm_docs/2008/a/alex_nichols.pdf
- Organic Trade Association. (2008). *Facts about organic coffee*. Retrieved July 20, 2008, from http://www.ota.com/organic_and_you/coffee_collaboration/facts.html
- Oxfam GB. (2008). *Trade-what's the big deal?* Retrieved July 22, 2008, from http://www.oxfam.org.uk/oxfam_in_action/issues/trade.html
- Pendergrast, M. (1999). *Uncommon grounds*. New York: Basic Books.
- Pérezgrovas Garza, V., & Cervantes Trejo, E. (2002). *Poverty alleviation through participation in Fair Trade coffee networks: The case of union Majomut, Chiapas, Mexico*. Retrieved June 10, 2008, from <http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup/doc/victor.pdf>
- Potts, J. (2007). *Alternative trade initiatives and income predictability: Theory and evidence from the coffee sector*. Winnipeg: International Institute for Sustainable Development. Retrieved June 18, 2008, from http://www.iisd.org/pdf/2007/trade_price_alt_trade.pdf
- Ransom, D. (2006). *The no-nonsense guide to fair trade* (2nd ed.). Toronto: New Internationalist & Between the Lines.
- Reynolds, L., & Long, M. (2007). Fair/Alternative trade: Historical and empirical dimensions. In L. Reynolds, D. Murray & J. Wilkinson (Eds.), *Fair trade: The challenges of transforming globalization* (pp. 15-32). London: Routledge.
- Reynolds, L., Murray, D., & Taylor, P. (2004). Fair trade coffee: Building producer capacity via global networks. *Journal of International Development*, 16(8), 1109-1121. Retrieved June 10, 2008, from Business Source Complete database.
- Ronchi, L. (2006). *"Fairtrade" and market failures in agricultural commodity markets*. (Policy Research Working Paper). World Bank. Retrieved June 28, 2008, from http://www-wds.worldbank.org.proxy.lib.sfu.ca/external/default/WDSContentServer/IW3P/IB/2006/09/19/000090341_20060919095112/Rendered/PDF/wps4011.pdf

- Sidwell, M. (2008). *Unfair trade*. London: ASI Ltd. Retrieved June 10, 2008, from http://www.adamsmith.org/images/pdf/unfair_trade.pdf
- Starbucks Corporation. (2008). *Starbucks corporation fiscal 2007 corporate social responsibility annual report* Retrieved June 18, 2008, from http://www.starbucks.com/aboutus/csreport/Starbucks_CSR_FY2007.pdf
- Sustainability in the coffee sector: Exploring opportunities for international cooperation*. (n.d.). International Institute for Sustainable Development & United Nations Conference on Trade and Development. Retrieved July 10, 2008, from http://www.iisd.org/pdf/2003/sci_coffee_background.pdf
- Taylor, P., Murray, D., & Reynolds, L. (2005). Keeping trade fair: Governance challenges in the fair trade coffee initiative. *Sustainable Development*, 13(3), 199-208. Retrieved June 10, 2008, from Business Source Complete database.
- United Nations. (1987). *Report of the world commission on environment and development* (Report No. 42/187). Retrieved July 20, 2008, from <http://www.un.org.proxy.lib.sfu.ca/documents/ga/res/42/ares42-187.htm>
- UTZ certified is about...professional coffee growing, traceability & trust*. (n.d.). Retrieved July 22, 2008, from <http://consumer.utzcertified.org/index.php?pageID=202>
- VanderHoff Boersma, F. (2002). *Poverty alleviation through participation in fair trade coffee networks: The case of UCIRI, Oaxaca, Mexico*. Retrieved June 10, 2008, from <http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup/doc/pov.pdf>
- Waridel, L. (2002). *Coffee with pleasure: Just java and world trade*. Montreal: Black Rose Books.
- Wolf, M. (2005). *Why globalization works*. New Haven: Yale Nota Bene.