

# The future of Fair Trade coffee: dilemmas facing Latin America's small-scale producers

*Douglas L. Murray, Laura T. Raynolds, and Peter L. Taylor*

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*Fair Trade has become a dynamic and successful dimension of an emerging counter-tendency to the neo-liberal globalisation regime. This study explores some of the dilemmas facing the Fair Trade movement as it seeks to broaden and deepen its impact among the rural poor of Latin America's coffee sector. We argue that the efforts to broaden Fair Trade's economic impact among poor, small-scale producers are creating challenges for deepening the political impact of a movement that is based on social justice and environmental sustainability. The study is based on two years' research and seven case studies of Mexican and Central American small-scale farmer cooperatives producing coffee for the Fair Trade market.*

## Introduction

World coffee prices languish at an almost 100-year low due to deregulation-driven over-production and cost-cutting technological innovations in coffee processing (Ponte 2002; Oxfam 2002; Lindsey 2004). The results have been devastating for Latin America's millions of small-scale coffee producers. Farmers desperate to escape the grinding poverty that has accompanied the coffee crisis are leaving the coffee-growing regions of Mexico and Central America by the tens of thousands. Coffee farms have been abandoned throughout the region as farmers and their families move to urban areas to settle in squatter communities or to begin their migration to *El Norte*, the USA. They join many others fleeing the region's rural poverty, braving the dangerous desert crossings into the USA. In 2003, 409 people died in the deserts, a seven-fold increase since 1995, just prior to the onset of the current coffee crisis (Hendricks 2004). With another 83 deaths reported in the first four months of 2004 (before the summer's sweltering heat began), that year was projected to be the deadliest yet. Still, the number of such migrants grows.

Meanwhile, a relatively small but increasing number of small-scale producers are surviving the coffee crisis, staying in their communities and even experiencing a degree of prosperity. Through access to Fair Trade markets, these farmers have been able to sell their coffee at prices more than double the street price paid by local *coyotes* (intermediaries), the traditional means of access to the coffee market for most small producers. The demand for Fair

Trade coffee has grown dramatically over the past decade, accounting for 1.2 per cent of total European coffee sales (EFTA 2001) and 0.5 per cent of the much larger US market.

The potential for the Fair Trade movement to alter the downward spiral of Latin America's rural poor has been advanced by a number of advocates and sympathetic observers (Waridel 2001; Ransom 2001). Perhaps as testimony to the growing potential of Fair Trade, there has also been a growing chorus of critics of the movement (Lindsey 2004). To better understand both the potential and the limitations of Fair Trade, the Fair Trade Research Group (FTRG) was formed in 1999. (1) Based in the Sociology Department of Colorado State University (CSU), the FTRG has drawn upon a network of practitioners and scholars from Africa, Europe, Latin America, and the USA. Through an ongoing series of workshops and scholarly research, the FTRG has attempted to identify the potential of, the obstacles to, and the unresolved dilemmas facing the Fair Trade movement.

The following discussion is based on the findings of a two-year study of small-scale coffee producers in Mexico and Central America who have participated in Fair Trade (Murray et al. 2003). The study was launched at a 2001 workshop in Mexico City to define a research agenda through a participatory process involving regional and international scholars and practitioners. In collaboration with a team of independent researchers, the FTRG conducted seven case studies of small-scale producer cooperatives participating in Fair Trade. We found the benefits of Fair Trade to Latin America's small-scale coffee farmers were both more significant and more complex than previously understood, and have reported on some of these findings elsewhere (Raynolds et al. 2004; Taylor et al. 2005). Here, we explore the complex and important dilemmas still facing small-scale coffee producers and the Fair Trade movement in their efforts to broaden and deepen the impact of this alternative trade initiative. By broadening Fair Trade we mean increasing the number and variety of participants. Deepening refers to the challenge of maintaining and strengthening the core social and environmental values of the Fair Trade movement. Accomplishing each without sacrificing the other, we will argue, is the central dilemma for the Fair Trade movement.

## What is Fair Trade?

The Fair Trade movement is an effort to link socially and environmentally conscious consumers in the North with producers engaged in socially progressive and environmentally sound farming in the South. It is an attempt to build more direct links between consumers and producers that provide the latter with greater benefits from the marketing of their products than conventional production and trade have allowed, while breaking down the traditional alienation of consumers from the products they purchase.

Fair Trade is a movement with considerable potential, though it makes no claim to be able to resolve single-handedly the seemingly downward spiral of problems associated with the current neo-liberal globalisation regime, which has led to increasing impoverishment, disenfranchisement, and alienation on a worldwide scale. It is one of the more dynamic examples of the initiatives, campaigns, and movements that are constituent elements of what Peter Evans has described as 'counter hegemonic networks' (Evans 2000), characterising a process of 'globalization from below' (Portes 1999). These efforts represent a multifaceted response to globalisation that seeks to re-regulate global production, trade, and consumption in ways more protective of and beneficial to people and the environment. In this context Fair Trade becomes a case worthy of investigation in its own right, and also a vehicle for understanding the broader incipient pursuit of a fundamentally different form of globalisation.

Fair Trade began in Europe nearly 50 years ago with church-based initiatives to sell hand-crafts from Africa and elsewhere (Stecklow and White 2004). By the 1960s this initiative

evolved into ‘world shops’ that engaged in marketing goods from the developing world in Europe and the USA, and whose strategy was to eliminate intermediaries in the commodity chain and return greater profits to Third World producers. Fair Trade continued to evolve through the 1980s, and has grown at an impressive 30 per cent annually ever since (Fair Trade Federation 2003) through labelling and mainstream marketing of an expanding range of commodities. Sales reached over US\$700 million by the end of 2003 (Stecklow and White 2004).

In the late 1980s the NGO Max Havelaar began marketing coffee under its own label and certifying that a guaranteed minimum price was being paid to the producers, along with additional funds for community development projects. Soon coffee became the dominant commodity within the Fair Trade movement. In 2003 nearly 20,000 tonnes of roasted Fair Trade coffee were sold in 17 countries (see Table 1), with the USA as the leading market.

**Table 1:** Sales of roasted Fair Trade coffee (in MT)

Country	Years		
	2001	2002	2003
TF Austria	332.3	409.1	463.1
MH Belgium	582.2	632.2	762.5
TF Canada	277.0	425.0	647.9
MH Denmark	712.0	655.0	543.0
RKE Finland	97.0	109.0	113.2
MH France	950.0	1,386.0	2,368.4
TF Germany	3,128.6	2,942.0	2,864.8
FTF Great Britain	1,553.9	1,953.9	2,889.1
IFTN Ireland	62.0	60.0	99.9
TF Italy	453.0	243.2	229.6
TF Japan	6.5	9.6	21.5
TF Luxembourg	77.3	68.0	64.9
MH Netherlands	3,104.7	3,139.7	3,096.1
MH Norway	178.9	232.0	312.5
Rättv. Sweden	253.6	289.2	294.0
MH Switzerland	1,306.4	1,246.0	1,550.0
TF USA	1,263.0	1,854.0	3,574.0
<b>Total</b>	<b>14,338.4</b>	<b>15,653.8</b>	<b>19,894.5</b>

TF = TransFair

MH = Max Havelaar

RKE = Reilun Kaupan Edistämisry (Finnish Association for Promoting Fair Trade)

FTF = Fairtrade Foundation

IFTN = Irish Fair Trade Network

Rättv = Föreningen för Rättvisemärkt

Source: FLO Internal Database

As the Fair Trade movement grew, the for coordination and harmonisation among the various labelling initiatives led to the creation of Fairtrade Labelling Organizations International (FLO) (Renard 2003:90). The FLO subsequently established detailed standards for its seven certified commodities based on a common set of principles. It monitors producer and trader groups to ensure compliance, and may on occasion de-certify groups for failure to meet or maintain the certification criteria.

The FLO standards for coffee-producing groups are that producers must be small, family-based growers organised into politically independent democratic associations; and that they must pursue ecological goals by conserving natural resources and limiting chemical inputs. Coffee importers must comply with another set of FLO standards in order to use the Fair Trade label:

- Purchases must be made directly from producers’ organisations, with purchasing agreements that extend beyond a harvest cycle.
- Importers must guarantee the FLO minimum price (US\$1.21/lb for *Arabica* coffee) and pay a social premium (US\$0.05/lb) in addition to the minimum price, or pay the world market price, whichever is higher; certified organic coffee receives an additional premium (US\$0.15/lb).
- Importers must if requested offer pre-financing equal to 60 per cent of the contract value.

Latin America is the centre of Fair Trade coffee production with 165 producer groups registered with FLO in 14 countries, which together export over 84 per cent of all Fair Trade coffee. Mexico has been the dominant player in this production, with Colombia, Guatemala, Nicaragua and Peru also making significant contributions to the overall volume (Raynolds et al. 2004).

Fair Trade represents a real opportunity for small-scale producers to participate in a global trade scheme that is significantly better than the traditional coffee markets. Up to 30 per cent of the world’s small-scale coffee producers are now linked to the Fair Trade networks (Conroy 2001:10). But the degree to which these farmers benefit and the scope of such benefits has been largely unanalysed.

To understand both the benefits to and the ongoing dilemmas facing Fair Trade coffee in Latin America, the case-study authors and the CSU team conducted semi-structured in-depth interviews in the seven cooperatives described in Table 2. The cooperatives represent the

**Table 2:** Case-study organisations

Name	Location	Founded	Number of members
CEPCO	Oaxaca, Mexico	1989	41 organisations 16,000 members
UCIRI	Oaxaca, Mexico	1981	2 076
Majomut	Chiapas, Mexico	1983	1500
La Selva	Chiapas, Mexico	1976	943
Tzotzilotic	Chiapas, Mexico	1992	840
La Voz	Guatemala	Late 1970s	116
APECAFÉ	El Salvador	1997	11 cooperatives
Las Colinas		1980	99
El Sincuyo		2000	28

Source: Murray et al. 2003

range of experiences among small-scale producer groups participating in Fair Trade. The oldest and largest of the cooperatives, UCIRI and CEPSCO in Mexico, reflect the experience of increasing diversification, while the newer Las Colinas cooperative in El Salvador represents that of a cooperative still trying to establish itself within the Fair Trade regime. The La Selva cooperative in Mexico had dropped out of and now seeks re-entry into Fair Trade. Together they provide us with the range of experiences and, perhaps more importantly, the range of dilemmas facing small-scale Fair Trade coffee producers and the Fair Trade movement as it goes forward.

Farmers are understandably drawn to Fair Trade for the premium paid for certified coffee. The case of Majomut is indicative, with farmers producing on average 1500 lbs of Fair Trade coffee, for which they receive US\$1700, compared to the street price paid by local *coyotes* of US\$550 (Pérezgrovas and Cervantes 2002:16). With coffee representing 80 per cent of Majomut members' family incomes, the economic benefit of participating in Fair Trade is clear.

Yet our research also found a range of other benefits at times less obvious, but in some ways more significant. (2) Fair Trade has provided increased economic and social stability to participants, and greater access to technical training. This in turn has led to improvements in the quality of small-producer coffee and higher productivity. Farmers' families have also benefited, for instance through greater access to education for their children. Many indigenous farmers also saw Fair Trade as an important vehicle for cultural revival, most notably in the cases of the Tzotzilotic and La Selva cooperatives in the southern Mexico state of Chiapas, and the La Voz cooperative in the Guatemalan highlands. Fair Trade has also contributed to strengthening farmers' organisations, which in turn has fostered access to other opportunities for cooperatives and their members. These opportunities include direct marketing of their coffee and other commodities, and access to training in organic farming techniques and other methods to improve the quality of their coffee, both of which are discussed below.

While the benefits vary from one case to another, all the cooperatives participating in Fair Trade have clearly reaped significant benefits from the experience, which has improved the well-being of thousands of small-scale farmers in Mexico and Central America. However, the case studies raised important questions about the long-term ability of the Fair Trade movement to broaden and deepen this experience. If Fair Trade is to move beyond benefiting a relatively small segment of the rural poor, it will need to address—and resolve—several dilemmas.

## The dilemmas facing Fair Trade coffee producers

### *The Northern market*

While this article focuses on the dilemmas facing small-scale coffee producers and the Fair Trade movement at the point of production in the Global South, the Fair Trade market in the North remains a fundamental force in determining the success or failure of such efforts. In each of the case studies cooperative members and researchers alike raised concerns about both the size and trajectory of the Northern markets. While sales of Fair Trade coffee continue to expand in the USA, growth in the European market appears to have slowed considerably (See Table 1). In spite of the continued dynamism projected for the North American market, it too is likely to reach a ceiling at some point.

Given the potential limits to the existing Fair Trade market, there are serious implications for helping increasing numbers of small-scale coffee producers in Latin America and elsewhere through Fair Trade. A great many producers can meet the stringent criteria for Fair Trade certification. But the number of qualified producers far exceeds those actually selling their coffee in

the Fair Trade market and thus benefiting from this initiative. Even among already certified producers, far more of their produce goes on the traditional coffee market than on the Fair Trade market, and thus they fail to reap the full potential benefits. FLO estimates that the capacity of small-scale coffee producers worldwide who could meet Fair Trade certification is roughly seven times the actual volume exported via Fair Trade channels.

In the cooperatives surveyed in this study, the limits in the existing Fair Trade market were evident. Only two of the five cooperatives in Mexico and one of the two Central American cooperatives reported selling all their coffee under Fair Trade labels. The others claimed to sell only a portion of their coffee via Fair Trade, with one selling none of its produce under the Fair Trade label.

The effects of market ceilings cannot be overstated since they frame and condition all of the dilemmas discussed below. This reality is part of the justification for the aggressive push to 'mainstream' Fair Trade via supermarkets and other outlets in the USA and elsewhere. (3) It is also at the heart of the challenge to the Fair Trade movement posed by the expansion of supply (broadening) in ways that may not support deepening of the movement.

### *Improving the quality of Fair Trade coffee*

A related concern for the small-scale producers of Fair Trade coffee is the question of quality. Similar to the organics movement, the early offerings of Fair Trade coffee were of uneven quality. Consumers were encouraged to purchase these products out of solidarity with and compassion for poor, small-scale producers. But as Fair Trade moved from a rather small niche to the mainstream markets, quality became a critical issue.

In recent years there has been considerable support for improving quality provided to Fair Trade certified cooperatives. Most of the case studies reported significant investment of time and resources in training and technology. Many of the Fair Trade coffees reaching Northern markets are now significantly better than the early products, as demonstrated by the increasing number of awards garnered by Fair Trade coffee in international cupping (taste-testing) competitions.

However, the quality issue remains a significant obstacle. Opponents of the Fair Trade movement continue to maintain that the coffee is of low quality, at times using this argument to justify their continued resistance to introducing Fair Trade coffee into their product lines. Competitors also argue that Fair Trade coffee is inferior in order to promote their own coffees. This dynamic is a fundamental feature of traditional marketing, but it nevertheless remains a challenge to the Fair Trade movement. The history of the organics movement suggests this is a dilemma that can be overcome, although it may be one that persists for some time (Raynolds 2000).

### *Expanding participation in Fair Trade coffee*

If the benefits of Fair Trade are to be realised by a larger number of people in Latin America, steps need to be taken to increase participation in this alternative trade network. If the market continues to expand in the near term, so more small-scale coffee farmers need to be integrated into it. But the various options for achieving this goal do not only represent opportunities for the poor, but also dilemmas for the Fair Trade movement.

Many farmers are seeking access to the Fair Trade market during the current coffee crisis. Some are trying to join cooperatives that are already participating in Fair Trade as an individual strategy to achieve benefits relatively quickly. Others are seeking Fair Trade certification for new or existing cooperatives. Similar to earlier periods of agricultural development (Glover

and Kusterer 1990; Conroy et al. 1996), early entrants into emerging sectors tend to be the most successful. As such, they are able to define at least some of the conditions under which subsequent entrants can participate, usually to their own advantage. Yet unlike these previous examples of agricultural commercialisation, there appear to be considerable efforts on the part of the early entrants into Fair Trade coffee to help newly entering farmers and cooperatives establish themselves. In Mexico, for instance, Fair Trade production has expanded primarily through the collaboration between existing Fair Trade cooperatives and others seeking entry into this market. UCIRI, a pioneer in Fair Trade coffee, helped La Selva gain access to Fair Trade in 1990. La Selva then assisted Majomut's entry in 1993–1994. Majomut followed this tradition and assisted Tzotzilotic in selling its coffee as Fair Trade in 2001. This collaboration was fuelled in part by the fact that buyers often sought more Fair Trade coffee than a single cooperative could provide. Yet it also reflects the fundamentally different values embedded in Fair Trade, involving solidarity and the moral obligation to offer mutual support, in stark contrast to the often ruthless competition generated by traditional market relations. This is one example of the success in deepening the impact of the Fair Trade movement while broadening participation among Latin America's rural poor.

Most of the case-study cooperatives had criteria for accepting new members. But an underlying tension exists within some of these cooperatives, with established members questioning the commitment of newcomers, fearing that their interest is based simply on opportunism in the face of the current crisis. Established members were concerned that new members would quickly abandon and thereby weaken both the cooperative and the Fair Trade movement, if and when the market recovers. In response to this concern, the majority of the cooperatives in our study have established pre-conditions for members that seek to assure a commitment to both the longer-term interests of the cooperative and the Fair Trade movement. (4) The criteria include committing to volunteer activities within the cooperative, participating in cooperative governance, proving their authenticity as peasant farmers and their honesty in previous business dealings, and converting to organic farming.

But expanding existing cooperative membership, or even assisting new cooperatives to gain access to the Fair Trade market, is unlikely to bring more than a small additional percentage of Latin America's poor, small-scale farmers into this market. Some have proposed lowering the guaranteed price paid to producers by Fair Trade certified buyers. The conventional economic logic of this proposal is that lower prices will lead to greater consumption in the North and in turn allow for a corresponding increase among suppliers in the South. This was an argument made by the representative of one large cooperative in Mexico that was trying to regain access to the Fair Trade market. Further, he argued for the need to 'establish rules that limit the amount of time that any particular organization can participate in Fair Trade in a way that will benefit less organized groups' (González 2002:32). This sentiment was echoed by others seeking access to the Fair Trade market.

It is somewhat predictable that those outside the Fair Trade regime should argue for radical changes in the system to allow for greater participation. But it is unclear whether reducing the premium paid to producers would significantly alter current demand for Fair Trade coffee. Perhaps more importantly, the proposal to limit the length of participation will probably meet with strong opposition by the earlier entrants into Fair Trade who continue to reap considerable benefit from this market. They also benefit the Fair Trade movement by providing a reliable supply of Fair Trade coffee while also demonstrating the ability to use Fair Trade benefits in ways that are consistent with the vision of the movement. Replacing these with newer, less experienced, and less well-organised cooperatives might seriously weaken the current Fair Trade process, without necessarily providing comparable benefits to the newer entrants. Again, broadening the impact of Fair Trade may not be consistent with deepening its impact.

There is another, equally problematic, proposal for altering the current Fair Trade coffee regime in Latin America and beyond. An increasing number of larger, plantation-based producers, along with some of the largest coffee importers, have called for opening up Fair Trade certification to producers other than small-scale farmers. The logic of this argument is essentially that there are many more poor farm workers in Latin America and elsewhere than there are poor small-scale producers that can benefit from Fair Trade. Plantation owners argue that they can, or already do, meet Fair Trade's environmental and social standards. Further, they point to other commodities such as tea and cocoa where plantations are the norm and where different Fair Trade certification criteria have been established to reflect the conditions of plantation production.

Some of the largest coffee importers have entered into the discussion, expressing a willingness to make Fair Trade coffee a centrepiece of their product line (which is not currently the case among the larger coffee roasters) if the large plantations from which they now buy were to become Fair Trade certified. This proposal has increasing appeal to many Fair Trade organisations seeking to expand the coffee market by 'mainstreaming' Fair Trade through access to the largest coffee vendors in the USA and Europe. But the effort to reach an agreement between large coffee importers and Fair Trade organisations has encountered significant opposition from the increasingly well-organised small-scale producers. Those who oppose certifying large coffee plantations fear that small producers will soon be displaced from the Fair Trade coffee market through the conventional processes of economies of scale in relation to quality control and marketing that favour large and highly capitalised production units.

The FLO International board of directors, which includes only two producer representatives, favours certification of estate or plantation-scale producers in a number of commodities, as do virtually all of the representatives of the 17 Fair Trade national initiatives (Michael Conroy, personal communication, 19 January 2005). (5) Nevertheless, in response to opposition from small-scale coffee producers, the FLO decided in November 2003 to place a moratorium on estate certification until the end of 2004, pending further discussions. In a meeting between the FLO and the producer organisations held in Oaxaca in southern Mexico in August 2004, the producer associations again voted strongly to oppose estate certification. At the December 2004 board meeting, the FLO decided to maintain the moratorium on certifying coffee estates, but to go forward on certifying plantations producing bananas, mangoes, avocados, and other goods that have not traditionally been produced for the Fair Trade market by small-scale farmers.

The resolution of this dilemma will have a far-reaching impact on the future direction of the Fair Trade coffee initiative. The question is: will significantly broadening the Fair Trade coffee market in the North come at the expense of some of Fair Trade's traditional beneficiaries? The outcome also has implications for the Fair Trade movement more generally, both within and between North America and Europe. Will integrating corporate players in Fair Trade blur or weaken the capacity of Fair Trade to represent a challenging and alternative vision to the neo-liberal development model?

### *The dilemmas of direct marketing and labelling*

As we argued earlier, one of the most significant benefits to farmers and producer cooperatives alike is the learning process that accompanies participation in the Fair Trade movement. Producers and their representatives observed throughout the case studies that participation in Fair Trade provided training in modern farming methods, such as organic production, and also in management and marketing. With this benefit, it is perhaps not surprising that several cooperatives have gone on, after a period of participation in Fair Trade, to develop their own

direct marketing and labelling initiatives. This should be recognised as a positive development, and one for which Fair Trade should be commended; but it is also problematic, with the potential eventually to undermine the very movement that fostered these opportunities in the first place.

Most of the older and more established Fair Trade certified cooperatives have ventured into the direct marketing process. La Selva, CEPCO, and UCIRI in Mexico all have developed such initiatives. La Selva has in recent years established 18 coffee shops in France, Mexico, Spain, and the USA. CEPCO and UCIRI have also opened their own coffee shops in Mexico, and CEPCO has pursued a number of arrangements with multinational firms such as Van Weely, Hamburg Coffee Company, Excelco, and Royal Coffee. Some of these efforts are outside the FLO framework, providing prices higher than the existing market prices but below the Fair Trade guarantee. (6)

The producer cooperatives are aware of the risks involved in these new schemes, recognising that they are at times less reliable, less socially progressive, and often lacking the crucial pre-financing dimension of Fair Trade. Researchers in one of the case studies observed:

*The new initiatives include some large companies – Carrefour, Neumann and Starbucks – which some producer organizations and FLO have proposed [should] be considered very thoughtfully and carefully . . . The benefit would be the growth of the market, but the arrival of these giants also brings risks that both the producers and the already registered Fair Trade buyers should consider. At risk is that Fair Trade will simply become a market with higher prices and not include the respect for all the policies and ideals that go with it. (Aranda and Morales 2002:20)*

The fear is essentially that the corporate commitment to an alternative trade arrangement like Fair Trade may only be temporary. Once corporations have captured a significant portion of this market and have established their image as embracing more progressive production and trade policies, they may gradually erode what progressive standards exist, subordinating them to the maximisation of profit via traditional competitive market practices that undermine the viability of small-scale producers.

The complex landscape of Fair Trade and other marketing and labelling initiatives has been further complicated by the role of the state. National governments and international development agencies have directly and indirectly contributed to the rise of Fair Trade, mostly through financing services. But the goals of such support efforts have not been entirely consistent with those of Fair Trade, sometimes more focused on generating short-term development (frequently tied to longer-term debt), and less on a vision of social justice.

The most significant recent example of the complicating role of the state has been the ambitious US\$8.6 million grant from USAID to Rainforest Alliance to develop a range of commodities under its labelling campaigns (Rainforest Alliance 2004). Rainforest Alliance has a history of pursuing labelling efforts that certify large-scale corporations as pursuing better business practices to the benefit of their workers and producers. The current collaboration between USAID and Rainforest Alliance proposes over a three-year period to certify over 300,000 acres of forest and farmland as sustainably managed. The two bodies project the sale of 4 million board feet of certified lumber, 90 million boxes of certified bananas, and 30,000 tonnes of certified coffee through Rainforest Alliance partners, including Chiquita Brands International, Kraft Foods, and Millstone. This initiative may well promise better economic opportunities for a large number of poor farmers and farm workers in Latin America. But it may also lead to an undermining of the Fair Trade standards, particularly through the establishment of less socially progressive criteria that over time bring fewer benefits and less reliability and

sustainability to the alternative trade systems. This dimension of Fair Trade, and alternative trade more generally, requires considerable further investigation.

Clearly, the emerging direct marketing and various labelling strategies being pursued by Latin American coffee producers should be monitored closely. Again, the dilemma to be faced will be whether integrating larger numbers of producers into a wider range of alternative production and marketing schemes (broadening) will lead to an erosion of the progressive and arguably more sustainable conditions created by the Fair Trade movement (deepening).

### *Producers' knowledge of Fair Trade*

A basic issue facing Fair Trade is how much knowledge the thousands of small-scale producers have of the alternative trade regime in which they seek to participate, and how this affects Fair Trade's ability to promote democracy within the cooperatives and thus to deepen its impact. Knowledge is the cornerstone of a viable democratic organisation, and such organisations are one of the central elements of the Fair Trade certification scheme. Yet in all seven case studies there were serious questions over the widespread lack of a clear understanding of Fair Trade among cooperative members. Fair Trade remained an abstract concept to many producers, while their knowledge of organic production, for example, was quite well developed. While Fair Trade was something carried out at higher levels in the cooperative and with distant counterparts, organic farming involved intimate interaction with farming practices and frequent contact with organic farming technicians and buyers.

Cooperative members generally identified with their cooperative, with their local community, with their religious affiliations, and/or with ethnic/indigenous links. Few saw themselves as part of a broader movement engaging Northern consumers or challenging global economic dynamics. Some researchers noted the decline in North-South exchanges between producers and consumer groups that had been relatively common in the early years of participation in Fair Trade, as contributing to the lack of producer identification with the Fair Trade movement (Murray et al. 2003). Reviving this tradition of exchanges was a recommendation made by the FTRG at the conclusion of the study.

But the problem more generally reflects more on the nature of producer cooperatives rather than being specific to Fair Trade. Most activities related to Fair Trade certification and marketing are handled by the cooperative leadership and not by producers. Cooperative management often fosters this lack of knowledge on the part of the producers through the pursuit of management efficiency, sometimes at the expense of democratic participation. It is simply easier for cooperative leaders to make decisions concerning production and marketing than to communicate and discuss different options and their impacts with the members.

Many producers also contribute to this dynamic as they tend to be passive rather than active participants in their cooperative organisations. Beyond attending the annual assemblies and related events, many leave the overall responsibilities—and knowledge—to their elected leaders. One example of how this affects Fair Trade is the handling of the US\$.05/lb social premium paid by importers for Fair Trade coffee. The FLO has been pressuring the cooperatives to ensure that this premium is dedicated to social projects selected by the membership as a whole, such as improving the cooperative infrastructure or providing health services and education to cooperative members and the surrounding community. But cooperative leaders have at times either made the unilateral decision to use the premium to cover operational costs, or to fold it back into the cooperative's total income and, after deducting expenses, turned those funds back to the producers. This tends to undermine the deepening of Fair Trade as producers and the broader community of beneficiaries fail to grasp and develop the social dimensions and values linked to the Fair Trade premium.

Similarly, cooperative leaders often fail to identify the pre-financing that comes with Fair Trade contracts to producers, which means it is not generally understood as one of the long-term benefits that comes from participating in, and being committed to, the Fair Trade movement. Instead, the cooperative management often makes the decision to combine pre-financing that usually comes from multiple sources. Most of the cooperatives studied receive credit from Fair Trade pre-financing as well as from government and private credit sources. Credit in turn may go directly to producers or be handled, as in the case of CEPCO, through a cooperative credit union. While combining funds in this way offers greater flexibility in cooperative planning and management, it fails to raise producers' awareness of the role Fair Trade is playing in strengthening the cooperative's viability.

The basic problem is that knowledge is crucial to assuring a long-term commitment to, and thus assuring the long-term viability of, both the producer cooperatives and the Fair Trade movement. Past experience reported in some of the cooperatives indicates some producers will defect not only from Fair Trade but also from their cooperatives as soon as a small price advantage is identified (see, for example, Lyon 2002:10). This can in turn lead to cooperatives failing to meet their contractual obligations and possibly to de-certification. If defections were to occur on a large enough scale this could undermine the ability of Fair Trade to meet global demand, which would in turn undermine the credibility and viability of the movement. If a subsequent economic downturn occurred, a scenario that history suggests is likely, producers might find the Fair Trade market was no longer a viable option.

The long-term success of Fair Trade is thus closely linked to producers' understanding of, and commitment to, the Fair Trade movement. The efforts to broaden Fair Trade's impact will continue to include integrating ever more producers. But the dilemma will remain as to how to maintain their commitment to Fair Trade through a deeper understanding of its vision.

### *Gender issues in the Fair Trade cooperatives*

Finally, the question of gender inequality within the Fair Trade coffee cooperatives remains a significant dilemma. Creating opportunities for women has been a priority of the Fair Trade movement. Many of the cooperatives in the case studies have launched projects intended to strengthen the role of women, such as education and training programmes, handcraft production and marketing, and other alternative economic initiatives. But these initiatives have so far been focused largely outside coffee production. While some women have become coffee producers, their numbers remain quite small. Their limited participation in the coffee cooperatives appears to perpetuate rather than overcome the traditional gender bias in Latin America's agricultural sector.

While older more established cooperatives tended to maintain traditional patterns of gender inequality, we found that more recently organised cooperatives fared better in changing these conditions. In Guatemala, the newer cooperatives had greater numbers of women participating not only as producers but also as leaders (Lyon 2002). This insight further complicates the question of which kinds of cooperatives Fair Trade should be working with, which we raised earlier.

Further, as we argued in relation to producers' participation in and knowledge of cooperative governance, the problem of gender inequality is not the result of participating in Fair Trade but of the traditional culture within which Fair Trade is operating. Indeed, Fair Trade has been a dynamic force in the advances towards greater gender equality in the coffee cooperatives. However, there remains a significant need for the movement to clarify and strengthen efforts to overcome gender inequality if these advances are to be sustained and expanded in the future.

## Conclusion

Broadening and deepening Fair Trade means expanding participation and increasing the benefits captured by the rural poor, while maintaining and strengthening the core values of the Fair Trade movement in the Global South and the North alike. As we have demonstrated, the efforts to broaden Fair Trade's economic impact among small-scale producers in Latin America are creating challenges for deepening the vision and political impact of a movement that is based on social justice and environmental sustainability. In a sense this should be seen as evidence of Fair Trade's success, and in some ways should be understood as a normal part of a maturing social movement. But it is not likely to be resolved easily, or soon. It will be a primary focus of the ongoing research initiatives that generated the preliminary findings on which this article has reported. Clearly, it is the commitment to achieving both goals that holds the most promise for the significant and lasting impact of not only Fair Trade, but of the grander efforts to create an alternative course of globalisation.

## Acknowledgments

We are indebted to Ernesto Méndez, Sarah Lyon, Franz VanderHoff Boersma, Josefina Aranda, Carmen Morales, Victor Pérezgrovas Garza, Edith Cervantes Trejos, Alma Amalia González Cabañas, and María Elena Martínez Torres who conducted the field research for the cases included in this study. We are also grateful for the helpful comments of Michael Conroy. The comments of the anonymous reviewers and the journal editor added several important sections and points to the paper, and the research assistance of Andrew Heller and Michael Long also strengthened this work. Finally, we wish to acknowledge the generous financial support for this research provided by the Ford Foundation and the John D. and Catherine T. MacArthur Foundation.

## Notes

1. More details on the FTRG, including the complete texts of the final report and individual case studies cited in this article, are available at: <http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup>.
2. See Murray et al. 2003; Reynolds et al. 2004; Taylor et al. (2005) for a more detailed discussion of the benefits of Fair Trade coffee for small-scale producers.
3. There is considerable debate within the USA and between US and European Fair Trade practitioners over the mainstreaming strategy, particularly the increasing reliance on large-scale corporate outlets for Fair Trade coffee. We explore this debate further in book due to be completed in 2005 that is part of the current phase of work by the FTRG, based on research being conducted by teams in Brazil, South Africa, the UK, and the USA, and covering a wide range of commodities.
4. The problems associated with cooperative governance within the Fair Trade regime are discussed in more detail in Taylor et al. (forthcoming).
5. Michael Conroy is Senior Lecturer and Senior Research Scholar at the Yale School of Forestry and Environmental Studies.
6. There are many more examples beyond those associated with the case studies in this article, including the Juan Valdez shops due to open in New York and the Oxfam coffee shop initiative in the UK, to name just two. It is likely this phenomenon will continue to grow, in part due to the success of Fair Trade and related campaigns.

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## The authors

The co-authors are all Associate Professors of Sociology at Colorado State University. Douglas Murray specialises in sustainable social development, environmental policy, and Latin American political economy. <douglas.murray@colostate.edu> Laura Reynolds specialises in agrarian change, development theory, and stratification and gender. <laura.reynolds@colostate.edu> Peter L. Taylor specialises in international development, economy and society, and natural resources and environmental sociology. <pete.taylor@colostate.edu> General contact details: Colorado State University, Fort Collins, CO 80523, USA.