

ADDING VALUES TO COMMERCE: THE COMPLEMENTARY PRACTICES OF
FAIR TRADE INTERMEDIARIES AND CO-OPERATIVES

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By
Nancy Caroline Allan

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ABSTRACT

The fair trade movement attempts to use the market to bring about social change. Fair trade supports small-scale commodity producers in the global South by paying them a negotiated, fairer price. It also provides consumers with products that meet certain environmental, economic, and social criteria. While the primary goal of some fair trade enterprises is to provide market access for producers, others seek to reform the market, and still others would replace it. Like the fair trade movement, the co-operative movement strives to ensure that the benefits of production and exchange are more fairly distributed. Producer co-operatives in the South and consumer co-operatives in the North use aspects of globalization to create mutually beneficial links between producers and consumers. In some instances, these linkages are brokered by fair trade enterprises that are themselves organized as co-operatives, or are members of second-tier trading and distribution co-operatives.

Most intermediaries are involved in fair trade for diverse reasons and act in ways that may have a range of consequences with respect to market reform and market access. This research investigates the activities of large and small co-operatives involved in fair trade to examine whether, and to what degree they contribute to market reform. Based on secondary sources and on interviews with member-owners of first and second-tier fair trade co-operatives, as well as several co-operative specialists, I conclude that although co-operatives rarely transform markets, they can and do help to reform the market while helping producers to gain access to it on more equitable terms. Some leading retail co-operatives actively support the fair trade movement, promoting the interests of producers and consumers through the exchange of good quality products, promoting a critical view of the conventional market, and advocating for change. Although none of the enterprises in this study has been able to substantially change the market through its own activities, they are part of the international movement to achieve a fairer globalization. Fair trade's commercial success, however, has attracted transnational enterprises not committed to the philosophy of fair trade, and this may ultimately threaten its ability to achieve lasting market reform.

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DEDICATION

This work is dedicated to the memory of my parents, W.A.V. Allan and Billie Lamb Allan, whose work for better communities inspired my interest in fair trade.

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CHAPTER 1

PURPOSE, RESEARCH QUESTIONS, SIGNIFICANCE

1.1 Introduction

I undertook this study to investigate the challenges faced by small and medium-sized, 100 percent fair trade enterprises that attempt to use the market to bring about social change, and to explore whether co-operative organization can help them to meet these challenges. In addition, I wanted to understand how these small enterprises are able to succeed while paying fairer prices to producers when they must compete with large enterprises that pay very low prices. Finally, I asked what Canadian consumer co-operatives do and could do to promote fair trade through support of producer organizations, education of consumers, and providing an example to other enterprises.

To accomplish this, I examined secondary sources describing the activities of co-operatives involved in fair trade. I also investigated the practices of three small Canadian enterprises that sell only fair trade certified¹ and certified organic products, and are involved in the fair trade and co-operative movements. I interviewed five individuals, *Jim*, *Leeanne*, *Heather*, *Jillian*, and *Martin*, from the three fair trade enterprises:² the *Central Canadian Worker Co-op* that sells chocolate and sugar, as well as the *Big City Roastery* and *Northern Lights*, small coffee roasters and members of the *Second Tier Coffee Co-op*, a bi-national green coffee purchasing co-operative. I also interviewed *Bob*, president of the *Second Tier Coffee Co-op* and one of the first roasters in the United States to support fair trade,³ as well as *Jack* and *Roy*, specialists employed by a Canadian co-operative organization.

In this thesis, I investigate the arguments that, although fair trade must function within the competitive market, it can help reform it, and that co-operatives, which also operate in the market, can both contribute to the fair trade project and benefit from it.

¹ The phrase “fair trade certified” is used by the international fair trade movement to differentiate certified fair trade products from those from other certifying regimes. In this paper, “fair trade” and “fair trade certified” will be used interchangeably.

² Organizations that were the central focus of this research have been given pseudonyms. The names used for the individuals interviewed are likewise fictitious (although gender indicators are preserved). To differentiate them from other organizations and individuals, these names are italicized throughout the text.

³ *Bob* also owns a fair trade roastery in the United States but we did not discuss this aspect of his work.

1.2 Organization of the Thesis

In this chapter, I describe the context and rationale for the study, consider its relevance (both academic and practical), and introduce its purpose. Chapters Two and Three discuss concepts and theories related to fair trade and co-operatives, respectively. Chapter Four outlines the methodology, and Chapter Five discusses relationships between consumer co-operatives and fair trade. The conclusion, Chapter Six, considers the success of the three fair trade enterprises in challenging the market within which they operate.

1.3 Fair Trade as a Means of Supporting Producers and their Organizations

My interest in fair trade began in the mid-1980s when I was a volunteer with a Canadian non-governmental organization (NGO) in Bolivia. Frustrated by my inability, as an outsider, to contribute to a society that had suffered years of underdevelopment and military rule, I was inspired by a group of Indigenous women artisans who had created *La Imilla*, an organization through which they sold the beautiful knitted goods each member produced. Individual members sold their knitted goods through the organization and used the cash they received to buy household necessities they could not produce themselves (such as sugar and oil) or to pay for transportation or other expenses. Expert knitters but unfamiliar with international marketing, the women hoped their organization would allow them to become independent of a local intermediary for whom most of them had worked.

The women who founded *La Imilla* were determined to leave behind their days as poorly paid piece-workers. According to one of its leaders, their association, which functioned as a co-operative, was based on “participation and democracy” (Moller Larsen, 2002, pp. 85-6). Important elements in its initial success included a loan from a local co-operative and technical help from volunteers seconded by a Canadian NGO. The women were poor, poorly-educated, and poorly regarded by a society that did not value the Indigenous majority and was unable or unwilling to meet its needs. They were not only skilled artisans but also determined individuals who approached the NGO with a request for help with organizational development. In spite of progress in this area, however, market access remained a problem. Affiliated with the same NGO that provided the volunteers and armed with a list of alternative trade organizations (ATOs) supplied by a visitor from another NGO, I researched international marketing possibilities. Eventually, two buyers visited.

Both buyers attended a general meeting and discussed marketing issues. Because of the unfavourable exchange rate, the buyer from the United Kingdom was unable to place an order; nevertheless her discussion of that reality was valuable and her insistence on the need for strict quality control reinforced suggestions that the local volunteers had made.⁴ The United States-based buyer ordered 30 sweaters (the equivalent of one sweater from each member which meant a small but significant amount of cash for her household) and promised that, if sales went well, he would make further orders. (He did.) The combination of these experts' interest in the organization, their presentation of information about the market, and a sizeable order represented a step forward for the women in terms of their ability to understand the international market, their confidence, and their income. The site visits were inherently useful for all participants: the women appreciated the fact that experts would visit them in their village, and the visitors saw a well-organized group where their support would help improve the women's lives. Without realizing it at the time, I had become an intermediary, supporting their need for market access.

The women were aware of their need for skills training as well as access to the international market, and took advantage of assistance provided by local and international organizations. Their new skills meant increased income for individuals and greater chances of success for their organization. In addition, some skills could be transferred to other areas of their lives, and the new contacts enabled them to sell more of their knitted goods to new markets and learn more about the mechanics of international trade.

In the case of *La Imilla*, fair traders provided an international market when there was no effective national or regional demand for what the women produced. Although they clearly understood that international trade rules were unfair, the women wanted to participate in the international market where willing buyers would purchase these good-quality knitted goods. Even modest sales yielded additional income for each member, enabled the association to provide benefits such as health insurance, and enhanced the women's ability to deal with the international market.

The fact that *La Imilla* functioned as a co-operative may have been a factor in obtaining the support of another co-operative and the locally-based NGO, as well as arranging visits by representatives of the ATOs. None of the sources of support would likely have been sufficient on

⁴ Quality control was new to *La Imilla*. It was only through repeated discussions that they were convinced of the need to carefully check each garment before offering it for sale.

its own to create a viable organization capable of breaking into the export market, but each contributed to *La Imilla's* eventual commercial success.

In working co-operatively, these Bolivian craft workers were not unlike the individuals I interviewed for this research project. At the *Central Canadian Worker Co-op*, Jim explained that he is able to take action on the issues he encountered as an education officer for a student exchange organization and, at *Northern Lights*, Jillian traced her interest in fair trade to the helplessness she felt on seeing injustice and poverty during her travels. The *Northern Lights* trio's membership in the *Second Tier Coffee Co-op* enables them to import a variety of good quality coffee in appropriate quantities, an important consideration for small roasters. Although the *Central Canadian Worker Co-op* is a wholesaler while the coffee roasters sell to both retail and wholesale markets, co-operative organization has helped provide the competitive advantage they all need to survive in the oversupplied and competitive coffee and chocolate industries, and enables them to support the producer organizations that are their suppliers.

1.4 Fair Trade and social change

In 1980, four Canadians created Bridgehead Trading, a vehicle to facilitate the importing of coffee grown by some of the small producers who had benefited from Nicaragua's land redistribution. The Sandinista-led government was attempting to rebuild an economy that had been severely damaged by years of mismanagement by a national elite, the civil war and, after 1981, an economic blockade. Land redistribution was part of the new government's reconstruction program; peasant families were encouraged to form co-operatives and provided with limited technical help.⁵ In addition to the challenges facing many small agricultural producers, the unstable political and economic situation and their inexperience as marketers threatened the existence of many newly-formed co-operatives that, even if they survived the national turmoil, lost much of the value of their exports to intermediaries throughout the supply chain.

In many countries in the global North, solidarity and faith groups, some of whom were already importing from other producers, began to sell Nicaraguan coffee as a gesture of support both for the individuals involved and for the new government. Like them, Bridgehead and its

⁵ The Sandinista government, faced with the blockade and other economic and political challenges, lacked the resources to support all of the development initiatives the country needed.

customers saw that fair trade could be a solidarity measure, a way to support producers and to forge new trading relationships. Some groups and individuals linked this dual objective to a critique of their own society and also used coffee sales to make a political statement about United States foreign policy.

Having achieved greater than expected success with a product line that had expanded to include other fair trade items, Bridgehead's founders sold the enterprise to Oxfam Canada in 1984. The new Bridgehead expanded again, eventually importing food and crafts from more than one hundred partner groups. It was a founding member of the International Federation for Alternative Trade (IFAT) in 1989 and, in partnership with the United States-based, 100 percent fair trade co-operative Equal Exchange, entered the United States market in 1994. Given the ground-breaking nature of Bridgehead's work, the challenges faced by its producer partners, and its commitment to pay fair prices while its operational costs were high, it is not surprising that the commercial enterprise eventually failed. By the time it closed its doors, however, Bridgehead's pioneering work to challenge poverty through fair trade had encouraged other Canadians to investigate the possibility of using this approach to development and trade reform (Oxfam-Canada Bridgehead, 1997).

Reflecting on my experience with *La Imilla* and the modest benefits its members had achieved, I began to sell Bridgehead products to a network of friends and activist acquaintances. This time, I was inspired not by seeing close-up the lives of the producers but by what I understood to be a progressive struggle waged by the Nicaraguan people. Selling fair trade products gave me an opportunity to support some producer organizations as well as the larger effort to create a more democratic society in Nicaragua.

Today, removed in years and distance from the direct contact I had with the knitters of *La Imilla* and other producers in the South and, working with new suppliers, I continue to operate a small, fair trade enterprise. Customer comments indicate that they appreciate having an opportunity to support both producers' and my own business venture, and to participate in a new kind of trading relationship. While most of my customers are modestly well off, some make a financial sacrifice to pay fair trade prices, and all are willing to go to the effort of buying from a non-mainstream source. Sales also provide opportunities to discuss fair trade, although few of my customers need to be convinced. While it may not be strictly in my own interest, I also encourage them to ask for fair trade products in mainstream grocery stores.

On reflection, I realize that my original motivation was the result of a narrowly-defined desire to support a small group of women in their search for fair markets. Later, I became part of a Canadian movement that used coffee sales to support some Nicaraguan producers as well as the larger project of transforming their society. Today, I see my participation in the fair trade movement as a way to participate in an international campaign to provide an alternative to conventional trade. I also see the limitations of such activity, as sales of fair trade coffee, the most popular fair trade product, amount to less than three percent of even the most established European markets (Potts, 2007). In addition, because only a fifth of the production of certified fair trade producers can be sold to the fair market (FLO, 2007), most of what they produce is sold at conventional prices.

Although fair trade does support some producers, its critique of conventional trade is equally important. Consumers who notice a fair trade label on products they purchase may be motivated to investigate its principles, question the status of products that do not bear the label, and, individually or as members of groups, ask local merchants to stock fair trade merchandise. Some merchants may eventually introduce fair trade products⁶ and a few may convert their businesses to fair trade.⁷ Activists may approach local institutions, such as churches, universities and city councils, to ask them to reassess their purchasing policies. While a few of those successes may be more significant symbolically than financially for consumers and enterprises in the global North, each purchase represents more income for producers and greater success for the fair trade movement.

1.5 Stimulating and Satisfying Demand for Fair Trade

Some observers argue that, if fair trade enterprises want to increase demand, they must ensure that their products are available in supermarkets (Littrell & Dickson, 1999; Pleau, 2005), where almost four in five Canadians buy their coffee (Coffee Association of Canada, n.d.). Concerned about the limitations inherent in using supermarkets to promote fair trade, Waridel argues that, once the products were in place, fair traders would have to explain that, while buying fair trade in supermarkets supports producers, it may also serve to enrich companies that are

⁶ The unfavourable comparison with conventional goods may be an important reason for retailers' unwillingness to stock fair trade products.

⁷ This is not an idle hope. In 2007, Canadian roaster Kicking Horse Coffee (2007) converted to one-hundred-percent fair trade.

acting “in a very questionable manner” (quoted in Pleau, 2005, p. 8). In this case, further action must be taken in order to achieve “responsible consumerism” (*Ibid.*). The dilemma—patronizing large supermarkets in order to support producers—could be resolved if consumers were able to find fair trade products at locally-owned and democratically-run consumer co-operatives. In the absence of such opportunities, the fair trade movement (like the organic movement before it) risks being co-opted by commercial enterprises more interested in profiting from fair trade’s profitable niche than in applying its principles. As Wal-Mart’s subsidiaries Asda and Sam’s Club sell fair trade products, the prospect of a confrontation between genuine fair trade enterprises and this and other marketing giants is not one that fair trade actors anticipate with pleasure.⁸ Yet Rice, at TransFair USA, suggests that fair trade’s added value may help smaller enterprises compete with Wal-Mart despite their inability to match its prices (Roosevelt, 2004).

But if supermarkets are the site of so many coffee purchases, fair traders cannot cede the terrain to conventional marketers. While corporations may introduce a few fair trade products to retail venues, making it easier for some consumers to find them, their domination of the food system will remain intact (Jaffe & Gertler, 2006). In contrast, independently-owned retail co-operatives, present in many communities throughout the global North, could work with the fair trade movement to challenge the transnationals’ control of the commodities trade and the retail grocery market and, together, produce a fairer globalization.

Waridel (2002) lists nine stages where conventional intermediaries may be involved in the conventional coffee trade and argues that, under fair trade, the number can be reduced to as few as six. Equal Exchange (n.d.a) describes a coffee chain with only five actors—small farmer, farmer co-op, importer/roaster, store or café, and consumer—all of whom are concerned with fair relationships and self-help. While larger enterprises that handle many products may not be able to operate within such reduced commodity chains, these comments suggest that it is possible to make the chain shorter; this would potentially allow a larger portion of the purchase price to remain with the producers. The involvement of fewer intermediaries does not necessarily guarantee more money for producers—indeed, it may signify vertical integration where strong intermediaries control several steps and producers have no space to negotiate—but it does mean that there is an opportunity for them to receive a larger share of the final selling price.

⁸ In 2007, the Fairtrade Foundation (2007b) announced its “dismay” over Asda’s price cuts for conventional bananas which “misled” consumers into assuming that the new price – 46 percent lower than it was in 2002 – was sustainable.

1.6 Conventional Intermediaries and Unfair Trade

Unlike their fair trade counterparts, conventional intermediaries show little evidence of concern for the producers' plight. In 2002, when producers suffered their worst crisis in one hundred years (del Aguila, quoted by Gresser & Tickell, 2003), the world's largest coffee roasters, Kraft Foods, Nestlé, Procter & Gamble, and Sara Lee, each made billions of dollars of profits. Although coffee sales were the source of only a portion of the profit each company made, their unwillingness to help alleviate the coffee crisis at a time when many farmers were forced to leave their land (Gresser & Tickell, 2002) is noteworthy. That the extremes of generous profit and grinding poverty are linked by the coffee market confirms the need for reform.

The presence of a small but growing market for fair trade, nurtured by enterprises such as those whose owners were interviewed for this research and by campaigns organized by civil society organizations, has created enough demand to provoke a response from some large coffee roasters. Specialty roaster Starbucks first offered fair trade certified coffee beans in the United States in 2000, just days before a country-wide campaign against it was to have been launched, and beginning with just one percent of purchases (TransFair USA, n.d.). In 2003, Dunkin' Donuts switched to fair trade coffee for the estimated 30 million espresso-based drinks it serves each year (TransFair USA, 2004, Roosevelt, 2004). As a Dunkin' Donuts spokesperson explained, "This is the beginning of a movement, and we want to get in on it" (Roosevelt, 2004, para 8). Two years later, McDonald's added brewed fair trade coffee to its menus in New England (TransFair USA, 2005) and moved to fair trade exclusively in 2006 (Olsen, 2007). The winning bid for the McDonald's contract, submitted by a well-known coffee roaster and an "organic sub-brand" (p. 65), emphasized quality over fairness. It meant that the organic company was able to move into an important mainstream retail channel, the larger roaster successfully exchanged margin for volume, and fair trade had increased visibility (Olsen, 2007).

Public pressure has been effective in obliging the largest transnational roasters to sell some fair trade coffee. Sara Lee⁹ was the first to buy fair trade in 2001, after having argued that "direct assistance" to communities and schools is better than fair trade (Nolan, 2001). Procter & Gamble began to sell fair trade coffee by mail order in 2003 and in supermarkets the next year (Nolan, 2004). Nestlé, active in both the coffee and chocolate sectors, resisted the demand for fair trade until 2005 when it finally introduced fair trade instant coffee in the United Kingdom. Not

⁹ Dickinson & Sklar (2005) claim that Sara Lee raised prices to consumers while its own costs decreased.

surprisingly, activists claimed it was a cynical attempt to "fairwash" Nestlé's image and did more to tarnish fair trade's reputation than to promote its philosophy (Ransom, 2005*b*).

To date, Kraft Foods, the world's second largest food and beverage company, has refused to bow to citizen pressure, insisting that there are many ways—all of them, apparently, short of paying a fair price—to help farmers improve “the quality of their production and the sustainability of their farms” (Kraft Foods Inc., 2003). Although it claimed not to “see the demand” for fair trade, Kraft argues that its “duty” to coffee farmers is to work to increase demand in the conventional market (Baue, 2003). Kraft delivers programs to producers whose coffee is of substandard quality and even buys some coffee that does not meet International Coffee Organization quality standards, a questionable practice, particularly when supply exceeds demand. Kraft has registered one brand with the environmental group Rainforest Alliance whose claim that “a minimum of 30 percent of all coffee beans in each product is certified sustainable” (Kraft Foods Inc., 2006) falls far short of genuine fair trade.¹⁰ Frustrated by the futility of keeping even more low quality coffee in production, activists have pointed out that in recent years only premium coffee has enjoyed increased consumer demand, and insist that Kraft and the other large roasters should commit to buying five percent of their coffee from fair trade certified sources (Baue, 2003).¹¹

Some fair trade practitioners argue that these large roasters, particularly Nestlé, with the infant formula scandal in its past, use fair trade certification to increase sales and improve their public image, and will never adopt the spirit of fair trade, a situation that may have disastrous consequences. Others argue that even one percent of the sales of an industry giant translates into better prices for many more producers than the total sales of many smaller enterprises do. Harriet Lamb, Director of Britain's Fairtrade Foundation, describes Nestlé's entry into the market as a “turning point” for farmers and fair traders who have long been calling on the major roasters to buy fair trade. She claims that Nestlé's response to the demand that it purchase fair trade certified coffee “shows what we, the public, can achieve. Here is a major multinational listening to people and giving them what they want – a Fairtrade product,” she explains (Fairtrade Foundation, 2005). While Lamb's confidence in consumers' ability to affect the market is

¹⁰ Transfair USA's Paul Rice sees Rainforest Alliance certification as “a very real threat” whose “low-bar standards . . . may indeed somehow confuse consumers, or at least divert [their] attention away from fair trade” (quoted in Jaffee, 2007, p. 223).

¹¹ This is not unreasonable, as the work and reputation of fair trade certifiers is largely responsible for the success of the market (Decision News Media, 2004).

encouraging, it is difficult to consider Nestlé's action as more than window-dressing,¹² and her praise for such a corporate pariah may confuse the public, divert sales from genuine fair trade enterprises, and damage her organization's reputation.

Many fair trade practitioners disagree with Lamb. Ransom (2005b) is representative of several observers who have asked why, if big business wanted to change its relationship with producers, it would not act to "restore . . . some of the retail price differential it currently pockets and charge consumers no premium for fair trade" (para 9). The reason there are no corporate adherents to fair trade, he claims, is that doing so would take away "the price advantage of exploitative trade, threatening corporate profitability and the system itself" (*Ibid.*). Debate on this subject is unlikely to subside in the near future, especially with Wal-Mart subsidiaries selling brand name and own-label fair trade products alongside conventional ones.

While some consumers may reject the large retailers' conversion to fair trade and purchase products supplied by enterprises whose conduct they believe is more ethical, evidence shows that others look for the fair trade label, no matter which retailers offer it. During the Fairtrade Fortnight of 2004, for example, Asda's sales of Cafédirect brand coffee increased by 61 percent over the previous year, and its year-on-year increase was 44 percent (Food & Drink europe.com, 2004). Yet the specter of lower prices must worry the fair trade actors charged with negotiating with the giant retailer, given its reputation for hard bargaining and the already-low fair trade prices that producers receive. Many fair trade practitioners also observe the organic movement, where the word "organic" has come to represent the absence of pesticides rather than a more positive and comprehensive approach that links environmental and social concerns to production and consumption (Jaffe & Gertler, 2006). They must wonder if the currency of the term "fair trade certified" may come to suffer a similar fate.

1.7 Creating Market Opportunities for Fair Trade

In the absence of certified fair trade coffee marketed by the world's large roasters or a serious initiative by a major supermarket chain, the small and medium-sized enterprises committed to the idea of fair trade will have to take on the additional challenge of

¹² Nestlé is not the only enterprise accused of fairwashing. In 2006, German discount supermarket Lidl's introduction of fair trade products garnered cautious praise from some observers who saw an opportunity for greater public awareness, and protest from others who argued that fair practices should be found throughout its supply chain (NEWS, 2006).

communicating with the public. Although breaking into the mainstream may seem overwhelming, fair traders may be encouraged by the recent introduction of organic products (even those that do not comply with the highest standards) in many grocery stores. With good-quality fair trade products now available in sufficient quantity, it is possible that a similar scenario may be possible for fair trade.

In spite of the greater availability of fair trade products at the retail level, some fair trade practitioners are concerned that consumers may believe that merely buying fair trade products is sufficient to change unfair trading relationships. Newholm (1999) cautions that some shoppers may “return home from a shopping spree with their . . . fair traded coffee and . . . recycled paper [towels] believing that both economic exploitation and environmental problems have been resolved” (p. 172). Furthermore, she argues, such misunderstanding may keep consumers from adopting a more critical approach to consumption. Likewise, Jaffe & Gertler (2006) argue that, while the simple substitution of one type of product for another without changing consumers’ “orientations or behaviours” (p. 158) may be feasible, it is not transformational. Other observers argue, however, that, once they are sensitized to the fair trade argument, ethical consumers will begin to ask more profound questions (Newholm, 1999) that will challenge their own and others’ perceptions and actions, and apply their understanding of one issue to others that may, at first glance, appear unrelated. Part of the task for fair trade practitioners is to move beyond merely selling fair trade products to highlighting issues and proposing solutions that will include more than the few producers who sell to the fair trade market and the consumers who can afford them.

Given the physical and social distance that separates most producers and consumers, it is often left to fair trade intermediaries to raise and respond to the tough questions as well as to promote and sell a range of fair trade products. Experience has shown that the large coffee roasters will attempt to avoid participating significantly in fair trade by registering with other programs, donating to charities, or buying only enough products to allow them to register with a national certifier. In Canada, for example, Second Cup advertises its support of children in coffee-growing countries through sales of bottled water bearing the Foster Parents’ Plan label (Second Cup, n.d.). Starbucks (2006) also claims to share a “common goal” with the fair trade movement, and to work to ensure that producers “receive an equitable price for their coffee and strengthen their farms for the future” (para 1), but that it does so “regardless of labels and certifications” (para 5). Its claim to a commitment to pay “equitable prices for *all* of our coffee”

(para 4, italics in original) substitutes “equitable” for “fair” and fails to explain who receives the better price or even what that price is.

Although Starbucks (2007) is North America’s largest purchaser of fair trade certified coffee in absolute terms, the 18 million pounds of fair trade coffee it bought in 2006 was a mere six percent of its total sales in the United States. Even so, it was four-and-one-half times more than the four million pounds of fair trade certified coffee that Equal Exchange sold in the same year (Rodney North, head of public relations, personal communication, 2007). The fact that, in its twenty-year history, Equal Exchange has imported 26 million pounds of coffee (a respectable figure for a medium-sized enterprise, but little more than 150 percent of Starbucks’ imports in 2006 alone) suggests that the co-operative’s campaigning may have been as important as its coffee sales in promoting fair trade.¹³

While “equitable” may have a comforting ring, nowhere in its pamphlet on social responsibility does Starbucks (2007) employ the word “fair,” apart from the single use of the phrase “Fair Trade Certified.” Furthermore, the pamphlet emphasizes Starbucks’ help for needy communities rather than a commitment to pay a fair price for their coffee. Although the farm owners who sell to Starbucks may match its contributions to these projects, the payments do not go to democratic producer associations but to some farm owners whose livelihoods depend, in part at least, on their ability to engage labourers who will work for low wages. Small and medium-sized producers could be supported, and their autonomy promoted, if Starbucks would meet fair trade’s independently verifiable standards instead of operating a rival program that makes farm workers the objects of charity.¹⁴ Furthermore, Starbucks could emulate the actions of genuine fair trade intermediaries who actively participate in the international movement to achieve fair trading conditions.

The intermediaries in this study buy good quality raw materials from producers and sell finished products at prices that most consumers can afford. Although the Canadian co-operative movement has, by and large, been slow to capitalize on the possibilities that fair trade has to offer, there are some significant exceptions, and the fact that the intermediaries in this study are members of co-operatives is not coincidental. By demonstrating an effective, market-based

¹³ Equal Exchange also offers tours to coffee-growing countries, a series of “action alerts,” and fundraising opportunities.

¹⁴ Its C.A.F.E. Practices program is designed to “evaluate, recognize, and reward producers of high-quality sustainably grown coffee” (Scientific Certification Systems, n.d.) rather than to guarantee a fair price for it.

solution to a global problem, these intermediaries are helping to bridge the physical and social gap between producers and consumers, and providing both an example and a challenge for other co-operative and non-co-operative enterprises to follow.

1.8 The Enterprises in this Study

Of the enterprises in this study, only the worker-owned *Central Canadian Worker Co-op* has entered mainstream marketing; its products are found across the country in specialty stores and national and regional chains. In addition, it sells chocolate to Co-op Atlantic where consumers can also buy fair trade coffee from the Just Us! Coffee Roasters Co-op. In summer, 2007, the *Central Canadian Worker Co-op* made its first sale to Federated Co-operatives Limited which also sells fair trade coffee from a non-co-operative roaster. Unlike the *Central Canadian Worker Co-op*, whose chocolate bars are manufactured in Europe, the two coffee enterprises in this study do not sell to large enterprises.

In the coffee sector, *Leeanne* and *Heather*, *Jillian* and *Martin* do their own processing in small-volume roasters and sell brewed coffee and coffee beans, and a few related products. The *Big City Roastery* is in a large city in central Canada in the neighbourhood where *Leeanne* has lived and worked for some time. “[T]he whole thing started on the idea of creating welcome, and welcoming spaces,” she explained, and the café’s arborite-topped tables and mismatched chairs send a clear signal that this is an independent enterprise. *Northern Lights* is located in a rural setting, just outside a small city in Canada’s northwest, supported by a much smaller local population that is augmented by the tourist trade in summer. Their connection to the co-operative movement occurs through a purchasing co-operative, the *Second Tier Coffee Co-op*.

CHAPTER 2

A REVIEW OF FAIR TRADE LITERATURE

2.1 Introduction

Marx and Weber were interested in the ever-changing connections between the economy and other social institutions and saw the capitalist market, governed by efficiency and profitability, as “highly corrosive” of any moral code (Osborne, n.d.). Marx argued that, under capitalism, the social relationships involved in the productive process determine the value of what is produced. Commodity fetishism exists when people see these social relationships as relationships between things; it leads them to believe that exchange value represents the value of the labour that goes into production and that price describes a product’s intrinsic worth (Marx, 1976, *Capital*, quoted in Gidwani & Chari, 2004). Instead of labour’s surplus value being used “to widen, to enrich, or to promote” people’s existence and that of their communities (Marx, 1988, *Economic and Philosophic Manuscripts of 1844*, quoted in Gidwani & Chari, 2004, p. 224), it is transferred to other actors.

Marx understood the challenge for those who wish to understand the social relations behind finished products. “As the taste of porridge does not tell you who grew the oats,” he explained, “no more does [production] tell you of itself what are the social conditions under which it is taking place” (quoted in Zeitlin, 2001, p. 161). Although Marx was writing about conditions in newly-industrialized Europe in the mid-nineteenth century, the statement also describes the relationship between producers and consumers at the turn of the twenty-first century. The fair trade movement is attempting to “lift the veil obscuring the relations and processes of commodity production” (Hudson & Hudson, 2003, p. 213). To do so, it informs those who like the taste of coffee or chocolate about the producers who grew them and about the social and environmental conditions under which they were produced and transformed into consumer products.

Weber built on Marx’s political-economy explanation of the conditions that led to the rise of capitalism. He described the triumph of formal rationality that privileges efficiency and objectivity over the value-driven orientation of substantive rationality. For him, the free market, unbound by ethical norms, was “an abomination to every system of fraternal ethics” (*Economy and Society*, 1968, p. 637, quoted in Greisman & Ritzer, 1981, p. 36). These conditions, he argued, paved the way for capitalism and industrialism and unleashed the unbridled power of the

bureaucracy. Although Weber admired capitalism's efficiency, he was disturbed by its social effects (Greisman & Ritzer, 1981).

Both Marx and Weber understood market capitalism as at odds with proclaimed standards of morality. Marx argued that traditional human relationships were "swept away" with its advent; Weber claimed that the market could not be ethical because modern economic life is oriented "more or less exclusively to the logic of market relations" that are incompatible with a system of "mutual care" (Osborne, n.d., p. 6). While Marxists may explain that the fair trade movement attempts to "explicitly include the conditions of production as part of the characteristics of the commodity" (Hudson & Hudson, 2003, p. 427), those theoretically inspired by Weber would consider it an effort to reintroduce values to social and economic transactions (Osborne, n.d., Zeitlin, 2001). Observers of the coffee trade at the end of the nineteenth century would have found evidence to support both orientations.

The roots of today's movement for fair trade can be traced back at least to 1859, when Eduard Douwes Dekker wrote *Max Havelaar, or the coffee auctions of the Dutch Trading Company* in order to draw the Dutch king's attention to the plight of Javanese peasants who were forcibly recruited to work on Dutch-owned coffee plantations. Although Dekker did not live to see significant improvement in the coffee trade, his book inspired Javanese reformers who eventually gained independence. Their success inspired a revolutionary movement that achieved independence for all of Indonesia, and, in the mid-twentieth century, its influence was felt in the African colonies (Toer, 1999). It has even been suggested that the novel was instrumental in putting an end to colonialism (Toer, quoted in Salverda, 2005). Whether or not this is the case, Dutch fair traders chose the name "Max Havelaar" for the first fair trade label.

Moore (2004) suggests that the origins of fair trade can be traced to the nineteenth-century co-operative movement in the United Kingdom, whose members pooled their resources to buy household necessities. Their broad aims included a commitment to provide goods that were "pure and unadulterated" (Birchall, 1997, p. 6) and anticipated the fair trade movement's dual emphasis on sustainable development and quality. Co-operation replaced self-interest as "the basis for meeting consumer needs" (Lang & Gabriel, 2005, p. 39). That first, modest venture in co-operation has become an international movement based on democracy, member participation, and concern for others.

It was not until the mid-twentieth century, however, that the first intentional fair trade transactions were made between European and North American charitable organizations and poor artisans and refugees. At the same time, many NGOs, including the Canadian Co-operative Association, used government funding to support their work in international development. These initiatives were followed in the 1980s by exports of coffee from Mexico and Central America to the Netherlands, Canada, and elsewhere in the global North (Oxfam-Canada Bridgehead, 1997, Waridel, 2002). In 2006, fair trade benefitted approximately 1.4 million producers in 57 countries (FLO 2007c).

Since the 1980s, the international fair trade movement has worked to challenge unfair trading relationships between the global North and South, critique conventional trade and create links between producers and consumers who wish to exchange goods produced on more equitable terms. FINE¹⁵, the umbrella group created in 1997 to represent four large ATOs, describes fair trade as

a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade organizations, backed by consumers, are actively engaged in supporting producers, awareness raising and campaigning for changes in the rules and practice of conventional international trade. (EFTA, 2003)

This definition seems to reflect the mandate of the organizations that are affiliated to FINE, as its focus is on action taken in the North to support producers and workers, and consumers are portrayed as supporters rather than stakeholders in the campaign to overhaul the flawed trading system that links both parties.

Taking another approach, Paul Rice (n.d.), President and CEO of certifier TransFair USA, stresses fair trade's

market-based, entrepreneurial response to business as usual [that] helps third-world farmers develop direct market access as well as the organizational and management capacity to add value to their products and take them directly to the global market. Direct trade, a fair price, access to capital and local capacity-building . . . are the core strategies of this model. (para 4)

Although he does not directly challenge the assumptions that underlie “business as usual” in the global market, Rice shows that fair trade uses the market to achieve the conditions described by

¹⁵ The organization was created by Fairtrade Labelling Organizations International, the International Fair Trade Association, the Network of European Worldshops, and the European Fair Trade Association: thus, its acronym.

FINE. But he, too, neglects the role of the consumers who buy products with fair trade value added.

Other researchers emphasize fair trade's ability to create non-commercial connections between stakeholders. Raynolds (2002) argues that, like some related certification schemes, fair trade helps to regulate the conditions of production but can also "transform trade relations and the multifaceted connections between producers and consumers" (p. 404). It does this, she suggests, because it "critiques conventional production, trade and consumption relations and seeks to create new more egalitarian commodity networks" (p. 404) that link producers and consumers. Fair trade's significance lies not in its market share, which is likely to remain low for some time, but in its ability to create links between consumers and producers who live on different sides of the "North/South divide" (p. 404). The movement's importance is more directly related to its criticism of the market's powerful but contradictory theme (Raynolds, 2000; Shreck, 2002) that reflects Barratt Brown's (1997) assertion that fair trade operates both "in and against the market." But using an institution that must be reformed is not without risk: fair traders must operate in a venue where making a profit is the most important consideration. Moreover, if the movement is commercially successful, it risks losing its hard-won space to powerful corporations (Raynolds, 2000) that want to capitalize on a new marketing opportunity rather than support a democratic movement.

While the descriptions of fair trade mentioned above contemplate trading equity, Raynolds best captures the spirit of what fair traders do: they critique conventional trade, forge and nourish links between actors in the global North and South, and perform an advocacy role. Fair trade is really about selling the idea that the individuals and organizations who participate in the market should consider social relations when making purchasing decisions (Levi & Linton, 2003).

The observers mentioned above understand that fair trade permits producers and consumers to move from a critique of conventional trading arrangements to participating in a movement to create new relationships that better serve their interests. Not specifically mentioned in these descriptions are the intermediaries who facilitate fair trade, and who are the subjects of this research. Operating in the market and facilitating stronger connections between producers and consumers, intermediaries are challenged to run successful enterprises as they take part in activities not contemplated by the conventional market.

If market access lies at the centre of fair trade relationships, then fair trade is not a revolutionary strategy, at least not at first glance. There is more to fair trade, however, than simple access to a market. FLO's Trader Standards (n.d.c) require that producers receive a negotiated price that, in theory at least, covers the cost of production. They also receive a social premium that is intended to benefit the entire community (and whose use is decided by the community). Where applicable, producers are entitled to an organic premium. They may also arrange for credit on reasonable terms, although some opt no to do so. They have access to funding, training, and technical assistance, and are not required to exchange these for dependence on foreign aid or high-interest loans. An important non-monetary feature of fair trade is that producers and consumers have an opportunity to learn about each other and, perhaps, to discover common interests; in this area, as in the exchange of physical products, intermediaries play a vital role.

FLO's Generic Fairtrade Standards (2006b) stipulate that, in order to be certified, small producers who provide most of their own labour must belong to a democratic, participatory, and transparently-run organization which contributes to the social and economic development of its members and their community. The organization must also demonstrate that minimum social, economic, and environmental requirements are met, and that it is making progress towards achieving more ambitious standards. Generic fair trade standards also follow International Labour Organization standards and conventions regarding working conditions, and abide by applicable national legislation (unless international standards are higher). Product-specific standards for some products (but not for coffee and cocoa) may be more stringent than the generic standards.

2.2 Currents within Fair Trade: From Realists to Radicals

While some participants are attracted to fair trade because it helps ensure survival for some producers and advances the cause of international development, others appreciate the opportunity it provides to influence and reform the market. Summarizing Renard's (1999) argument, Moore (2004) describes fair trade's two main tendencies: one offers a trading model that "makes a difference to producers and consumers" (p. 74), while the other, more ambitiously, "challenges orthodoxy in business practice" (p. 74) by campaigning for better conditions and developing "a tool for modifying the dominant economic model" (Renard, 2003, quoted by Moore, p. 74). Both

models help producers “elude the full weight of market forces” (Renard, 2003, p. 87). One model is pragmatic: it sees fair trade as a tool of transition that introduces products from the South into markets in the North; it also demonstrates that “the dominant model is not monolithic” (p. 91). The other, more radical, model presents fair trade as a way to modify the dominant one and, eventually, to make all trade fair. Although Renard does not suggest that fair trade might do away with the market, some fair trade actors identify a role for fair trade in this area as well. They look beyond fair trade’s improved strategy for survival within a competitive model, and envision an improved model that challenges the dominant one.

The rather frail “solidarity” market is too small to help more than a few producers. In Mexico, for example, the combination of low demand and low price for fair trade coffee caused a co-operative that had helped establish the fair trade label to sell its coffee to an independent European distributor at a higher price. In this case, it seems that the prospect of long-term sales at an acceptable price outweighed the risk inherent in contracting with a powerful buyer. While some observers interpreted this as abandoning fair trade, others argued that it left room for those who needed fair trade’s support. If fair traders believe that price is an important concern, they argued, they should celebrate when producers negotiate an advantageous price and a long-term contract. While it is difficult to suggest that producers should sell their coffee at any price but the highest, this example demonstrates that the fair trade price is still inadequate.¹⁶ Moreover, the sale permitted a large enterprise to establish a pseudo-fair regime that undercut the market for genuine fair trade (Fridell, 2007).¹⁷ This suggests that conventional enterprises can take advantage of the aura that surrounds fair trade while avoiding the full array of responsibilities that are part of the fair trade project.

Jaffee (2007) moves beyond Renard’s description of two tendencies and describes three strands within the fair trade movement. At one end are the “realists” (p. 29) whose main objective is improved market access.¹⁸ Community development and poverty reduction, they argue, follow successful market entry and allow producers to satisfy their pressing material needs. While these actors may not be completely comfortable with the market’s rules, they are willing to abide by them. The middle ground is occupied by those who attempt to reform the

¹⁶ In 2007, FLO’s Board of Directors raised the social and organic premiums for coffee but not the basic price (FLO 2007a).

¹⁷ He also argues that programs that pay a higher price for better coffee have some merit.

¹⁸ Others, including Leclair (2002), describe a movement to market products at above-market prices.

market so that its benefits are more fairly distributed. In this way, fair trade is understood to be a development initiative with the potential to take on greater significance. At the other extreme, fair trade “radicals” (p. 29) envision a time when the market will be replaced by an institution that would satisfy all citizens’ needs. Convinced that it is impossible to achieve social justice in a market economy, they work on tangible initiatives such as the sale of coffee, and on “efforts to reverse the process of corporate-led globalization” (p. 29). While these categories are not exclusive, and actors may occupy more than one, either sequentially or at the same time,¹⁹ they do represent three identifiable tendencies.

Many producer groups appear to support the “market access” position. One coffee producer argued that, if buyers pay a fair price, producers “will make poverty history for ourselves” (FLO, 2006a). Although fair trade sales mean more income, some observers fear that small producers do not have the resources to succeed in the market over the long term, and that increased market access may be insufficient to bring about real change.

In the absence of rules that stipulate that an enterprise must certify a minimum percentage of its products before it is allowed to use the fair trade label (which would amount to certifying the enterprise as well as the product), many fair trade certifying bodies appear to support the “market access” position. For example, Transfair USA’s Rice insists that a conventional enterprise that roasts millions of pounds of fair trade coffee accomplishes “far more” in a year than some 100 percent roasters will do “in their entire history” (quoted by Rogers, 2004). While selling more coffee does mean more money in producers’ pockets, a policy that does not distinguish between enterprises that are committed to fair trade and those who employ it as a sideline does little to challenge the system that impoverishes producers in the first place. Furthermore, it confuses consumers about what the fair trade label signifies and, worse, can lead to cynicism. One veteran of the campaign to boycott Nestlé claims that the transnational’s certification “makes an absolute mockery of what the public thinks the trademark stands for” (Ransom, 2005a, para 3). While this may be an extreme position, licensing transnational enterprises that continue to practice “business as usual” threatens to weaken the overall effect of the fair trade movement.

Market reformers argue that fair trade can be used to challenge how markets are designed and how they distribute economic benefits, in order to create a market that satisfies the needs of

¹⁹ They are similar to Shreck’s (2005) description of fair trade initiatives of “resistance, redistribution, and power.”

all actors. This area of activity overlaps with the historic role of some producer co-operatives. For example, Ronchi (2002) observes that producers' need for more information may be greater than their desire for more money. She describes the request by Costa Rican co-operative Coocafé that FLO lobby fair trade importers to resolve the issue of fair weight,²⁰ and issue that, if resolved, would have had important consequences.²¹ Fair trade actors have also taken action to ensure the timely arrival of premiums to tea workers in India (Fairtrade Foundation, 2007a). This example suggests that fair trade's ability to provide a context for information exchange and negotiation may be as helpful as its ability to deliver a fair price.

Fair traders also advocate for a fairer system of international trade, an issue that is as important for producers in the North as it is in the South. Here, too, fair trade overlaps with the historic role of marketing co-operatives (Coleman, 2004). They support producers who want to diversify and add value to what they produce, and lobby for change to unfair systems. For example, some producers view the lobbying efforts of Fairtrade Labelling Organizations International (FLO), the umbrella organization that unites producer networks in the South and national labeling initiatives in the North,²² as its most important service (Ronchi, 2002). When even relatively prosperous producer co-operatives need to sell at least part of what they produce at fair trade prices in order to provide the services their members need (Sick, 1999), initiatives to provide producers with information about the market may be even more important for smaller organizations with fewer resources.

My reading of Twin, the United Kingdom's largest ATO, is that it focuses mainly on the "reform" mandate. According to the mission statement of Cafédirect, Twin's first (and very successful) commercial venture, fair trade works to strengthen "the influence, income and security of producer partners in the South and [link] them directly to the consumer" (Cafédirect, n.d.). Convinced that small producers can deliver good quality products to the market if they receive a fair price, Twin works to remove barriers between producers and markets, help its producer partners access "all market opportunities," and advocate for a better trading system (Twin, n.d.). If Twin is able to deliver on its promise of improved market access for a significant

²⁰ The discrepancy between 100 pounds and 46 kilograms (actually 101.41 pounds) means that producers are underpaid for every bag of coffee they ship (Ronchi, 2002).

²¹ She also points out that the market acts to constrain even fair trade actors.

²² In 2007, producer networks in Africa, Asia, and Latin America became "co-owners" of FLO (2007b).

number of producers while providing products that consumers find attractive and available, increased demand for fair trade may encourage other enterprises to participate.

Following Twin's initial success with Cafédirect, the first fair trade product to reach the United Kingdom's mainstream market²³ and now its sixth-largest coffee supplier (Twin, n.d.), it also worked with Ghana's Kuapa Kokoo producer co-operative to launch the Day Chocolate Company and with a Dutch fair trade, fresh fruit importer to introduce fair trade fruit to the United Kingdom.²⁴ As profit usually lies in adding value to commodities or supplying products to the retail market, these arrangements give Twin's producer partners a commercial interest in facilities for roasting and packaging coffee, manufacturing chocolate, and importing fruit. While sales are important, producers also benefit from the opportunity to learn how to operate successful businesses. Twin also lobbies for fairer trading systems but its emphasis on access for producers to the conventional market places it in the "market access" category.

In the global South, the Mexican producer co-operative UCIRI (*la Unión de Comunidades Indígenas de la Región del Istmo*, the Union of Indigenous Communities of the Isthmus Region) seeks to move beyond simple market access through its involvement in quality improvement, processing, and marketing (Simpson & Rapone, 2000). If that were all it did, UCIRI would still fit the market improvement category. However, coffee production and sales are part of a larger project for human and community development, and fair trade sales can lead to relationships with partners "who affirm their status in positive ways" (p. 51) and provide political support if necessary. UCIRI's collective experience with the fair trade market has created "a social space in which small farmers can envision and implement their own community development" (p. 47), one that helps move the focus from market improvement to transformation.²⁵

For the third group, those Jaffee (2007) calls radicals, fair trade is a practical step in a movement for structural change that would do away with the market and, eventually, with capitalist relations. Advocates of this position, who seek to "break" the market (p. 29), use fair trade to privilege human and environmental concerns over corporate profit, and to address the larger challenge of creating a post-capitalist world. While these actors view the market economy as incompatible with social justice, their market-based work on fair trade is a component of a

²³ Cafédirect was followed by Teadirect in 1998 and Coadirect in 2002.

²⁴ Kuapa owns a one-third share in Day (Bibby & Shaw, 2005).

²⁵ Fair trade alone cannot protect producers from all national or international trends, and UCIRI is feeling the harmful effects of structural adjustment (photojournalist Eric St. Pierre, personal communication, 2007).

more positive version of globalization, and some believe that it will create “a progressive opening for . . . wresting control of the agro-food system away from [the] transnational corporations” (Raynolds, 2000, p. 297).

Although the ultimate objective of at least some actors in this category is to “smash the current system of production” (James, quoted by Jaffee, p. 28) or witness its natural demise, James’ practice (and that of other fair trade actors) combines many kinds of action.²⁶ Even if change is not immediate, concrete benefits such the ability to pay down debt or purchase land (rather than to increase production, as some critics suggest is the primary result of fair trade) can accompany fair trade relationships (James, 2002).²⁷ Although it is unrealistic to expect that, in isolation, the fair trade movement will be able to counter the ills of the capitalist market, fair trade is an element in “a broader movement . . . aimed at transforming the relations of production globally” (Hudson & Hudson, 2003, p. 424) and provides a site where producers, intermediaries, and consumers can make common cause.

Even radicals use the market to promote their goals. James’ former employer, the United States-based human rights organization Global Exchange, advocates a comprehensive approach to change, working to build “people to people ties” that promote “social, economic and environmental justice around the world” (Global Exchange, n.d.a).²⁸ The organization also works for “a total transformation of the coffee industry” (Global Exchange, 2007c) which, if achieved, could well “break” one of the world’s largest markets.²⁹ This approach is not simply an economic one: Global Exchange believes that social and environmental justice is an integral part of fair trade and that coffee should also be “certified organic and shade grown where applicable” (Global Exchange, 2006b). By privileging fair trade over the two environmentally-focused initiatives, Global Exchange seems to suggest that fair trade is a better development option than movements which put the needs of the environment above or on the same level as those of the human beings who live in it.³⁰ As an initiative in the campaign to fundamentally

²⁶ Global Exchange (2007b) claims that James “can strategically attack high-level corporate giants and multilateral trade agreements while inspiring the public by effectively promoting the visionary alternatives of Fair Trade.”

²⁷ In Colombia, some communities have used fair trade income to purchase land in order to protect their water sources (coffee trader Hernando Restrepo, personal communication, 2007).

²⁸ Global Exchange (2007d) works to increase public awareness and mobilize for change. Thus, the campaign for fair trade is one element of its work to create “interconnected communities.”

²⁹ Fridell (2007, p. 298) cites Talbot’s (2004) explanation that coffee is “the second most valuable primary commodity exported by developing countries”.

³⁰ Hudson & Hudson (2003) claim that the organic labeling initiative offers “a more commodified version of an alternative” (p. 423) to conventional trade and is therefore less ambitious than fair trade.

change the market, Global Exchange helps consumers understand the “social and environmental implications of their spending,” by organizing tours to commodity producing countries. In addition, its offer of “happy carefree shopping” at its “alternative trade centres” (Global Exchange, n.d.b) makes strategic use of the market it hopes to remake.

No matter how attractive they may be, fair trade and radical tourism will not change the market on their own, and Global Exchange also encourages citizens to participate in a range of activities from supporting fair trade to demanding that their members of Congress vote against proposed free trade agreements with Central and South American countries (Buffa, 2007) and that the United Nations Security Council not “cave in to Washington” (*Ibid.*). In 2003, James also worked on behalf of Global Exchange with a coalition of organizations, including Oxfam America, Co-op America, and the Interfaith Fair Trade Initiative, in a campaign to convince Procter & Gamble, the largest coffee roaster in the United States, to add fair trade coffee to its product range.³¹

Global Exchange has also campaigned, with limited success, for Starbucks and other medium-sized roasters to buy more fair trade coffee. Starbucks’ move in 2004 to introduce packaged fair trade coffee in its approximately 2300 stores nearly doubled the number of locations in the United States where fair trade coffee is available. Global Exchange (2005a) hailed the change as “an amazing testament to the power of grassroots Fair Trade activism and the real concrete changes that citizens can make in the global trade system,” and attributed the success to grassroots campaigning, national demonstrations, and the mobilization of the environmental, economic justice, faith, trade union, and consumer organizations that joined the campaign. At the same time, it continues to criticize the conventional market and other aspects of life under contemporary capitalism.

2.3 Fair Trade and the Need to Transform the Market

While fair trade benefits all participants, the movement will not succeed if it cannot achieve fundamental change. As Shreck (2005) warns, fair trade risks reproducing and perpetuating “some of the inequities and hierarchical relationships that currently characterize international trade” (p. 26) if it does not move beyond its current status. She points out that, while the

³¹ Procter & Gamble’s purchase of an estimated two to three million pounds of fair trade coffee a year, approximately one-half of one percent of its total purchases (Equal Exchange, 2003), is roughly equal to the volume imported by Equal Exchange.

achievement of interim steps has made trade “less unfair” (p. 26) for producers and returned slightly more of its material rewards to them,³² the movement does not offer a real alternative because it operates in the very system that exploits so many producers and denies consumers the opportunity to purchase the kinds of products they want to consume.

Although fair trade attempts to confront the power of the conventional market, it cannot sever all connections with it and most practitioners agree that the movement has prospered, in part, because supermarkets are selling fair trade products. This presents a particular challenge as the movement’s leadership must be willing to make some compromises in order to guarantee its overall success (Shreck, 2005). It may be particularly difficult for the intermediaries who must balance the (perhaps contradictory) needs for better prices and a larger market and find some compromises unappealing and even dangerous.

Most fair trade intermediaries are aware of the uneven power relationships between North and South, the skewed distribution of responsibilities along the fair trade chain, and a “conservative understanding of empowerment” (Shreck, 2005, p. 26). If the fair trade movement were to address some of these challenges (even unsuccessfully), it could achieve more of its “counter-hegemonic potential” (p. 27) and thus contribute to more fundamental change for individuals and the market.

Although empowerment can be understood as a process, it is ineffective if does not result in producers’ improved ability to negotiate, not only with buyers but also with local and national authorities regarding other matters. Producers have to decide (often, with little negotiating space) what they are willing to do in order to break into the market. Consumers, too, have difficult choices to make, once they understand that changing their own behaviour has a limited capacity to modify capitalism’s worst practices (Newholm, 1999).³³ While some uninformed or careless individuals can become victims of “fairwashing,” fair trade must move beyond educating consumers to empowering them to transform themselves, the market and society.

Many fair trade actors are concerned that some enterprises certify only a small percentage of their products, and that some national certifying bodies have accepted this practice. TransFair

³² The fair trade price for coffee, US\$ 1.26 a pound, did not increase between 1989 and 2007, although, in contrast to conventional coffee’s historic low prices at the turn of the twenty-first century, it remained stable (Global Exchange, 2005*b*).

³³ For example, Dole offers consumers an opportunity to trace organic bananas to the farms that produce them (Southcott, 2007), an initiative that may satisfy their desire to eat well but does little to support the liberation of farm workers.

USA claims that Starbucks' limited participation in fair trade has led to greater visibility and, therefore, to increased consumer awareness (TransFair USA, 2006). But the two are not necessarily compatible: it is at least as likely that consumers are confused by Starbucks' dual certifying schemes as it is that they are more aware because of them. Furthermore, by not demanding that roasters who use the "fair trade certified" logo commit to minimum fair trade purchase levels (which would be accompanied by higher fees to support education and outreach), TransFair USA provides no incentive for them to improve their performance. Furthermore, in not distinguishing between enterprises with a greater or lesser commitment to fair trade, it does little to help consumers move from a focus on personal consumption to a critique of the market. While greater visibility may attract consumer attention, partial or distorted information may lead to a situation where transnational companies, rather than producer organizations, are the chief beneficiaries (Shreck, 2005).

Although they help producers, sales alone cannot create the new kinds of relationships that a fair market requires. They may even perpetuate the unequal relationships that encourage farmers to produce for oversupplied markets without challenging the over-consumption that is prevalent in the global North. Entrepreneurs whose practice includes an element of struggle "against" the conventional market while they operate "in" it may be better equipped to construct a new trading regime.

2.4 Fair Trade and Globalization

Although globalization is a much-celebrated characteristic of economic and social life in the twenty-first century, affecting social, economic, and political relationships within and between societies, it is not an uncontested one. While it is the result of decisions taken at many levels, individuals often perceive that globalization is an unavoidable phenomenon. Coleman (2004) describes its powerful hold on individuals and its seeming inevitability, with processes "so global, so strong, so dominant, that it is fruitless to challenge them" (p. 13). Yet he also suggests that globalization is not necessarily the totalizing force that some believe it to be, and points to the successful co-operatives created by Canadian farmers at the turn of the twentieth century to combat forces which were no less virulent in their time than they are today. Contemporary co-operatives have their own global connections which do not negate the important local character of each co-operative (Fairbairn, 2004, Birchall, 2004).

Coleman is not alone in refusing to accept globalization's homogeneity and total hegemony. Klein (2001), for example, describes the "oppositional threads" (p. 82) woven by those who are not "waiting for the revolution," but taking action where they live, study, work or farm. Whatmore & Thorne (1997) likewise challenge the idea that globalization is limitless. They argue that it is "partial, uneven, and unstable; a socially contested rather than logical process [with] many spaces of resistance, alterity, and possibility" (p. 289). Fair trade, they argue, is an example of what globalized connections can achieve, for these healthy networks span the globe and challenge powerful systems. Their local and international connections can help actors understand how the "social and environmental configurations of agro-food production and consumption . . . coexist with those of industrial food corporations [and] in some way counter, or resist, their institutional values and practices" (p. 289). If producers in the South have what consumers in the North need or want, then globalization's unoccupied spaces can be used to facilitate new commercial and human relationships between them.

Globalization can also create and support connections between movements. Buttel & Gould (2004) suggest that the ability to link domestic socio-economic and environmental problems in the North and the South will be fundamental to the cohesiveness of the anti-corporate globalization movement. They argue that fair trade can facilitate this connection because it appeals to both consumers and producers; it also enables independent or coordinated action that can be undertaken at multiple sites. Because direct contact between geographically separate producers and consumers is difficult, appropriately-marketed fair trade products not only alert consumers to at least part of what lies behind the labels but also establish mutually-beneficial (even if long-distance) relationships.

ATOs serve as intermediaries in annual exchanges of over \$US 1 billion, based on prices that are designed to cover the cost of production and, in at least some cases, return a greater proportion of the selling price to producers. They use some of the same globalized systems that disrupt so many lives, to help sustain the producers with whom they conduct business (Nash, 2000). Renard (1999) suggests that fair trade coffee networks use the "interstices" of the market to help small producers participate in it "under more favourable conditions" (p. 496). Skilled intermediaries are important participants in such exchanges and those involved in importing, roasting and distributing coffee, fair trade's most widely-traded product, play a prominent role. Because producers and consumers have little choice but to be involved in the global market, fair

trade's future includes both enterprises that successfully use globalized marketing channels and organizations that are critical of them. It is important to remember, too, that global connections facilitate the initiative to secure fair prices for producers and to inform consumers about the people who produce the products they buy.

2.5 Fair Trade: Selling Ideas

Many fair traders are in business not only to sell coffee, chocolate, or crafts but to demonstrate an alternative to conventional business practices. Moore (2004) argues that a fair price may be less important to producers than non-monetary issues of long-term relationships, negotiated prices, mechanisms for advance payment, and the opportunity to work for a more civilized trading order. Jaffe & Gertler (2006) discuss the importance of reskilling consumers and other actors involved in the broad struggle for food security, and of educating them about the conditions under which food is produced. Similarly, Peattie & Peattie (2003) describe social campaigns that aim to “alert, inform, educate, incentivize, influence and support their targets in moving them toward behavioural change” (p. 370). These activities, carried out by actors who occupy each of the categories described by Jaffee (2007), apply particularly to those who would replace the conventional market with arrangements designed to better meet the needs of all participants.

At the same time, few fair trade actors base their argument solely on price. While a higher price does benefit producers, it does not necessarily reflect the effort that goes into production or provide an adequate financial return to producers. Kocken (2002), for example, suggests that “it would be closer to reality to say that fair trade pays the maximum amount that is feasible on the market” (quoted in Moore, 2004, p. 78), although this must be balanced against the fact that some consumers may be unable to buy fair trade goods because the price is prohibitive. For Waridel (2002), price is less important than more direct trade between producers and consumers, which reflects both the needs of those in the South and the realities of the market in the North. Shreck (2002), however, questions whether fair trade brings about transformative change in the global agro-food system, or simply allows socially-aware, well-to-do consumers with social consciences to consume their favourite commodities. At the same time, she cautions that, because supermarket sales are the major source of fair trade coffee sales, suppliers must not price themselves out of the market. It is indicative of the current context that such advice comes from a

proponent of fair trade who also warns that its transformative potential could be lost if practitioners give in to the demands of the conventional market. The challenge of achieving a price that is fair for all actors means that, if the fair trade movement is to succeed, it must be careful not to focus exclusively on this aspect of the exchange relationship.

Unlike conventional marketers who emphasize (real or fictitious) low prices which may not account for the social and environmental costs of production, fair trade actors point out that producers receive prices that reward their knowledge and effort, and that social premiums support community-wide projects. Like traditional marketers, fair traders emphasize quality and uniqueness, but they also underline that a product's ethical value is an important aspect of quality. Fair trade practitioners also add "process, people and physical evidence" (Nicholls & Opal, 2005, p. 157) to the marketing mix. These additional elements focus not on consumers but on "identifiable" producers, whose stories often appear alongside the fair trade logo on product packaging. In other words, fair trade's ability to occupy "multiple areas of consumer 'mind-space'" (p. 158) widens its appeal to sectors where purchasing behaviour is guided by considerations other than fairness.

Most marketers of fair trade commodities advertise that the fair trade price is higher than the conventional price,³⁴ but few use it as their only appeal to consumers. They also point out that the entire increase is not necessarily passed on to consumers. For example, chocolatier Green & Black's³⁵ 25 percent premium to cocoa producers in Belize added a mere four percent to the price of its chocolate bars (Ransom, 2001). That is because the prices paid for commodities are only part of the cost of delivering finished products to the retail market, and perhaps also because profitable companies have considerable flexibility when it comes to absorbing or passing on such costs.

The lessons learned through fair trade help intermediaries, retailers, and consumers to understand and tackle some of the larger issues involved in trade, and may encourage them to reassess other relationships involved in conventional commodity chains (Hughes, 2006). The desire to act ethically also reflects the overlapping values that guide the fair trade and co-operative movements, where the co-operative values of "self-help, self-responsibility,

³⁴ There are mechanisms in place to raise fair trade prices if conventional prices reach the same level.

³⁵ The company was bought by food and drink conglomerate Cadbury Schweppes in 2005 for an estimated £20 million (BBC 2005a). Only one Green & Black's bar contains fair trade certified ingredients, a fact which goes unnoticed by many consumers who associate this label with ethical purchasing.

democracy, equality, equity and solidarity” (International Co-operative Alliance, 1995) also apply to fair trade, and many fair trade producers, intermediaries, and consumers are involved in co-operatives. The next chapter reviews literature that describes the involvement of co-operatives in fair trade.

CHAPTER 3

A REVIEW OF CO-OPERATIVE LITERATURE

3.1 Introduction

The co-operative movement predates the contemporary fair trade movement by more than a century. It operates under similar principles, although they are differently defined. Co-operatives are characterized by open membership, democratic control, and member economic participation, processes which can result in the kinds of economic and social relationships that are also the objective of the fair trade movement. Many popular and academic writers report that co-operatives are active in fair trade throughout the global South and North (Oxfam-Canada Bridgehead, 1997, Levi & Linton, 2003, Fridell, 2007).

Birchall (2004) describes the international co-operative movement as a “leading player” in fair trade because of its commitment to secure “a better deal” (p. 59) for all people. He underlines the co-operative sector’s dual identity as both “a part of civil society and a set of business enterprises” (p. 59), a description that also applies to fair trade. He further suggests that buying organic or fair trade food is becoming “the main way” (p. 35) for Northern co-operatives to help those in the South, providing an opportunity for members to show their support and enabling them to make ethical choices in favour of producers and workers. But Birchall does not clearly differentiate between the principles of organic and fair trade and fails to appreciate the latter’s more direct challenge to the way production and the conventional market are organized. In focusing solely on consumer support for producers rather than arguing for common cause to change a system that ultimately benefits neither, Birchall perhaps ignores some of the transformative potential of both reform efforts.

Throughout their history, co-operatives have challenged the social, economic, and political forces that work against the interests of the majority (Coleman, 2004, Findlay, 2004). Findlay also argues that co-operatives challenge “dominant discourses and . . . practices,” creating positive connections between people and refusing to entertain ideas of “inevitability, impotence, or efficiency” (p. 148). Today, co-operatives provide a solution for some of the millions of small producers whose economic vulnerability resembles that of the original co-operators.

Co-operatives sustain the projects of individuals and their communities, and help them to challenge local and national elites. Although market access for goods produced in the South is only one of fair trade’s objectives, producers do need markets in order to survive, and co-

operatives can support their entry into the market. Furthermore, while many consumers may wish to resist the dominant model, individual action is seldom adequate and co-operatives can support their search for products with the desired qualities. Findlay (2004) explains that co-operatives can use their resources in ways that not only reject dominant trends but provide alternatives to them. Creating co-operative structures to mediate fair relationships would enable both partners to discover and further develop commonalities that otherwise might not come to light. Furthermore, co-ordination between co-operative and fair trade enterprises could contribute to the structural change that Jaffee says is the objective of fair trade's radical stream. Even if these models were not widely adopted by non-co-operative fair trade enterprises, increased co-ordination would build demand and result in better income and more negotiating power for producers and real choice for consumers.

Co-operative ideals can encourage individual actors and organizations to rethink and restructure their relationships with each other and with the increasingly stressed planet. If citizens are to think globally and act locally, they need the understanding that comes from working in both spheres, and that is guided by new approaches to accountability (Findlay, 2004, Elkington, 1999). Producers, intermediaries, and consumers can also support the idea of a combined economic, social, and ecological "bottom line" that would enable them to re-evaluate individual and corporate practices and make informed decisions about where to shop, what to buy and what not to buy (Gertler, 2004a).

By proposing alternatives to the negative aspects of globalization, co-operatives can help re-introduce human concerns into the market, an orientation that is compatible with fair trade, domestically or internationally. In Argentina, for example, worker co-operatives are striving to overcome a failed economy, making their members' lives more tolerable and providing some necessary services to other citizens. Worker-run enterprises not only provide jobs for the unemployed but also serve as vehicles for effective links between citizens. As well as producing for their own needs, these worker-run enterprises are creating channels for domestic fair trade relationships that benefit all parties (Zibechi, 2004).

If more Northern co-operatives supported their Southern counterparts through networking, knowledge sharing, and relationship building, the effects would be widely felt. Fair trade can offer the co-operative movement a way to connect with organized producers (in co-operatives and democratic associations), skilled intermediaries, and informed and committed consumers.

They can use their already-established infrastructure and relationships to support fair trade, contributing their commercial expertise and experience, their reputation, and channels for marketing the products (often organic as well as fair trade) that more and more consumers want. Such action would support the economic goals of each partner and, at the same time, help move fair trade from niche to mainstream.

3.2 The Overlap between Fair Trade and Co-operative Principles

De facto fair trade initiatives in the North include marketing co-operatives and urban coalitions that provide alternatives to the large growers and processors who supply many local markets. Innovation and worker control can be important elements of both retail co-operatives and the intermediary organizations that connect consumers and producers. For example, co-operatives are able to move beyond merely informing consumers to providing opportunities for action, and their claims about fair trade may be less subject to consumer skepticism than those made by for-profit enterprises (Berry & McEachern, 2005).

Buying fair trade products is an important way for members of co-operatives to show their concern for Southern producers who can also benefit from “co-operation among co-operatives.” Birchall (2004) reports that inter-co-operative trade is growing and suggests that fair trade is a “particularly important” (p. 57) part of it. He also states that some federations and large co-operatives see international development as a secondary issue and could do more with their considerable resources to make development “more clearly a part of their mission” (p. 58). Co-operatives that do not take on this work limit themselves, as well as those who need their support, and miss the opportunity for growth that fair trade would provide.

In the United Kingdom, however, the link between the co-operative and fair trade movements is fairly strong. While accounting for just five percent of the United Kingdom’s grocery market (Liz Harrison, Co-operative Group, personal communication 2007), the Co-operative Group accounts for roughly a quarter of the fair trade market (Co-operative Group, 2007).³⁶ It stocks more fair trade product categories than most supermarkets in the United Kingdom (it is tied with Tesco for first place), and offers more fair trade product lines³⁷ than any

³⁶ In January 2006, Tesco accounted for just over 30% of supermarket sales; Asda and Sainsbury’s each had approximately 16% of the market (BBC 2006a).

³⁷ Categories include coffee, fruit, etc.; range includes whole bean, fine grind, and instant coffee, etc. (Barrientos & Smith, 2007)

of its competitors (Barrientos & Smith, 2007). It sells fair trade products in more venues than any other retailer (The Co-operative Group, 2007*b*), and at reasonable prices. For example, the Co-op's own-brand fair-trade instant coffee sells for less than the conventional products sold by Sainsbury's and Asda (Nicholls & Opal, 2005). Charging reasonable prices for some popular fair trade products means that more consumers are able to afford them, and further enhances the Co-op's position as an ethical retailer.

Charging consumers slightly more for fair trade products (which have desirable features that conventional products do not) helps ensure that producers receive a better price. As Spark (2004) reported, adding "the negligible sum" of one UK penny to the price of instant coffee "more than doubled" the per-pound amount the suppliers received (quoted by Nicholls & Opal, 2004, p. 199).³⁸ The successful initiatives of this UK co-operative should demonstrate to co-operatives in other jurisdictions that fair trade is attractive to consumers, and that at least some are willing to pay the premium. Furthermore, the fact that conventional retailers in the United Kingdom have followed the lead of Co-op Foods shows that an enterprise with a relatively small market share can provide leadership.

The Co-op's pioneering action must be responsible, at least in part, for the entry of competitors such as Sainsbury's, Tesco, and Marks & Spencer's³⁹ in the fair trade market, and for Nestlé's decision to register its first fair trade coffee in the United Kingdom.⁴⁰ At the same time, however, the decision of the large supermarkets to embrace fair trade signifies that the "ethical, environmental, and health values previously associated with social movement groups have . . . been transformed into key facets of corporate profitability, branding, and marketing" (Raynolds & Wilkinson, 2007, p. 41). While it is impossible to argue that conventional supermarkets should not be encouraged to adopt these values, fair trade and co-operative actors must ensure that fair trade discourse is not reduced to a discussion of certification.

Once information about social issues is readily available, some consumers will move beyond their interest in the products to focus also on the conditions under which they are produced (Nicholls, 2002). With their work to educate consumers and their specialized

³⁸ A penny is not always a negligible sum: US farm workers and their supporters worked long and hard to convince Taco Bell and Burger King to pay an extra penny per pound of tomatoes which, in this case, translated to nearly doubling the pay for picking a 40-pound basket (Associated Press, 2005).

³⁹ In 2007, Sainsbury's (n.d.) claimed to be the largest fair trade retailer in the UK, helping "thousands of individual farmers;" in 2006, Marks & Spencer converted all its tea and coffee to fair trade (FLO 2007*c*, p. 19).

⁴⁰ Fair trade's "good double-digit growth" in the United Kingdom, noted by a Nestlé spokesperson, is likely to have been a factor in this decision (BBC, 2005*b*).

marketing and promotion departments, retail co-operatives can provide consumers with a winning combination of product, information, and service (Anderson, 2006, Nicholls, n.d.). Furthermore, the advantage of being a major actor in an emerging market, such as the Co-op is in the United Kingdom, should appeal to every retail manager. As Nicholls explains, the overlap between fair trade and pro-active management responds to consumer concerns that include how companies treat their suppliers. The decision to stock fair trade products may provide a competitive edge in some markets and, even if it does not, many consumers appreciate such action for its own sake.

3.3 Producer co-operatives and fair trade

Even without a fair trade contract in place, producer co-operatives are sometimes able to use their collective strength to negotiate better prices from conventional buyers, and much popular and academic discourse about fair trade asserts that producers gain when they form co-operatives. For example, farmer co-operatives are mentioned twice in Levi & Linton's (2003) list of four fair trade criteria. They suggest that fair trade's focus on co-operatives encourages farmers to organize and imply that the possibility of increased sales is the primary motivation for creating a co-operative. FLO, the international fair trade licensing body, requires licensees to be organized in co-operatives or other kinds of democratic organizations. It is unlikely, however, that producers see their co-operative only as a source of extra income; they also appreciate the technical assistance and national and international contacts that a co-operative can provide.

Many Southern producers are organized in co-operatives or other democratic associations, whether or not they are involved in fair trade. A member of a Mexican coffee-producing co-operative describes the support he receives from his co-operative, even though it has not yet found a fair trade buyer. "We've been struggling to sell our coffee on the fair trade market," he said, "but we haven't been able to. But at least in the co-operative we get a better price than if we sell to the *coyote*. That's why we stay in the organization" (quoted in Carlsen & Cervantes, 2004, p. 3). While selling to the fair trade market may have been this producer's ultimate objective, he benefited from his co-operative's ability to negotiate a better price from the intermediaries that dominate the local market.⁴¹

⁴¹ Martinez-Torres (2006) reports that the Mexican Coffee Institute had a secret agreement with middlemen to ensure that producers would have to sell to them, and that the Majomut producer co-operative provided storage

Formation of the Mexican co-operative UCIRI predates the fair trade movement. After years of struggle, the co-operative provides a range of services to its members: training in organic production, an agricultural school for male and female youth, a clinic staffed by a doctor and health promoters, low-interest loans for community development, and the opportunity and obligation to do collective work. The co-operative has also broken local monopolies in transport and food provision, buying its own trucks and buses. As well, it operates co-operative stores, runs a collective corn mill, organizes horticultural projects to improve nutrition, and offers workshops on building latrines and efficient wood stoves, all programs that improve the daily lives, and life chances, of its members. Because improved commodity prices alone cannot sustain its entire membership, UCIRI also works to develop employment opportunities, including a clothing factory and a jam factory, but still sends many of its youth to seek employment in the global North. Unfortunately, Mexico's deteriorating political situation means that the co-operative has recently experienced some setbacks in its ability to support its members (photojournalist Eric St. Pierre, personal communication, 2007). Nevertheless, the democratic principles on which UCIRI was founded remain in effect.

UCIRI also roasts coffee for the domestic market where it retains more of the price paid by Mexicans who frequent its coffee shops in Mexico City and elsewhere. This initiative has created mutually-beneficial relationships with other citizens whose political support can be crucial at times of crisis. In addition to working to improve conditions in its own community, the co-operative has advised other small farmers in Mexico, Costa Rica, Peru, and Colombia who want to follow its example (Waridel, 2002, González Cabañas, 2002).

Costa Rica's CoopeAgri is another success story. Its 5,000 members produce coffee and sugar for both the conventional and fair trade markets (Sick, 1999). Even with professional management and up-to-date processing⁴² and communications capacity, the co-operative still needs the revenue it receives from sales of fair trade coffee and sugar in order to provide the services its members need. Although the co-operative exports less than ten percent of its sugar to the fair trade market, half the first year's fair trade revenue was sufficient to finance improvements to infrastructure, training and technical support for sugar farming, scholarships,

facilities so its member could resist the pressure to do so. In 2001, a "particularly disastrous" year for coffee producers (Hudson & Hudson, 2003, p. 422), Majomut member families earned an additional \$148 (on average) from sales to the fair trade market when over half the farmers in their state earned less than \$672.

⁴² According to Swiss fair trade enterprise Claro (n.d.), CoopeAgri's ability to add value through refining is a "notable pioneering achievement" for an enterprise of its size.

and environmental protection work; the other half was returned to the producers (CoopeAgri, n.d.).⁴³ In addition to its programs for members, CoopeAgri also works to improve community infrastructure and provide housing for community members with few resources, initiatives that are also paid for by its fair trade sugar sales.

3.4 Fair Trade, Co-operatives, and Consumer Demand

Marketers may assume that consumer preferences are well established, especially for products that are not physically different from those of their competitors, and target only the consumers they identify as already interested in their product, thereby missing out on a share of the market. They may also assume that consumers want the same or similar attributes in all products. For example, Meyer (2001) reports that in 1993 Coop Switzerland successfully introduced a line of organic food but that an organic clothing line, introduced at the same time, did not succeed. The clothing was successfully re-introduced once it was supported by a campaign that promoted its complement of benefits: good quality, reasonable price, and the opportunity to participate in a progressive project.

While marketers must consider how consumers understand the costs and benefits of the products they wish to sell, they must also ensure that they are seen as offering more than one kind of benefit. Knowing that consumers want “green” products, for example, is not the same as knowing which green products they want, the prices they are willing to pay, or the configuration of attributes they prefer (Meyer, 2001). That is to say, fair trade status is only one attribute—and not necessarily the most important one—that interests consumers. Price may also be important, but consumers also incur the indirect costs of searching for desired products and weighing their features against those of competing goods. Retailers may need to help consumers learn to use new products (Meyer, 2001), even if it is only how to improve their coffee-making technique. By providing a range of services, retailers can take advantage of a product’s multiple benefits, some of which may be social in nature. In fact, the most important benefit may be that consumers are able to use their purchasing power as a way of constructing the world they want to live in, an aspect of fair trade that moves beyond mere support for producers.

⁴³ Similarly, although Ghana’s Kuapa Kokoo sells less than 5 percent of its production to the fair trade market, the fair price and social premium returned approximately US\$ 1 million to the co-operative between 1993 and 2001 (Tiffen et al., 2004, quoted in Barrientos & Smith, 2007, p. 111).

Coop Switzerland has taken steps to shorten the supply chain, promote co-operation, and reduce margins and, like many enterprises, sells some products to subsidise others (Meyer, 2001). In this case, however, the subsidy is used to make fair trade products available to some consumers who might not otherwise be able to afford them. On the cost-reduction side, the Coop continues to enlarge its product line, promote the co-operative brand, and educate members about the issues involved. These are actions that all retail co-operatives can undertake to promote fair trade, once they are convinced of its value. But because the value of fair trade may not be evident until its products are available, an appeal to co-operative principles may encourage managers and directors to stock them, and consumers to buy them.

Gertler (2006) argues for a “whole co-op” (17-18) approach to help members understand that their co-operative is different from other retail operations and that it makes a difference in their community. Nowhere is this more relevant than for fair trade relationships between producer and consumer organizations where co-operatives can adopt the “new roles, projects, worldviews, and lifestyles” that Gertler foresees (p. 21). Because the struggle for retail shelf space affects all enterprises, particularly small ones, and consumers must choose between competing claims (organic, shade-grown, bird-friendly, in the case of coffee), some co-operatives may see little reason to introduce more expensive, fair trade products that will have to compete with other, heavily advertised brands. However, a combined co-operative and fair trade label could help introduce these products in at least some venues.

Introducing fair trade products to consumer co-operatives would make them available to members who may be predisposed to buy them. It would also attract consumers who appreciate fair trade and, directly or indirectly, identify with co-operative goals and practices. Increased sales would support thousands of producer families in the South, demonstrating that co-operatives are socially-engaged organizations and reflecting their concern for community (and communities). It could also bring a measure of hope to local producers who, like their counterparts in the South, need fair prices that cover production costs. A commitment by consumer co-operatives to promote fair trade (both certified and *de facto*, for products for which there are no national standards in place), backed by information for members and other consumers, would be a relatively easy and effective initial step. In time, local and regional suppliers would be stimulated to satisfy the demand of a local market that is linked to an international movement.

CHAPTER 4

RESEARCH METHODOLOGY: A CONSTRUCTIONIST FRAMEWORK

4.1 Introduction

Constructionism posits that social phenomena and their meanings are not universal, but produced by social actors. It rejects the idea that a universal reality exists and implies that social phenomena are caused by interaction and, consequently, are in a constant state of revision. Constructionist theorists understand that their accounts of the social world are also constructions rather than definitive descriptions (Bryman, 2004).

Constructionism provides a framework within which researchers and respondents can mutually construct and interpret data (Denzin, 2004) and offers an appropriate methodology for interacting with subjects who are working to promote social change. Its methodology involves interviewers and interviewees in a collaborative task of constructing meaning, where interviews yield a rich source of data regarding how people account for the world around them. Researchers want to discover “what’s going on” (Silverman, 2001, p. 21) but, unlike positivists who search for a single reality, they are guided by how their interviewees make sense of the world. Because the link between experience and understanding is personal, and knowledge production is an ongoing experience, researchers acknowledge their biases.

Rejecting the concept of universal knowledge, constructionist researchers do not need to make claims about universal reliability and validity. They can move away from a belief in a single, knowable reality and be guided by Mills’ (1959) idea of a directed imagination. Rather than distancing themselves from their interviewees, researchers interact with them (Silverman, 2001). Researchers’ appreciation of the many ways of understanding reality frees their data from the dictates of universal truth and permits them to construct authentic accounts of a specific reality (Spalter-Roth and Hartmann, 1999). At the same time, however, they must take care not to deny the agency of the subjects or to jeopardize their own credibility with mainstream experts and practitioners in their field of study. They must also keep in mind Smith’s (1999) question about whose knowledge is being extended, and for what ends, a question that has particular resonance for researchers studying individuals and movements working to promote social change.

Contemporary social theorists argue that reality is created, at least in part, by the social structures that surround both the researcher and the researched. Instead of merely describing

what they see, however, social scientists must also contemplate what could be. To understand the social relationships they observe, they must also recognize that what they perceive is not simply the product of an objective reality; rather, it is shaped by their perception of it. Researchers must apply their critical imagination to support the link between experience and understanding (Denzin, 2004), and to contribute to the production of new knowledge.

While technical considerations are a necessary part of research, they are ineffective without an understanding of the context in which the work is carried out. Mills (1959) insists that researchers must consider both history and biography, and the relationship between them, in order to understand the overlap between public issues and human concerns. They must remember that, because research seeks to “extend the boundaries of existing knowledge through a process of systematic inquiry” (Smith, 1999, p. 170), the outcome must be more than a restatement of their own point of view. This advice is pertinent for researchers dissatisfied with description alone and committed to promoting positive social change.

While researchers are the “primary instrument” for data collection and analysis, they also have “shortcomings and biases” (Merriam, 2002, p. 5) that they must identify and monitor. However, subjectivity may also be the basis of a distinctive contribution to the discipline (Peshkin, 1998, quoted in Merriam, p. 5) for it stems from the unique combination of the researcher’s personal qualities and the data collected. Reflecting on my own experience as a social activist and its influence on my role as researcher, I have been guided by these interlocking comments on subjectivity.

As a fair trade activist and small business owner, I have a business relationship with the owners of two of the enterprises in my study. Consequently, I am sensitive to the conflict that may arise because I may have been tempted to move beyond research to advocacy and promotion. Likewise, I appreciate the difficulties involved in moving from education to action. Aware of those challenges, I have kept in mind the social scientist’s commitment to objectivity (limited as it is, where human endeavour is concerned), as I read both scholarly and popular accounts of fair trade and considered its limitations as well as its successes. I recognize that I am sympathetic to the goals of the fair trade movement, and that this research project is necessarily incomplete, for it examines only the work of a few fair trade actors, all of them located in the global North.

Because constructionists reject claims to universal knowledge, they cannot rely on technical criteria alone to produce successful research results. However, they must ensure that their instruments accurately measure what they set out to measure and yield consistent results. Fair trade researchers Littrell & Dickson (1999) used detailed questionnaires to explore “open-ended, ‘grand tour, example, and experience’ questions” (p. 331). I did not use a questionnaire but, like Littrell & Dickson, engaged interviewees in unstructured conversations (beginning with the question, “How did you come to be doing this?”) so they would be able to introduce ideas I may not have contemplated. Following Littrell & Dickson’s example, I also used observation and print materials to confirm and augment interviews, and I remained in touch with the interviewees for follow-up communication and clarification. My results, while not necessarily generalizable, do provide a reasonably accurate description of three enterprises that operate within fair trade and co-operative frameworks.

Researchers face a particular challenge when interviewing about complex issues. Constructionist methodology requires that the researcher interpret a story that has already been constructed by the interviewee who relates it; therefore, the researcher must begin with some knowledge about the topic in order to make sense of what she is told. Because I was researching an area in which I was involved, the context for these interviews was familiar.

4.2 Writing Myself into the Story

As a small, fair trade intermediary, with a business relationship with two of the enterprises in this study, I approached this research with certain consciously and unconsciously held opinions. I believe, however, that my experience with the fair trade movement and my cordial relationships with other fair trade activists have helped me to understand fair trade on a practical level. That experience has supplemented my reading of academic and popular literature on the subject. My two periods living in Central and South America, where I was introduced to fair trade and some of the products on the fair trade market, gave me an opportunity to observe and appreciate the challenges faced by the fair trade movement in general.

4.3 Interviewer and Interviewees

Interviews require collaboration between interviewers and respondents. That joint process of making meaning goes beyond merely recognizing its social construction and ensures that

neither researchers, with their technical expertise, nor respondents, with nuanced, local perspectives, are able to construct meaning on their own. Recognizing the shared responsibility for producing successful interviews, constructionists focus on the interplay between interviewer and interviewee. They examine how people make sense in interviews: what interviewees say and how they say it. They also take into account their own points of view as they seek to understand those of their respondents (Silverman, 2001).

The process of understanding others moves the constructionist focus from validity to authenticity and to the search for locally-created meaning. Constructionists show how responses are produced in the interaction between researchers and respondents (Holstein & Gubrium, 1997, quoted in Silverman, 2001, p. 97), and how details of local meaning can vary. All the people I interviewed are involved in fair trade and co-operative enterprises, but the *Central Canadian Worker Co-op*, a medium-sized worker co-operative selling to a mainly wholesale market, is different in character from the small coffee roasters that are members of a second-tier co-operative. The latter enterprises differ, in part, because one operates in a large city where walk-in traffic abounds, while the other is located just outside a small city, several kilometers off a main road, with less opportunity for casual drop-in traffic yet perhaps more opportunity for relationship-based sales. Both the *Big City Roastery* and *Northern Lights* are members of the *Second Tier Coffee Co-op*, and *Heather* and *Martin* visited *Leeanne* before embarking on the *Northern Lights* venture.

While constructionists do not aim to generalize beyond their samples, particularly one as small as mine, they are interested in the combination of context and content that allows for in-depth understanding. Constructionists do not claim that their work is “incontrovertibly right” (Guba & Lincoln, 2004, p. 22); they seek to persuade their audience rather than to prove their point. To do this, they listen carefully to their subjects, the co-constructors who provide them with the information on which they base their arguments; they privilege a sociological imagination and careful listening over the ability to measure and classify. My task, then, has been to determine what these enterprises, as members of the fair trade and co-operative movements, have in common as well as to ascertain what distinguishes them. I added observation to the process and watched the interaction between the interviewees and their employees and customers at the two café-roasteries.

While respondents are situated in their environment, interviewers are similarly located in theirs, which reflects both their own history and their disciplinary perspective (Warren, 2002). When they seek to discover the reality of a social group by interviewing its members, researchers accept that there is “some sort of consensus or common knowledge about meaning sustained over time by social processes” (Schwartz & Jacobs, 1979, p. 37). They search for inside knowledge by examining what transcends the lives of the individuals with whom they interact, and look for aspects of their subjects’ reality that may have remained undiscovered without the researchers’ active presence. This process creates a richer description. For example, *Leeanne* described her “worst nightmare” of participating in a co-operative’s board of directors, *Heather* described the long hours involved in setting up a small business, *Jillian* remembered being overwhelmed at a large coffee roasters’ convention, and *Jim* reflected on missed opportunities. My questions allowed the interviewees to reflect on incidents that they may not have considered during their every-day working lives.

Finally, researchers must apply a combination of “moral, practical, aesthetic, political, and personal” values when evaluating data (Denzin, 2004, p. 448). A constructionist approach allows researchers to use their own subjectivity and to dig beneath what the respondents relate. Indeed, the combined perspectives of interviewer and interviewee can help both parties understand the complex realities they seek to describe and understand. In this way, researchers can accept Mills’ challenge to contextualize public and private issues in a way that takes advantage of the local knowledge of the interviewees. In effect, they use their own experience and imagination as a springboard for discovering new aspects of the reality that the respondents describe.

4.4 The Sample

I interviewed *Jim*, a co-owner of the *Central Canadian Worker Co-op*, a worker co-op that trades in sugar and chocolate; *Leeanne*, owner of the *Big City Roastery*; *Heather*, *Jillian*, and *Martin*, owners of *Northern Lights*; *Bob*, founding president of the *Second Tier Coffee Co-op* (of which *Leeanne* and the *Northern Lights* trio are also co-owners) and a regular visitor to producer co-operatives; and co-operative specialists *Jack* and *Roy*, employees of a national co-operative organization, who are familiar with fair trade goals and practice. Each individual had a detailed yet partial understanding of fair trade and co-operatives.

To ensure as much confidentiality as possible in a small industry, I have avoided disclosing identifying characteristics or details and have assigned each individual a pseudonym. I judged that the level of risk of my research to participants would be minimal, and was granted approval to carry out the project by the Behavioural Research Ethics Board at the University of Saskatchewan.

Because this research considers aspects of fair trade and co-operativism, and only a few fair Canadian trade enterprises are co-operatives, the pool from which the sample was drawn was small. A complicating factor in determining the number of co-operative enterprises operating in Canada was that TransFair Canada, the national licensing body, does not list its licensees by type of enterprise. To the best of my knowledge, I have excluded only two Canadian enterprises, both coffee roasters (but not members of the *Second Tier Coffee Co-op*), which were certified by TransFair Canada at the time I chose the sample.⁴⁴

The physical distance between Canada's fair trade co-operative enterprises is great, presenting organizational and financial challenges for researchers who wish to visit them all. I interviewed the owners of a representative sample of the fair trade co-operatives operating in Canada: one medium-sized first-level co-operative, and two coffee roasters that are members of the *Second Tier Coffee Co-op*, as well as the founding president of that co-operative. Because I wanted to be able to observe the physical aspects of the enterprises and meet, at least briefly, some of the other individuals involved, I selected interviewees (*Jim* and *Leeanne*, the owners of two enterprises, and *Jack* and *Roy*, the co-operative specialists) to whom I could speak while visiting Central Canada for another purpose. I used scholarship funds to visit the third enterprise, where I interviewed its co-owners *Heather*, *Jillian*, and *Martin*, and met informally with two employees and a few customers. The interview with *Bob*, who lives in the United States, was conducted by telephone.

4.5 The Interviews

I visited the fair trade enterprises between February and June, 2005 and carried out in-depth, unstructured interviews with the five owners of fair trade enterprises: *Jim*, *Leeanne*, *Heather*, *Jillian*, and *Martin*. I conducted a telephone interview with *Bob* in February 2006. My in-person interview with co-operative specialists *Jack* and *Roy* was held in March 2006.

⁴⁴ Since then, two new members of the *Second Tier Coffee Co-op* have been certified by TransFair Canada.

The interviews lasted between sixty minutes and two hours. In-person interviews were conducted on-site in the comfortable premises of the *Central Canadian Worker Co-op*, the *Big City Roastery*, the *Northern Lights* roastery and café, and the offices of the national co-operative association. I also met two *Northern Lights* employees and observed coffee roasting and packing, which contributed to my understanding of the process of transforming a commodity into a finished product. The final interview was done by telephone. After each interview, I wrote field notes and began the search for themes, a process which was refined as the interviews progressed.

I taped the interviews on mini-cassettes and transcribed them. Hard copies, which I edited for grammar only, were returned to each interviewee for verification and approval. I asked one supplementary question of the five enterprise owners by e-mail, and received responses from three of them. During this time, I attempted to combine what the interviewees told me with what I knew, from my reading and my own experience, about fair trade and co-operatives. As I drafted what became Chapters Five and Six of this thesis, I continued to read the academic and popular literature, review the interview transcripts, and consult with my supervisor and committee members as issues arose.

CHAPTER 5

FIELD RESULTS IN DIALOGUE WITH THE LITERATURE

5.1 Introduction

This chapter will briefly review the objectives of fair trade, report on the involvement of co-operatives in fair trade, and examine survey evidence regarding consumer support for both fair trade and co-operatives. Fair trade strives to address several of the problems found in the global market and, by doing so, to better satisfy the needs of producers and consumers. In contrast to the conventional trading model where an imbalance of power maximizes profit for a few, fair trade reconnects production and consumption in a manner explicitly designed to more fairly distribute its benefits. To be sustainable, fair trade enterprises must be profitable and stakeholders throughout the fair trade movement must exercise their rights and responsibilities (EFTA, 2003, Jaffee, 2007, Nicholls & Opal, 2005). Co-operatives can and often do provide a vehicle for organizing local actors at both ends of fair trade networks or commodity chains, creating economically viable enterprises where stakeholders can be involved in the search for solutions.

Once producers achieve certified status and find buyers, they can benefit from fair trade's higher price and long-term relationships. As a cacao producer explains, "Not being organized is the worst thing because . . . no authority is willing to listen to you. . . . [Once] we were told about how we could bring our products to the market . . . [we] trained people and started trading" (Camacho, 1998, p. 94). Few unorganized producers are able to break into the international market and those without international contacts may not be able to satisfy the needs (or wants) of consumers about whom they know very little. As the artisans of *La Imilla* needed information about consumer preferences and quality control, producers of commodities need similar information. The work of intermediaries is crucial in facilitating the connection between producers and the end users of their products and in ensuring that the needs of both groups are reconciled.

While casual observers may understand "fair trade" as synonymous with a "fair price," the general standards of the international certifier Fairtrade Labelling Organizations International (n.d.c) stipulate that contracts include a premium to be used for social, economic, or

environmental projects. Although the fair price always exceeds the world price,⁴⁵ it may not provide an adequate family income, and the additional social premium helps ensure community wellbeing. It is intended to be invested in community-wide projects in health and education, or to be used to help farmers improve productivity, add value, or diversify (Fairtrade Foundation, n.d.). *Jim* explained that the destination of the social premium is “decided on and invested in a democratic way” by community members and that its use is verified through annual audits. This is different from top-down charitable projects, supported by some large and medium-sized roasters, which do little to challenge the conventional market’s fundamentally unequal relationships.

Although fair prices and fair trade premiums may make a real difference to the communities that supply the fair trade market, they do little to challenge the power of those who control the global supply chains. While consumer demand may encourage some supermarkets to introduce fair trade products, those who do will no doubt pay more attention to their own bottom lines than to those of the producers. Large corporations may also insist on price discounts for large-volume purchases (what producers need, if fair trade is to succeed) and such transactions could come to resemble the conventional relationships that fair trade was supposed to replace. It is possible that supermarkets will require that fair trade suppliers conform to conventional rules and standards which “frame the negotiation of power and resources in global trade” (Raynolds & Wilkinson, 2007, p. 33), to the detriment of small suppliers. If this occurs, the support of retail co-operatives in holding the line against an erosion of fair trade principles will become increasingly important to small producers.

In spite of, or perhaps because of its commitment to fair trade, negotiations between the United Kingdom’s Co-operative Group in the United Kingdom and Ghana’s Kuapa Kookoo (supplier of all the Co-op’s fair trade cocoa) were carried out in the “tough commercial environment of the UK supermarket sector” (Barrientos & Smith, 2007, p. 112). Furthermore, the “practical commercial details” (p. 112) of the relationship were arranged, not by employees responsible for corporate social responsibility but by those who purchase all the Co-op’s chocolate. This supports Gertler’s (2004*b*) suggestion that co-operatives can be catalysts for “coordination and communications among . . . players [with] diverse social and economic

⁴⁵ If the world price exceeds the fair trade price, the latter is adjusted to meet it and the fair trade premium is then added to the new price (Transfair USA 2007).

interests” that can result in “new capacities and . . . new strategic resources” (p. 39). In addition, the success of these negotiations is a testament both to the determination of Co-op to bring fair trade into the mainstream and to the viability of fair trade as a commercial venture. Furthermore, the Co-op’s decision not to relegate fair trade to a space outside its normal practice demonstrates that fair trade can compete with conventional products and carries an implicit challenge to conventional supermarkets to carry it. Finally, concluding a deal with the Co-op must have helped Kuapa prepare to negotiate with conventional buyers.

I have argued previously that, had the Co-op not demonstrated that there is a market for fair trade in the United Kingdom, it is unlikely that other grocery chains would have entered the field. For example, if Sainsbury’s had not seen that fair trade products sold well at the Co-op, it would not likely have been in a position to place an important order for some of the first Rwandan coffee produced after the genocide. In this way, even though fair trade has a small share of the coffee market, its ability to change the way that some coffee is traded (thereby improving producers’ living conditions and expanding consumers’ consumption choices) demonstrates that it can, indeed, influence the nature of the market. It has moved beyond merely affecting relationships between some producers and consumers, important as that may be, to changing the practices of some large enterprises.

Both the co-operative and fair trade movements have developed in response to deficiencies in the capitalist model, and their principles and practices are complementary. Greater mutual engagement would seem to be a natural step with the potential to produce results that neither movement could achieve independently. The focus by co-operatives on equity and fairness stands in contrast to the local and global inequalities that accompany global capitalist relationships (Crowell, 2006b). They offer an alternative to “capitalist globalization” (p. 7) that fosters uneven development and a lack of accountability to local communities. Furthermore, the principle of co-operation among co-operatives provides a model that contributes to local development instead of extracting profit for the shareholders of non-local enterprises (Crowell, 2006b).

The fair trade movement, comprised of small and medium-sized enterprises, is well-suited for collaboration with co-operatives in the North if they accept Crowell’s challenge to adopt alternative models. For example, *Bob* reported that members of the *Second Tier Coffee Co-op* are “being purposeful as serving as a model, not only within the coffee industry but for co-operative

management, too.” *Second Tier* publicises its “organizational management style and structures” on its website so other organizations can learn from its experience.

A commitment and openness to sharing information is not unique to the *Second Tier Coffee Co-op*. At the *Central Canadian Worker Co-op*, *Jim* spoke admiringly about the practice of Italy’s pioneering fair trade co-operative CTM (*Cooperazione Terzo Mondo*), one of Europe’s largest importers of fair trade products. He explained that, counter to conventional business secrecy, CTM practices a high level of transparency that includes a commitment to “post the supply chain and the margins of all the links” on its website. This openness, according to *Jim*, is counter-intuitive, given the competitive nature of markets in North America but still feasible for a well-established enterprise. But it is difficult to unlearn the lessons learned in the conventional market, as *Jim* explained:

It runs counter-intuitive to *our* thinking in some senses as well, because you give [information to] your competitors . . . who aren’t fair traders. . . . So that’s a challenging . . . mechanism for us to consider, but it is one that we’re talking about. And nobody is doing that in America, nobody, not on their websites. . . . [I]t could be a way that we could try and bring others to the same place.

Even if other fair trade enterprises do not adopt this practice, this example demonstrates that profitability does not have to rely on secrecy and asymmetrical power relationships, and that standards established by one fair trade enterprise can influence others. The willingness of CTM to share information with potential competitors contributes to a fairer globalization and sets a high standard for enterprises that would follow its example.

Co-operation among co-operatives also leads to positive trading relationships. In Nicaragua, *Second Tier* partner CECOCAFEN (*la Central de Cooperativas Cafétales del Norte*, the Organization of Northern Coffee Co-operatives) used fair trade premiums and development credits to buy solar dryers and to establish a cupping laboratory. These initiatives have resulted in a cleaner environment and in dramatically better quality coffee⁴⁶, which, in turn, has meant better prices for farmers, better nutrition for community members, and educational scholarships for students. CECOCAFEN is also working to establish “brand recognition” for the coffee produced by specific member co-operatives (TransFair USA, n.d.) which may further differentiate their coffees from those of their competitors.

⁴⁶In 2004, members of CECOCAFEN supplied three of the top 20 samples in Nicaragua’s Cup of Excellence competition (Transfair USA, n.d.a); fair trade co-operatives took eight of the top nine places (Milardo, 2004).

Heather described how she felt when she saw the effect of the fair price and social premium on CECOCAFEN, its members, and their community:

Some of the things you see are physical. When I [first visited] one of the co-operatives that is part of CECOCAFEN . . . [w]e met at somebody's house. . . . This time, they had their own office, their own building, and they had a sign And you could actually see that there were some resources starting. The outhouses were fancier. It's all very simple, in comparison [to what we have], but you could certainly see there was some infrastructure beginning.

They [also] told us about the savings. The women . . . are amazing; they work so hard for these piddly little sums of money that they lend, through a small [project]. [*Second Tier*] sponsored one—together we raised [US] \$1,000—and then CECOCAFEN will manage it. [*Leeanne*] has raised money for them, too.

And then they loan these different women's groups these sums of money and then they raise chickens, and then they'll pay back the loan, and make some money. They tripled or quadrupled their initial loan, and when you turn the *cordovas* into US or Canadian dollars, it's still not huge sums of money, but percentage-wise, it's significant.

Even “piddly little sums” make a difference to very poor people who must participate, if only to a limited extent, in a cash economy. Whether raising chickens leads to greater income or healthier diets, the loans can have a significant effect. *Heather* also reported that, “education levels are going up, and different co-operatives do different things. . . . But they're still terribly, terribly poor. . . . In Mut Vitz [Mexico], besides a processing plant, they were working on a medical centre which they didn't have. Those are bigger things.”

Leeanne described how scholarships can help producer families cope with the “nightmare” of paperwork that accompanies fair trade transactions⁴⁷ (and is compounded, if the producers also sell to the organic market). Part of their scholarships, she said, “is that the students organize literacy for the parents, and they are committed to help their parents fill out the paperwork.”

Leeanne obviously enjoys this broadly-focused, project-related work:

When we go on trips, everybody has to do an article. . . . We try to do one nice thing every year that we can send out. . . . I wrote an article for *Alive* magazine, we do talks . . . [and] we get lots of high school kids calling us [for] information for their projects”

⁴⁷ Hudson & Hudson (2003) describe a questionnaire that requires “information related to organizational structure and background, the role of women, decision-making processes, involvement with social-development projects, farm sizes, pesticide and chemical fertilizer use, and crop diversity” (p. 420). This is in addition to annual reports, copies of sales contracts, and bank statements.

When I was at CECOCAFEN two weeks ago, being able to give them money for their scholarships was fun. . . . [T]hat money comes through our sales, and sometimes people give . . . me honorariums . . .

Leeanne's involvement in fair trade links global concerns with local ones. "We always have a local partnership and a global partnership," she said. "[T]here's a community mental health centre at the end of the road. . . . [T]hey have a program in the summer for getting out to Northern Ontario; that's one of the things we donate for."

Although neither *Heather* nor *Leeanne* specifically discussed gender relations, it is likely that the women's responsibility for administering these funds is a small step towards closing the gender gap and may contribute to their empowerment. But if such "women's projects" perpetuate the understanding that family welfare is women's concern and secondary to the work of the co-operative, they may also serve to reproduce gender-based stratification. Neither *Heather* nor *Leeanne* suggested that the funds are understood to belong to the women themselves. But scholarships also go to young women and better educational will help them, no matter what they do in the future.

While fair trade cannot be considered fully successful as long as the need for additional projects to support basic services remains, community-run projects supported by partner organizations can contribute to local economic and social development where the state is unwilling or unable to adequately respond to the need.⁴⁸ The combination of fair trade and co-operativism can provide real benefits: more prosperous producer communities, consumers who understand the benefits equitable exchange relationships can bring, and enterprises that promote positive relationships throughout the commodity chain.

5.2 Consumer Support for Co-operatives and Fair Trade

Surveys indicate that many people believe that co-operatives are good for consumers and producers alike, and that consumers will buy fair trade products if they are available. Recent Canadian research has revealed that demand for brewed fair trade coffee is relatively price inelastic; this has led researchers to conclude that "consumers view it more as a distinct product category than merely as a favoured brand of traditional coffee" (Arnot, Boxall, & Cash, 2006, p. 562-3). It is likely that consumer attitudes regarding coffee for home consumption are similar.

⁴⁸ It may also reinforce the same tendency.

With the non-specialty coffee sector stagnating, fair trade could be good news for retailers, and particularly for co-operatives that could use some of their marketing resources to educate members about fair trade and to introduce new products.

Many members of the fair trade and co-operative sectors support action on international development. In 2006, a national survey commissioned by a Canadian NGO determined that more than 90 percent of Canadians agreed that it is important to help victims of disaster and conflict. They also said that helping people gain economic self-sufficiency is preferable to just providing emergency aid (Strategic Communications, 2006). In addition, seven in ten respondents agreed that “policies and practices that contribute to poverty should be changed, ‘even if making those changes means that we have to do things differently here in Canada’” (Strategic Communications, 2006). Consumers who want to participate in a more just system may find that fair trade is an attractive approach to purchasing.

In a 2003 survey in the United States on consumer perceptions of co-operatives, members and non-members agreed that co-operatives “help farmers succeed” and “strengthen rural communities” (Co-op Month, n.d., para 5). Consumers said they were more likely to buy food from producer co-ops, food co-operatives and local businesses that belong to purchasing co-operatives (Co-op Month, n.d.). Research carried out by the Canadian Co-operative Association (Stewart, 2005) with members of co-operatives and credit unions showed similar results: over 80 percent of respondents said co-operatives were “helpful” or “very helpful” in reducing poverty in the developing world, and nearly half said that they would pay more for products produced by farmers in developing countries. Support was highest in Atlantic Canada, where three in five respondents said they would do so. Seven in ten respondents said they would pay more for goods from co-operatives (rather than individual farmers) in developing countries. Once again, respondents from the Atlantic region were more supportive of co-operatives than other Canadians were (Stewart, 2005). This may reflect the work done by Co-op Atlantic to introduce fair trade.

Another reason for the more frequent positive responses from Atlantic Canada may have been the presence of the Just Us! Coffee Roasters Co-op, with which some respondents would likely have been familiar.⁴⁹ The co-operative received valuable support at start-up from Co-op

⁴⁹ In 2007, Wolfville, NS, was declared Canada’s first fair trade town, a designation compatible with “the fabric and conscience of this community,” according to its mayor (Transfair Canada, 2007).

Atlantic, which may have been more interested in its status as a co-operative supplied by other co-operatives than as a fair trade organization (Juliet Morris, Just Us! sales manager, personal communication, 2007). The availability of regionally-produced fair trade products and the co-operative-to-co-operative links they represent must also be partly responsible for the professed willingness of Atlantic Canadians to pay more for goods from co-operatives. In contrast, respondents in other regions may have had less exposure to the combination of fair trade and co-operatives and may therefore have been less likely to see it as a viable option.

Webb (2003) reports on a Co-op Atlantic survey that indicates that both producers and consumers trust co-operatives to deliver good quality food, and to do “the right thing” (para 9) by paying a price that is fair for all. Today, many consumers want to know who grows their food, and associate local production with community well-being, sustainability, and a living wage for producers. Co-operatives can support connections between producers and consumers and, as Webb explains, the strategic use of branding and promotion can keep products in the public eye as well as in people’s grocery carts. Even potatoes, the subject of one campaign, “went from being a commodity to being a value added product” (para 12). If locally-grown potatoes can become so desirable, it may be possible to sell fair trade products supplied by more distant co-operatives provided that steps are taken to diminish the social distance separating producer and consumer.

While it faces “fierce” competition from grocery chains and, most recently, from new food retailers such as Shoppers Drug Mart and Wal-Mart (Brown, 2006), Co-op Atlantic accounts for approximately ten percent of the regional grocery market. A survey carried out as part of an effort to help staff and directors understand the contemporary market showed that “standing for something” (*Ibid.*) is important to members and that ethical business practices are seen as part of the co-operative’s strength. Perhaps more than any other business practice, fair trade does stand for something, and fairness is a value to which most consumers can relate. In 2007, Co-op Atlantic launched an initiative to bring more attention to the fair trade products it stocks, installing attractive and visible in-store signage that bears both the fair trade and Co-op Atlantic logos (Juliet Morris, personal communication, 2007).

Interviewing passers-by in downtown Vancouver in 2003, Hira & Ferrie (2006) found that 70 percent had heard of fair trade coffee. Three-quarters said that they purchased fair trade coffee when it was “easily available” (p. 109), while only about one-third said that they did so if it was

not easily available. Just over half of those who did not buy fair trade coffee were not aware of it, and a quarter of the respondents said that they did not buy it because it was not available. Finally, almost eight in ten respondents said they would like to see “more availability” (p. 109). Although the on-street survey was a rather informal poll, the results suggest that while consumers like the idea of fair trade products, they are less likely to buy them if they have difficulty finding them.

Regardless of the apparent willingness of Canadians to support it, fair trade’s potential will not be realized if consumers cannot find fair trade products. The presence of co-operatives, large and small, in many communities means that there is hope for greater awareness about fair trade’s potential and for increased sales. As part of an international movement, retail co-operatives in the global North could strengthen, and benefit from, links with producers; conversely, fair trade producer co-operatives in the South could gain from connections with consumer co-operatives in the North.

While co-operatives can promote appropriate and sustainable organizational arrangements that provide benefits beyond a price premium to farmers when other enterprises can or will not, many members of retail co-operatives are also willing to pay a premium for products from other co-operatives. Underlying consumers’ greater support for doing business with co-operatives, rather than simply with farmers, may be the fear that unorganized farmers are more prone to business failure or exploitation by unethical intermediaries or that access to their products may be difficult. Many consumers, whether members of co-operatives or not, believe that a co-operative label connotes benefits that are similar to, or even exceed, those that come with fair trade.

While co-operatives are not immune to failure, they can benefit from links with organizations with similar goals. Some small and newly-organized co-operatives may not be able to resist the pressure that “big coffee” or “big chocolate” companies apply, and fair trade structures can help with negotiations or, in some cases, provide an alternative market. *Bob* reported that *Second Tier* has chosen to partner with smaller producer co-operatives that are relatively new to fair trade so that Northern co-operatives can “help incubate their abilities to export directly.” *Second Tier* also supports them by “bringing in alliances with organizations that can help [them] with issues that we can’t address,” such as access to scholarships for high school or university, and clean-water providers. One of the co-operative’s new initiatives, he said, will

be to “formalize alliances with some of those organizations, without us being in the middle but . . . being a conduit for information exchange.”

Bob discussed his co-operative’s decision not to provide services for its members who have access to a range of services, from health insurance to discounts on equipment, provided by the state or other sources. “When we first started we had this long list of services we were going to provide for members, but it turns out the best possible thing we can do for them is just do a great job of sourcing their green coffee,” he explained. While other co-operatives may come to different conclusions about what services to provide, it is important that *Second Tier* was able to provide a forum where members could agree to provide extra support for their partners.

Co-operative support for other co-operatives is not simply a North-South phenomenon: some producer co-operatives in the South support other producers who may eventually become their competitors. In Chiapas, for example, the coffee-producing co-operative ISMAM (*Indígenas de la Sierra Madre de Motozintla San Isidro Labrador*) made its first sales of organic coffee through channels developed by fair trade pioneer UCIRI (Dankers, 2003). Even though the fair trade market is unable to purchase all the production of current certified producers, UCIRI is “a centre for training and information” (González Cabañas, 2002, p. 5) for other groups hoping to gain entry. After 25 years involvement in fair trade that has resulted in only modest success under difficult social and political circumstances, UCIRI’s help for other co-operatives demonstrates that it takes seriously its obligation to support them. With so many producers in the South searching for buyers, a commitment to fair trade by co-operatives in the North would lead to increased demand for their products. The Northern enterprises would also benefit from fair trade’s connection with producer co-operatives in the South.

At the global level, the International Co-operative Alliance (ICA) and the International Labour Organization (ILO) have signed a memorandum of understanding to promote and strengthen co-operatives in the “fight against poverty and the creation of decent jobs” (International Co-operative Alliance, 2005). The ILO has recognized the work of co-operatives to make “fair globalization” a reality through international value chains that connect millions of producers and consumers involved in democratic organizations. These international links give producers access to global markets and a better share of the value of their products, which are available to consumers—not just co-operative members—at affordable prices (Salazar-Xirinachs, 2005, p. 5). Echoing Moore’s (2004) suggestion that the members of the first co-

operatives were also the first fair traders, the head of the Employment Sector of the ILO argues that co-operatives practiced corporate social responsibility before the term existed and that their members have been leaders on both the producer and consumer sides of fair trade (Salazar-Xirinachs, 2005).

Fair trade has a positive, if not always quantifiable, impact in both the global North and South, and these effects are often achieved through the work of co-operatives. While producers may appreciate better prices and improved working conditions, and consumers enjoy good quality products, both parties share the desire to promote global justice. Rather than merely substituting fair trade products for conventional ones, co-operatives are also helping to change the commodity chains that link local and international communities.

5.3 Consumer Co-operatives and Fair Trade in Europe

Co-operatives have been important actors in establishing fair trade in Europe. Italy's fair trade organization CTM (*Cooperazione Terzo Mondo*) defines fair trade as "a new form of co-operation" (2005). It is one of Europe's largest importers of fair trade products, supplying approximately five hundred "world shops" and another five hundred supermarkets.⁵⁰ By demonstrating that fair trade can be both attractive and profitable, CTM's success prepared the ground for several related major initiatives. These have included introducing fair trade to public school cafeterias and launching lines of natural cosmetics and organic baby clothes. The organization works with national banking institutions (including some co-operatives) to promote fair finance and with European partners to promote fair public procurement;⁵¹ it also participates in the European Commission's Multi-stakeholder Forum on Corporate Social Responsibility (Krier, 2005, CTM Altromercato 2005, 2006). What began as an initiative to market fair trade products has grown in scope and influence at the national, European, and international levels.

Stocking fair trade and environmentally friendly products can enhance the image of co-operatives as they search for new ways to serve their members and to attract new shoppers. Many co-ops sell both branded and their own private-label fair trade products (Redfern &

⁵⁰ CTM also helped introduce fair trade to Greece, providing Italian volunteers and training for the Greek citizens who replaced them, as well as advising on "concept and design development" for retail establishments (NEWS, 2006, p. 4).

⁵¹ Fair Procura, a project of EFTA, Fair Trade Organisatie, Oxfam Belgium, and CTM, promotes fair public purchasing policies and encourages public authorities "to serve as an example of responsible consumption for their citizens" (EFTA 2006a).

Snedker, 2002). In Switzerland, for example, consumer demand prompted two large retail co-operatives, Coop and Migros, to add fair trade products to their inventories. The presence of such products in these large co-operatives is important because it introduced fair trade to many consumers who were not aware of them (Swissinfo SIR, 2002, para 16).

The Co-op made fair trade history in the United Kingdom in 1992 when it was the first major retailer to sell Cafédirect brand fair trade coffee. By the end of the decade, it stocked fair trade coffee and tea in all its stores, and later added its own brand chocolate bars, roasted coffee beans and ground coffee, red wine, white chocolate, chocolate cake, mangos and pineapples (The Co-operative Group, 2007*b*). Converting its own-brand milk chocolate to fair trade in 2002 was hailed as a “significant step in the mainstreaming of fair trade by supermarkets” (Barrientos & Smith, 2007, p. 111). In 2003, the Co-op was the first enterprise in the United Kingdom to convert its own-label coffee to fair trade,⁵² a move that tripled the value of fair trade coffee sold in the Co-op and increased its fair trade sales by 15 percent or £4 million (BBC, 2003). Six months after its conversion to fair trade, co-operative brand sales of fair trade products were up by 5 percent. Sales increased by 86 percent during the Fairtrade Fortnight, due in part to the involvement of co-op members in more than 600 events to promote fair trade. By the end of 2006, Co-op Food stocked over one hundred fair trade products, both its own and other brands (Co-operative Group, n.d.). Not coincidentally, one of every five cups of coffee consumed in the United Kingdom was fair trade (New Internationalist, 2006).

Accepting an award for corporate social responsibility, the Co-op’s marketing development manager explained that fair trade is good for business: participating in fair trade contributed to a significant increase in sales and, at the same time, to “greater awareness of the plight of many growers and producers in the developing world” (Co-operative Group, 2005, para 6). While the Co-op benefits from sales of fair trade products, its commitment to working with other co-operatives and to educating its members sets it apart from other retailers. The Co-op’s priority has been to help consumers—not just its own members—understand what fair trade is about, “educating and motivating” its most active members whose work to promote fair trade supports both movements. In addition to educating consumers, the Co-op has made a substantial contribution to producer education and training. Working with national fair trade organizations,

⁵² The Co-op also sells its own-brand “99 Tea,” sourced from ethically-managed plantations but not certified fair-trade (99 Tea, n.d.).

it helps suppliers meet the need for “high-standard, pre-packed goods in specified quantities at specified times,” which opens the door for sales to other enterprises. This approach is consistent with Ronchi’s (2002) assertion that the need for information can be more important to producers than their desire for a better price, and intermediaries provide this information.

The Co-op recognizes that its participation in fair trade benefits only some producers and wants other enterprises to follow its lead. Its promotion of fair trade has not gone unnoticed in the business world and, as its Corporate Marketing Manager explained, the Co-op can “encourage other retailers or manufacturers” (Worldaware, n.d., para 5) to do the same.⁵³ In 2002, the Co-op won the Worldaware Award for Sustainable Development for its “commercial bravery” and its place as “the leading retailer of Fairtrade goods in Britain” (para 3) and, in 2006, was the first commercial retailer to win a Queen’s Award for Enterprise in Sustainable Development for its fair trade leadership, a significant accomplishment for an organization that supplies only five percent of the national grocery market (Co-operative Group, 2007a). This is an example of an “integrated approach” where co-operatives use their economic activity to accomplish social goals that are supported by their members (Fairbairn, 2003a). In this case, partnerships between management and membership support the co-operative itself and the producer co-operatives that supply it.

The Co-op’s work to introduce fair trade to British consumers is responsible at least in part for the interest of its competitors in fair trade. Marks & Spencer (n.d.) asserts that its entry into the fair trade market increased the value of fair trade coffee and tea sold in British supermarkets by 18 percent and 30 percent, respectively, and Tesco (n.d.) claims that its customers buy one of every three fair trade products sold in UK supermarkets. However, imitation does not make all retailers equal and there have been some reports of gouging in the name of fair trade (Stecklow & White, 2004). The fact that co-operatives are responsible to the consumers who own them means that they have little motivation to charge more than is fair to all parties.

Jack, a long-time observer of the Canadian co-operative movement, suggested that, in the United Kingdom, the pro-fair trade stand of Co-op Foods has changed both the “volume equation and . . . the pricing structure . . . so that [it can sell] fairly-traded commodities without an impact on the consumer’s pocketbook.” If the Co-op’s demonstration that fair trade can be commercially

⁵³ The value of sales made by the UK’s 252 licensees was approximately \$US 568 million in 2006, a 46 percent increase over 2005 (FLO, 2007c).

successful encouraged other enterprises in the United Kingdom to enter the fair trade market, this could also apply to co-operatives in other countries that have been slow to embrace fair trade.

In addition to helping reduce poverty through fair trade, the co-operative movement has influenced government policy. In 2004, a UK consortium of co-operatives signed a strategic grant agreement with the Department for International Development (DFID) designed to enhance the movement's understanding of international development issues, share information with other actors, and support Southern co-operatives. The project supported the website of the Co-operative College's International Development Program and publication of a booklet outlining the role of co-operatives in promoting global development (Bibby & Shaw, 2005). It is interesting to note that two of the four producer co-operatives profiled in the booklet are successful actors in the fair trade movement.

5.4 Co-operatives and Fair Trade in North America

While neither the United States nor Canada is home to a large, national consumer co-operative, many co-operatives are involved in fair trade. In the United States, one of the fair trade pioneers, the worker-owned co-operative Equal Exchange opened its doors in 1986. Its founders defied President Reagan's economic blockade of Nicaragua and, using a legislative loophole, transformed coffee roasted offshore into a product that could be sold legally in the United States. In addition to its work to challenge the blockade, Equal Exchange was for several years the only "significant" North American supplier of fair trade coffee (Waridel, 2002, p. 101). It was able to achieve this status because of the support it received from retail co-operatives who, by selling "at least half" of the fair trade coffee sold in the US, "acted as the midwife for this nascent product category, just as they had earlier for bulk and organic foods" (North, 2003). Today, Equal Exchange (along with Starbucks and the *Second-Tier Coffee Co-op*) is among the top-ten fair trade coffee importers in the United States (TransFair USA, 2005b). It also provided vital start-up support for the two coffee roasting enterprises in this study, selling them green coffee until they were able to find a permanent supply, and sharing both its by-laws and its challenges "quite intimately" with the *Central Canadian Worker Co-op*.

Equal Exchange not only supplied coffee to a range of customers, including large and small co-operatives, faith groups, and individuals, it also urged the big-four coffee companies that had certified small amounts of their products, to sell at least one percent fair trade. In 2003, the co-

operative challenged Procter & Gamble, the largest seller of coffee in the United States, to match it in pounds of fair trade coffee sold, offering to donate US\$ 25,000 to a farmer co-operative if Procter & Gamble did so. Equal Exchange is also active in education and training for consumers and producers alike. Its “cupping camps” teach producers about the characteristics of green coffee that best satisfy the taste of American consumers,⁵⁴ a skill that helps them negotiate the increasingly competitive specialty coffee market. This combination of commercial activity and fair trade activism demonstrates that co-operatives can be effective actors in both areas.

The National Cooperative Business Association (NCBA), with co-op members from many sectors, supports Café Timor, one of *Second Tier Coffee Co-op's* suppliers. Café Timor is both the largest farmer co-operative and the largest non-state employer in East Timor (NCBA, 2003), where coffee is the primary source of income for one quarter of the population. According to the USAID (2003), the co-operative is “a vital part of East Timor’s economic development,” and NCBA support for the development of high quality and specialty coffees, as well as processing and exporting, has been important to its success. NCBA funds and fair trade premiums support Café Timor’s nation-wide system of health clinics that serve all citizens, often providing the only health care available to them (*Ibid.*), and fair trade income also means that there is money to invest in demonstration plots, training facilities, and processing infrastructure (Bibby & Shaw, 2005, Weihe, 2005).

In Rwanda, co-operatives and private enterprise have shared the US\$ 10 million invested by USAID in coffee production,⁵⁵ constructing modern coffee washing stations and training co-operative members in the labour-intensive hand sorting that guarantees that Rwandan beans (like those produced by the members of Café Timor) are of very high quality (Michigan State University, n.d.). After just three years, the 1,500 members of one co-operative received an average annual return of US\$ 82 for their coffee. This is not much but nevertheless a significant source of cash in a country where 60 percent of the population exists on the equivalent of US\$1 a day (Dougherty, 2004; Foreign & Commonwealth Office, 2007, para 11). As important as production may be, co-operatives are also sites where people from both sides of the former conflict can work together to overcome the legacy of the past (Fraser, 2006, paras 6, 18).

⁵⁴ The US is the world’s fastest-growing fair trade coffee market; sales increased by more than 100 percent in 2006 (FLO 2007c, p. 19)

⁵⁵ This may have been because of or in exchange for the government’s commitment to privatise “telecommunications, water and electricity, gas, transport and mining para-statal” (Foreign & Commonwealth Office, 2007).

Rwandan co-operatives also help ensure the financial success of enterprises that provide “practical program[s] . . . that bring people together. . . . [and] foster relationships and reconciliation” (BBC, 2006). In fact, the democratic structures that these co-operatives provide may be as important for civil society as their productive structures and international connections are for the economy. At the same time, international linkages between co-operatives offered coffee drinkers an opportunity to support Rwanda’s reconstruction at the turn of the twenty-first century (Richardson, 2004) as they did for Nicaragua in the 1980s. Rwandan co-operatives, like their sister organizations in East Timor, may also become important service providers for members.

A similar combination of fair trade products on grocery store shelves and educational and lobbying action could help put fair trade on Canada’s political map, yet on the whole Canadian co-operatives have provided only modest support. They have not elected to become “leading advocates of fair trade” as advocated by Cameron (2003, p. 12), a member of the fair trade coffee roasting co-operative Planet Bean. Writing in the CCA’s *International Development Digest*, Cameron argues that “not only should we be buying fair trade products from co-ops, we should be promoting co-operatives as the fair trade alternative” (p.11). While the CCA is to be commended for publishing the article, its location in a publication about international affairs means it will likely not be read by many co-op managers.

Cameron (2003) also questions the logic of demanding that producers organize co-operatives while the enterprises that sell their products are not expected to do the same. This question is particularly salient because many conventional enterprises subsidise fair trade sales with profits from conventional products. While this practice may stimulate fair trade sales for the sellers in question, it undercuts the 100 percent fair trade operations, many of which are also co-operatives. If consumer co-operatives sourced fair trade products from co-operative suppliers, their members would have ready access to fair trade products, sales would increase, and their suppliers would thrive.

In the international arena, CCA personnel helped facilitate the creation of a Central American marketing coalition through which national federations of producer co-operatives trade successfully with each other. At home, delegates to the CCA Annual General Meeting in 2004 unanimously resolved to encourage members to “purchase and sell certified fair trade products whenever possible” (Canadian Co-operative Association, 2004). The phrase “whenever possible”

weakened the resolution and it seems that the CCA did not take the broad action necessary to support its implementation. An online article reported on the resolution and provided links to fair trade suppliers but did not suggest targets or provide promotional material. In effect, the fair trade co-operatives that already promote fair trade were left to put the resolution into practice.

Canada is home to a successful coffee-roasting co-operative that predates the creation of the *Second Tier Coffee Co-op*. The Just Us! Coffee Roasters Co-op, created in 1995, was the first 100 percent fair trade coffee roaster when its founders imported their first container of green coffee.⁵⁶ Today, in addition to roasting coffee, the co-operative operates a bakery and several cafés. More important, perhaps, is its desire to serve as “a model for worker (community) ownership and social and environmental responsibility” (Just Us! n.d.b). It employs local people, buys from local suppliers, and sells to Co-op Atlantic, Sobey’s, and IGA.

As Equal Exchange was instrumental in providing green coffee beans at the early stages of the coffee-roasting enterprises in this study, other co-operatives also supported the creation of the *Central Canadian Worker Co-op*, a fair trade sugar and chocolate wholesaler. *Jim*, a co-owner, reported that, after a bank refused to finance the venture, funding from other co-operatives was important:

We wouldn’t be here if we didn’t have a supportive base in the community. When we first started, the Caisse Populaire was the only financial institution . . . that would extend a line of credit. . . . Then, as we grew and presented them with a five-year business plan, they said, “OK, we will put in [so much] if you can raise [the same amount].” They set the bar, but they gave us something to go out and shop around as well. . . .

This exemplifies the backing that credit unions are sometimes willing to provide when conventional lenders perceive that a loan would be too risky, perhaps because credit unions have closer ties with the community or because their motivation does not include making a profit for investors. In this case, the bank did not take advantage of an opportunity to develop a reputation as a community-focused lender that might have helped differentiate it from its competitors. In the future, however, the *Central Canadian Worker Co-op*’s success may encourage some lenders to consider requests that do not come from mainstream enterprises. *Jim* also explained that:

[W]e also got money from the Canadian Worker Co-operative Federation . . . [and] the Canadian Alternative Investment Co-op. We were the first market-oriented co-operative to

⁵⁶ Just Us! (2007a) makes it explicit that fair trade connects producers and consumers but, like many other fair trade intermediaries, criticizes “middlemen” and the excess profit they take for facilitating the connection.

present ourselves to CAIC, so it was a real stretch for them and a real tribute to their openness . . . that they invested in us.

While the previous example demonstrates the importance of co-operation between co-operatives, other evidence suggests that the apparently natural fit between producer and consumer co-operatives is not always evident. If Canada's large co-operative retailers are to embrace fair trade, *Roy* suggested that they will have to "get consumers thinking that it's good to pay more for the same thing, and that's a long way to go" for large federations that tend to be fairly conservative. However, he noted that the large co-operatives are "kind of following [the other chains] on the organic stuff . . . realizing that there's a market there," and they may eventually do the same with fair trade. Today, several supermarkets in Saskatoon, including those of the Saskatoon Co-operative Association, sell Canadian-roasted fair trade, organic coffee alongside their conventional coffee, at similar prices.

While the large Canadian co-operatives may tend to be conservative, they are not monolithic. *Jack* described Co-op Atlantic's "more aggressive" promotion of fair trade and organic products which required both investment and a "leap of faith." In contrast, he explained, Federated Co-operatives Limited (FCL) sidestepped its responsibility for making purchasing decisions:

[FCL created] a wholly-owned subsidiary, so it's one step removed from the democratic process, and then they stock it with all these hard-nosed produce import-exporter types who have no particular interest in any sort of social agenda. And then the Federated folks can say, "Well, it's not our problem. We've hired these folks and they tell us to do this..."

The result, *Jack* said, is "a kind of Catch 22" where innovation is concerned. The absence of proactive leadership by FCL in an area where a co-operative could justifiably claim the moral high ground may explain the prolonged absence of fair trade products in grocery stores it supplies. The wholesaler's limited interest in fair trade also means that small fair trade suppliers, who may be overextended, must go to the effort of contacting them, rather than being able to respond to an inquiry from a well-established enterprise.

Even if consumers may want to buy fair trade (or other) products, they may be denied the opportunity to do so by the decisions of store managers (Jaffe & Gertler, 2006). I encountered a lack of familiarity with fair trade when I requested an interview to discuss it with a manager employed by the Saskatoon Co-operative Association, something that may also reflect the membership's level of interest. Declining my request, he explained that he had little experience

with fair trade and would not be able to provide much information. In fairness, a few years ago, that same individual agreed to provide space for volunteers to promote fair trade coffee during Fair Trade Week; he also donated the coffee and featured in-store special pricing. Unfortunately, as of December 2007, the fair trade coffee at the Saskatoon Co-operative Association comes from a non-co-operative roaster.

It is interesting to imagine how far the benefits might spread at both ends of the fair trade, co-operative connection if more co-operative marketers were actively interested in fair trade. Before renouncing the large co-operative retailers (and their customers), however, fair trade advocates must remember that many co-operatives, members, and managers are genuinely interested in promoting international development through trade and, given fair trade's increasing popularity, may be willing to entertain proposals to stock it.

5.5 Introducing Fair Trade to Consumer Co-operatives

While the logistics involved in importing fair trade commodities can be challenging, more than two millions pounds of fair trade coffee were sold in Canada in 2005, and approximately US\$ 90,000 in premiums alone reached coffee-producing families (TransFair Canada, 2005). Fair trade is no longer simply a niche market, and it may be a propitious time for co-operative members to insist that their boards of directors and managers introduce fair trade products.

The issue of adequate supply is no longer relevant. Most certified fair trade coffee is sold on the conventional market because demand for it is low. In fact, many registered fair trade producers have not made even one sale.⁵⁷ Nor is there, on the whole, a question of quality. While some retailers may have received poor quality products in the past (and there will always be isolated instances of failed quality control), the days of undependable quality are largely over. This development has been facilitated in part by training and education programs provided by fair trade organizations, as well as the greater experience of the producer co-operatives themselves. Members of Tanzania's Kilimanjaro Native Co-operative Union, for example, have been able to invest in organic production and quality improvement since they entered the fair trade market (TransFair USA, 2004b). In Central and South America, winners of the prestigious

⁵⁷ Fairtrade Labelling Organizations no longer certifies producer groups that cannot demonstrate that they will be able to find buyers.

“Cup of Excellence” competitions⁵⁸ have benefited from the experience gained and the higher prices fetched by the best coffees. It is possible that sourcing fair trade coffee takes more time and effort, because only a few suppliers are able to provide large volumes of a standardized product. Like any investment, however, finding a supply of good-quality coffee may well pay off in terms of a supplier’s sales and reputation.

It is logical that, if producers receive a fair price, they will be more likely to invest in their farms and the quality of their produce will improve. For *Martin*, the positive relationship between price and quality is “common sense.” When members of *Second Tier Coffee Co-op* visited Ethiopia, local producers told them that:

We’re the only ones who leave our contract open so they get to choose when the price is set, and we’re the only ones that are paying the high price. We met [an Ethiopian farmer] at the [Specialty Coffee Association of America meeting in] Seattle, and he said, “Of course, you’re getting our best coffee.” [We are] getting the . . . best Ethiopian [coffees] coming into North America right now, because [we’re] paying the best.⁵⁹

Martin and other dedicated and committed fair trade importers can use the combination of fair trade and good quality to differentiate their coffees from products offered by conventional suppliers. This may apply particularly to enterprises that deal in fair trade as a profitable sideline and are not interested in contributing to the movement itself.

Although co-operatives must be commercially viable over the long term they are not driven only by financial considerations. If they allowed themselves to be guided more by the principles of co-operation and mutual self-help, it is likely that consumer co-operatives would stock many more fair trade, organic, and locally-produced goods from small and medium producers, and that credit unions would support such production and marketing initiatives. Considering that fair trade sales by the Co-op in the United Kingdom exceeded US\$ 80 million in 2006 (nearly 15 percent of its total sales) (The Co-operative, 2007d), there is reason to believe that other co-operatives could also succeed by following this example. This retail co-operative ascribes its support of fair trade to its values and principles, the same ones that link all members of the co-operative movement, whether they are producers, consumers, workers, or the owners of small enterprises.

⁵⁸ Sponsorship of such competitions is another way in which intermediaries such as Equal Exchange and *Second Tier* support the production of high quality beans.

⁵⁹ Some experts agree. Kenneth Davids (2007) wrote in *Coffee Review* that “most coffee lovers should be able to find Fair-Trade coffees that both satisfy with quality and excite with distinction while satisfying their need to feel their purchase helped growers and their families survive with dignity.”

The reluctance of some Canadian consumer co-operatives to adopt fair trade may be a reaction to intense competition from large grocery chains, or reflect risk adversity given a history of financial challenges (Fairbairn, 2003*b*). It may also demonstrate a lack of the imagination that is needed to bring fair trade to the aisles of grocery stores as well as to the agenda of the AGM. But the history of co-operatives provides many instances of courageous action. It must have taken courage—as well as market surveys—for the leadership of the United Kingdom’s Co-op to stock and promote 100 percent fair trade coffee, tea, and chocolate in every store. That some other chains have followed the Co-op’s example, and even attempted to stake out new fair trade territory for themselves, confirms that the Co-op made the right decision. It also means that it can use its status as a fair trade pioneer to promote other, ethical initiatives.⁶⁰ In Canada, the practices of small and medium-sized fair trade intermediaries such as those in this study challenge competitors to follow their example and demonstrate how to do it. If co-operatives and fair traders can help each other to envision and implement new initiatives that build on shared strengths and values, both will benefit.

Certain differences between the social and political contexts in the United Kingdom and in Canada may help to explain unequal progress on fair trade. It can be argued that fair trade as we know it emerged when English citizens imported and sold handicrafts after World War II, and that the legacy continues in the campaigning of NGOs and ATOs throughout the world. The United Kingdom is physically and, language aside, culturally close to Europe, where other ATOs also introduced fair trade coffee. Furthermore, the United Kingdom is a member of the European Union whose Parliament has expressed concern about the situation of developing countries that depend on coffee exports and passed resolutions in support of fair trade (European Parliament, 2003). Furthermore, a European Union Commission has studied fair procurement (EFTA, 2006*b*). Although such resolutions and studies are not necessarily reflected in the daily lives of European citizens, they affect national policies and, ultimately, the character of commerce. There are also differences in the size and influence of the co-operative movement. In the United Kingdom, a series of mergers has resulted in the creation of a large co-operative that serves a densely concentrated population.⁶¹ In Canada, there are two large but nevertheless regional, co-

⁶⁰ For example, the proceeds from sales of 30,000 bottles of the Co-op’s “ethical” bottled water (a product that is not without controversy) will build one well and pumping system in Africa (The Co-operative, n.d.).

⁶¹ Fairbairn (2004) reports that, as of 2004, it had lost market share “despite a drive towards greater size and scale and centralization” (p. 5).

operative federations, neither of which is headquartered in the most densely populated areas of the country. While the Canadian movement is not insignificant, Canadian geography and the location of these co-operatives means that there are fewer opportunities for encounters, planned or spontaneous, among co-operative leaders and members. In spite of these challenges (not new to Canadians), the support of a movement that involves forty percent of the Canadian population (Canadian Co-operative Association, n.d.*b*) and is present in every province and territory could do much to promote fair trade to the Canadian retail market.

CHAPTER 6

DISCUSSION AND CONCLUSION

6.1 Introduction

If fair trade is to benefit producers, consumers must want to buy what they have to sell. It will also require the support of institutional, commercial, and individual intermediaries to forge and regulate connections between these physically distant partners. Intermediaries such as licensing organizations and commercial enterprises based in the global North must continue to create the connections that facilitate the exchange of physical products while also educating the actors involved, and thereby demonstrating a practical alternative to conventional trade.

Fair trade seeks to achieve trading equity that promotes and protects the rights of both producers and consumers. While its goals are supported by many individuals and organizations, there is limited appreciation of the need for committed and skilled intermediaries who ensure that fair trade products are traded under reasonable conditions. The work of these intermediaries to develop and maintain connections along the fair trade value chain is vital to its functioning. While market access may be a central focus of fair trade relationships, as Rice (n.d.) suggests, it involves more than simply getting products to market. Producers must receive an agreed-upon price that covers the full cost of production, and have access to technical assistance and credit on reasonable terms. Their organizations also gain access to programs that can lead to better crops and diversification, and their communities likewise enjoy the social, environmental and economic benefits that fair trade provides. Significantly, fair trade's benefits do not have to be exchanged for the dependence that often accompanies foreign aid, or for high-interest loans that can condemn producers to permanent indebtedness.

Although there is no single orientation within the fair trade movement, as some actors focus more on accessing markets while others strive to reform them (Renard, 2003, Jaffee, 2007), it is axiomatic that fair trade products must reach the market. *Leeanne* described how fair trade provides better market access for small producers who are facilitating community economic development by “organizing co-operatively and collecting their coffee co-operatively,” and how consumer demand translates into short- and long-term support for these producer co-operatives. The education that, to a greater or lesser extent, is part of all fair trade sales also helps to remake the market as consumers look for products with a wider range of positive attributes in both co-operatives and conventional venues.

6.2 Price: Fair or Feasible?

Many popular descriptions of fair trade stress fair prices for producers, but price alone is insufficient to achieve fair relationships. Waridel (2002), for example, discusses the need for trade to be carried out by “equal commercial partners . . . [who] help each other in the pursuit of their respective goals” (p. 65), and argues that the fair price must reflect “both the needs of Southern producers and the realities of Northern markets” (p. 65). Fair trade, then, must challenge the global power imbalances that do not allow for equal influence at the negotiating table. The consequences of a selling price that does not address “the direct connection between low prices paid to farmers and the type and quality of labour employed,” (Sheth, quoted in Off, 2006, p.146) are serious indeed. By taking advantage of their global connections, co-operatives of all kinds can create demand, achieve economies of scale, and negotiate contracts that are acceptable for all parties. Producers can make important gains through even modest price increases, multi-year contracts, and options for partial advance payment. Furthermore, the relationships that may result from fair trade’s multi-year contracts (Moore, 2004) can lead to greater understanding of the issues involved in trade and to a willingness to address these concretely. Finally, access to information, technical assistance, and training can lead to new skills, better products, and diversification (Ronchi, 2002; Equal Exchange, n.d.a; The Co-operative, n.d.).

That the fair price has failed to keep up with increases in farmers’ costs is troubling for intermediaries who want to pay a genuinely fair price, and whose relationships with producers transcend a simple business arrangement. *Heather* argued that the fair trade prices should be higher but asked, “If you can’t put yourself into the market because no one is going to buy your product, what good are you doing?” Visits to communities that supply the *Second Tier Coffee Co-op* have convinced her of the need for better prices, and she explained that “You feel so lame, saying again and again, ‘Well, you can’t price yourself out of the market if you’ve got Nabob next to you, or some other organic arabicas.’ It’s painful, to keep doing that.” *Heather’s* colleague *Jillian* also discussed the consequences of a price that is too low, and related how a coffee producer had said, “We can talk business and all that, but if we’re just going to talk person to person, the people in our villages are hungry.” She said, “[I]t really hits home when somebody says something as simple as that, and everybody is speechless. And what to do about it?”

The issue of a fair price is likely to continue to challenge the fair trade movement as its leaders attempt to balance producers' need for better prices with consumers' willingness to pay. FLO's recent decision to raise the social and organic premiums for coffee (but not the basic price) demonstrates the ongoing challenge of adequately rewarding producers while ensuring that the finished products are not beyond the reach of most consumers. In 2007, the FLO Board of Directors agreed to double the fair trade premium for coffee (from 5 to 10 US cents a pound) and increase the organic premium by 5 cents a pound (to 20 cents) (FLO 2007), and agreed to review the minimum price for coffee itself at its next meeting. Although doubling one premium and increasing the other by one third was not an insignificant move, the decision was criticized by some observers as too little, too late (Gidney, n.d.).

There are other considerations for producers and intermediaries as they work to develop the respectful relationships that are emphasized in the EFTA definition. *Jillian* observed that fair trade involves more than a business relationship, "more than just money trade," and that "somebody should be able to say [that they are hungry] and everybody has to deal with that." While creating fair relationships may not be easy, *Jillian's* suggestion that everyone must be involved with the difficult issues is part of the solution. While commercial relationships between co-operatives begin with buying and selling, they expand to include a search for solutions to broader social issues that created the need for fair trade in the first place.

It remains a challenge to ensure that the fair trade price, which often serves as a proxy for the fair trade project itself, is genuinely fair. But for *Martin*, talk about price may be misleading. "The bottom line," he claimed, is that "price is not [the principal] concept [even though] that's how fair trade has been sold to most [people]." He explained that *Second Tier* arranges for its members to meet producers by holding meetings in coffee-producing communities. This contact promotes the smooth relationships that ensure that both sides can sell and buy the range of coffees that participation in the specialty market requires while avoiding the extra cost of dealing with brokers. Furthermore, by witnessing producer realities first hand, *Martin* and his colleagues gain a greater appreciation of the challenges they face. The *Second Tier's* project work springs from exposure to these problems and the resulting desire to help find solutions. While reverse visits are less frequent, they also help producers to understand the retail market and allow them to tell their stories directly to consumers.

The retail price of coffee is also an important issue for the roasters in this study. *Leeanne* reflected on the challenge to small enterprises that occurs when conventional competitors introduce even small amounts of fair trade products, often as loss leaders, “so they can undersell anybody who only does fair trade because they don’t have to make any money on it. Because, if ninety-eight percent of what you’re doing is conventional, your margins are huge. It’s a loss leader, right? And lots of people don’t get that.” *Leeanne*’s livelihood could well be threatened by having to compete with conventional businesses, but her membership in a purchasing co-operative allows her to buy the small quantities of a variety of coffees she needs, at stable prices that are manageable for her and fair for producers. She insisted, however, that belonging to *Second Tier* involves more than just joint buying “because we could do that with lots of other people.” She emphasized the importance of the relationships involved, and explained that the co-operative responds to “a desire to *not* participate in the conventional method of coffee purchasing and *to* engage in a more deliberate relationship with each other and with producers.” *Leeanne*’s orientation to doing business may start with a fair price but she also considers the effects of her practice on relationships with fellow buyers as well as with producers.

Most fair trade practitioners realize both the importance and the limitations of the official fair price. According to *Bob*, *Second Tier* contracts “are typically considered valuable and desired contracts by the co-operatives,” not just for the better price but because the Northern co-operative can also “help incubate their ability to export directly,” a skill that is also important for marketing the portion of their harvest that is not sold to fair trade intermediaries. In fact, with so much fair trade certified coffee being sold on the conventional market, producers’ ability to negotiate better terms with at least some conventional Northern buyers cannot be overemphasized. In fact, *Second Tier* has, on occasion, ceased to buy from co-operatives that seem to need less support in order to work with those in greater need.

Through their experience with fair trade intermediaries, producers learn to provide products in the form that buyers want. The combination of the ability to deliver desirable products and to negotiate the conditions under which they are supplied can also lead to better prices on the local market, which helps other producers who have no choice but to sell at local prices. While sales at fair trade prices are important, the combination of better prices and increased negotiating experience and leverage translates into broader gains for producers.

6.3 Co-operatives and the Conventional Market

Co-operatives are motivated by both economic and social concerns. Their democratic structure encourages member participation, and surpluses are shared on the basis of use, rather than investment, or used to improve services for the community as a whole (Canadian Co-operative Association, n.d.a). Like the fair trade premium, surpluses may be used in ways that benefit members and the entire community, when they are not reinvested in the co-operative itself.

Co-operatives can add ecological concerns to their economic and social “bottom lines” (Gertler, 2004a); in this way, they help their members understand the complexity of initiatives for fundamental change and support their desire to take action to achieve it. They can also mobilize capital, provide hope and facilitate “advanced and attractive solutions” (Gertler, 2001, p. 28) to a range of problems. For example, Northern co-operatives can help their members identify initiatives that are genuinely fair in the face of competing claims. They can also help intermediaries establish or enhance links with producer groups in the South that are typically organized as co-operatives or other kinds of democratic, associative organizations. Fair trade therefore presents a positive option for co-operatives: an opportunity to trade in desirable products as well as to avoid unsatisfactory ones. Conversely, co-operatives can support fair trade through their work as importers, retailers, promoters, and providers of financial and technical assistance.

Co-operatives can help change the way trade is carried out, through action that is motivated by an understanding of international issues and informed by the experiences of their members who are also members of local communities. Reflecting on his own experience as the owner of a small business, *Martin* asked, “How the heck do you buy coffee on the open market? How do you go and meet these [producers]?” He reflected that producers also wonder “How do I get my coffee from here to the port to the boat, processed, when . . . I only produce three bags a year?” The answer for both small actors, he explained, lay in the ability of their co-operative to make connections between parties. “That’s what the co-operative does,” *Martin* explained. “That’s what everybody does, working together. And yes, they’re intermediaries, but they’re the glue that holds everything together. They give everybody the opportunity; they create the situation that allows everybody to meet each other. It allows us to buy the coffee.”

In addition to providing access to sources of raw product, the interviewees pointed out that long-distance co-operation can help solve local issues. *Bob* credited the democratic structures of co-operatives with facilitating direct connections between roasters and farmers which would be difficult to achieve without the inter-co-operative links. In some cases, the Southern co-operatives have more members and appear to be better organized than their Northern partners. *Heather* described how much she and her colleagues appreciated the organizational efforts (under difficult circumstances) that were described by members of the Chiapas co-operative Mut Vitz. In return, the *Second Tier* members related that, although their own enterprises were not formal co-operatives, they worked co-operatively through the *Second Tier Co-op*, both to import green coffee beans and to promote the ideas behind fair trade. In this case, *Heather* reported, the ability to observe similar structures helped cement relations between producers and intermediaries, demonstrating that they have more in common than merely trading in coffee. The Southern co-operative's well developed organization and its ability to provide a range of services to its members underlines the fact that, although these producers need the support of Northern intermediaries and consumers, they also have much to teach them.

Although *Heather* clearly appreciated the opportunity for co-operation between the members of producer and fair trading co-operatives, her assessment of the producers' sophisticated organization may have caused her to underestimate the work of *Second Tier*, a successful bi-national organization of small, hundred-percent fair trade enterprises. She may also have underestimated its achievements because it has not been able to do away with the poverty that still challenges its Southern partner.

There are several reasons that Northern consumer co-operatives should add fair trade to their agenda. First, co-operatives can provide an opportunity for consumers who want to buy fair trade products, and can introduce them to others. Second, fair trade provides an opportunity to internationalize co-operative connections and practices. Most important, new ideas would be generated. With co-operatives in place throughout the fair trade chain and with other allies in civil society, consumer co-operatives are well-positioned to join and to influence the fair trade movement and to benefit from this connection. Survey evidence shows that many Canadians support fair trade. Fair trader actors who want to take full advantage of this interest may decide to join the mainstream by selling to supermarkets. With imagination and commitment, consumer co-operatives could follow the example of their counterpart in the United Kingdom, offering

consumers an opportunity to buy good quality products and strengthen their understanding and practice of democratic trading relationships. At the same time, they could differentiate themselves from the mainstream and provide an example for others to follow. In doing so, they would also be strengthening their own co-operative identity by more fully implementing the co-operative principles.

6.4 Creating a New Market

Until Northern consumers understand that fair trade can help create a fairer market for all participants and take action on that understanding, the goals of the movement will not be achieved. And until fair trade moves beyond providing a market for only a small part of the output of a minority of producers, the promise for a more equitable and democratic market will be unfulfilled. To help fill the gap, co-operatives in many countries are both helping to create a market for fair trade and supplying products to meet the demand. Both of the co-operative specialists that I interviewed were sympathetic observers of the fair trade movement. *Roy* pointed out the importance of co-operatives in the North providing markets for goods from the South, and *Jack* discussed the markets and marketing support that national co-operative organizations can provide for producers. Both agreed, however, that these activities have a limited effect on the conventional system where retailers are profiting from fair trade rather than using it as a model to change their practice.

Martin likewise acknowledged that fair trade has had a limited impact on the conventional market, but pointed out that the struggle for fair trade is not limited to the exchange of products. “It’s more than just coffee,” he said. “People have to start to change, and that’s why we’re doing this, to help people change their minds.” Unwilling to choose between the orientations that *Jaffee* describes, *Martin* argued that *Northern Lights* practice includes elements of each option and resisted privileging one over the others. “We’re always trying to think of new ways to sell more coffee,” he said, “because that is our commitment. We have a commitment to the farmers and to our co-operative. We have to try to move more coffee. It makes our co-operative more successful; it benefits fair trade [and] everything down the line.” Selling fair trade coffee and other products is part of changing peoples’ minds and their actions. While it may be less sensational than the third option, providing an opportunity for citizens to participate in fair trade

helps prepare the way for new kinds of market relationships. It also helps sustain some producers who might not survive by selling only to the conventional market.

Although the experience of some large roasters and retailers has shown that the fair trade market can be profitable, it is still a challenge for small, 100 percent fair trade enterprises that are unwilling to compromise on quality and unable to take advantage of significant economies of scale. As *Jillian* explained, “It’s hard to get by on fair trade coffee. [Fair trade is] a change in lifestyle, or it’s a whole lifestyle you have to choose. It’s not just, ‘I’ll just switch over coffee, and leave it at that.’” *Heather* also pointed out that fair trade enterprises are unlikely to be highly profitable. “[T]he bank likes to see Starbucks-type profits,” she said, “which will never happen here.”

When asked where she would place fair trade on the continuum that Jaffee describes, *Leeanne* chose structural change, but insisted that it would come “without the ‘market breaking’ adjective,” and recalled that the terminology used prior to “fair trade” was “alternative trade.” “This is not a one-size-fits-all mechanism,” she insisted. While one approach to trade may not succeed in all circumstances, fair trade relationships can create an alternative market that supports large and small initiatives to produce, sell, and consume products that are in harmony with many peoples’ beliefs about community and consumption.

Bob placed the *Second Tier Coffee Co-op* in Jaffee’s third category without reservation, and described his co-operative’s ongoing struggle to develop a workable system based on relationships rather than price:

We’ve tried to develop some alternatives and, unfortunately, we keep coming back to [the fact that] we still have to operate within this market that none of us likes. We’re trying to come up with a complete alternative that is clearly something producers can shift over to, and not have to look back. That’s . . . the only way, in my opinion, that you develop something that works for the farmers. It doesn’t have to work more for the farmers than it does for us; it has to work for us, too.

But to develop that good, clear, two-way street that is a better system for both of you—we’re not there yet but we’ve been actively pursuing that for a couple of years. We keep coming back to variations of the current FLO system or variations of the commodities system. It’s frustrating, but we’ll keep trying.

These comments suggest that *Bob* may have described his goal, rather than his co-operative’s current situation. What is remarkable is not *Second Tier’s* lack of success in creating a new kind of market, but that it has made as much headway as it has. The co-operative has been able to

source a consistent supply of good quality coffee from small producers and to pay a price that is greater than the official fair trade price, and still see its member businesses thrive. In spite of this achievement that “works for” the producers and his fellow intermediaries and delivers a good product to consumers, *Bob* is determined to move beyond price-based criteria for success:

As long as the relationship is, by and large, based on price, then we’re always competing with the commodity market. . . .

We feel like we’re bringing so much more to the equation [but] if the farmers feel that way, then what have we really done? Until we get the relationship to that deeper point, they have no choice. Especially the management of the co-ops, they have to evaluate it based on what they could get otherwise.

And we need to be at a point, somewhere in the evolution of fair trade, [when] it’s got to be a no-brainer, that a fair trade relationship is just fundamentally better than [the conventional] market. . . . And we’re not there yet.

Building on *Bob*’s focus on the *Second Tier Coffee Co-op*’s long-term objectives to replace the current market with a more humane and sustainable regime, *Jim* took a critical look at the *Central Canadian Worker Co-op*’s current practice:

We work to provide producers with market access, we critique the current system in certain circles and . . . do some advocacy related work on the notion of reform. . .

I would say that the bulk of our energy is dedicated to improving market access but that, philosophically, we are more in line with [reforming or breaking the market] (I see a strong overlap), that things need at least to be reformed in order to improve the livelihoods of millions, not thousands, of producers.

While I’d personally like to say [that we are making radical change], I think [market reform] really reflects more of our current actions and orientation.

The conflict between *Jim*’s desire to radically reform the market and his assessment of his co-operative’s ability to do so exemplifies Barratt Brown’s (1997) description of fair trade as being both “in and against” the market. But if *Jim* and his colleagues were not in the market, they would have to search for other means of reforming it. Although they are limited by the very structures they hope to change, their success in selling to some national and regional chains is generating revenue that support fair trade producers and intermediaries while helping to develop more space in the commercial mainstream for fair trade.

Rather than reflecting the practice of entrepreneurs who occupy three, clearly-defined segments of the fair trade enterprise, such comments suggest that these intermediaries share a

similar critique of the market they have chosen to work in. They are determined to break with the old market even as they use it to create a new one. If they are not at least moderately commercially successful, they will be unable to build an alternative to the market. The commitment of these intermediaries to fair trade guides their practice, and their participation in first- or second-tier co-operatives allows them to establish meaningful relationships with producers and consumers.

The work and discourse of the fair trade practitioners who participated in this study demonstrate that they have moved beyond the quest for improved market access for producers and greater choice for consumers, important as these may be. Producer co-operatives such as UCIRI and Mut Vitz in Mexico, CoopeAgri in Costa Rica, and Kilimanjaro Native Co-operative Union in Tanzania have demonstrated that there is an adequate supply of fair trade commodities whose sales benefit producers, their co-operatives, and their communities. Large retail co-operatives, such as the Co-op in the United Kingdom, and medium-sized co-operative roasters such as Equal Exchange and Just Us! in the United States and Canada have shown that fair trade products are attractive to consumers and can be sold at reasonable prices. Finally, the entry of transnational enterprises such as Procter & Gamble, Sara Lee, Nestlé, and McDonald's have demonstrated that fair trade products can be profitable for such conventional commercial enterprises. As fair trade gains a greater presence in mainstream commerce, it will inevitably have to contend with the issues associated with such developments.

Although fair trade's share of the market is increasing, even its most popular products still account for less than five percent of the most developed European markets. That means that fair trade producers can sell only a small percentage of their production to the fair trade market and that most consumers never see fair trade products. It also challenges the claim that fair trade can reform the market, much less do away with it. However, if fair trade's success is judged by the existence of profitable, 100 percent fair trade enterprises in the North, such as those described in this study, it is already successful. Furthermore, if it is evaluated by the modest but significant improvements to the lives of fair trade producer groups such as those mentioned above, it is successful. It is also a success if it is assessed based on the decisions of large co-operatives in countries such as the United Kingdom, Switzerland, and Italy, to introduce fair trade products at competitive prices. Finally, it is also a success if judged in terms of the influence it has had on

conventional grocery product manufacturers and retailers who have adopted some of its language and products, if not its entire philosophical and developmental orientation.

Because fair trade and co-operative enterprises serve the interests of producers, intermediaries, and consumers in a relatively equitable fashion, they are helping to create and sustain a market that is based not only on buying and selling commodities, but also on building and supporting positive relationships that link all parties. The ability of fair trade intermediaries to sell fair trade goods at prices that reconcile the needs of producers and consumers (as well as making a reasonable profit) may have put the conventional market on notice but does not yet represent a major challenge to its “normal” practices. Until a majority of retailers offers fair trade at competitive prices, fair traders will be limited to providing market access for a few producers (and a slightly improved market for a few others). One avenue for moving beyond the current status can be found in the action of fair trade co-operatives, whose principles promote fair relationships between individuals and communities, and whose practice encourages democratic participation.

6.5 Further Research Questions

The enterprises in this study are involved in two regimes of exchange that use the market to satisfy people’s needs. Both fair trade and co-operatives can be characterized by a concern for fairer relationships and the desire that more people should share the benefits that the market can provide, which implies reforming the conventional market. This study has demonstrated that a combined fair-trade-co-operative model can help small and medium intermediaries to succeed in the market while dealing fairly with the producers who supply raw materials and the consumers who buy the finished products. Further research could explore the steps needed to facilitate wider adoption of the co-operative model by large and small fair trade entrepreneurs, and consider in more detail how retail co-operatives can use fair trade to provide for the needs of their members while supporting the aspirations of small producers. At a time when fair trade is “sold” to consumers primarily as a way of supporting producers, fair trade actors must also explain how it supports consumers.

Because fair trade’s success as a commercial venture relies greatly on consumer demand, an area that is less well studied than its support for producers, the results of surveys that have been carried out by the Canadian Co-operative Association (with members of co-operatives) and

by Canadian NGOs (with the general public) could usefully become the starting point for future investigations. Future surveys could investigate Canadians' understanding of and support for fair trade, domestically as well as internationally, and their support for local and international development. Questions about the work of local co-operatives on fair trade could be incorporated into surveys carried out by the Canadian Co-operative Association, and research by Canadian NGOs could include questions about fair trade's role in international development. If such research demonstrates that a majority of Canadians supports fair trade as a vehicle to address global inequalities, the results could be used to lobby businesses and government for support.

The fact that many commodity producers in the global North also work under unfair conditions has been well established, and there is at least one initiative to create a domestic fair trade regime for producers in Canada and the United States.⁶² Once such a framework is established, there will be more opportunities for mutual learning by practitioners and researchers involved in domestic and international projects. Because the negative aspects of globalization affect communities throughout the global South and North, and the co-operative and fair trade movements use their global connections to create more positive relationships, further study of initiatives for "popular" globalization, both organizational and commercial, could benefit both movements. Particular attention could be paid to regional and national sourcing of fair trade commodities for the domestic market.

Further studies could extend the work of Arnot, Boxall, & Cash (2006), who have demonstrated that demand for brewed fair trade coffee is relatively price inelastic, and would yield important information about the nature of the demand for other fair trade products, and how they could be promoted. This research could provide useful information about consumer preferences and sensitivities, and guide fair trade enterprises as they develop new products and product lines. At the same time, criticism that fair trade condemns some producers to dependence on an oversupplied market, and does not help the majority of labourers who are involved in conventional coffee production must be acknowledged. New strategies must be carefully assessed as steps are taken to extend the reach and coverage of fair trade arrangements. As with organic foods, there are many dimensions to the expansion of such markets, and many potential pitfalls along the way.

⁶² Several co-operatives, including Equal Exchange and bi-national producer co-operative Farmer Direct, are involved in an initiative to create domestic fair trade standards for North America.

Following Moore's (2004) characterization of the first co-operators as the first fair trade practitioners, further studies could examine the role of fair trade and co-operative organizations in developing fairer, local markets. Research into alternative livelihoods for members of producer co-operatives (designed and carried out by members themselves) would help develop solutions that are appropriate in local contexts and could be adapted for other situations. Researchers can also assist fair trade and co-operative organizations to assess whether, and under what conditions, trade in fair trade products is sustainable in the context of an increasingly stressed global environment.

At a time of urgent need for sustainable relationships between human beings and the planet, fair trade and co-operative actors must continue to examine the relationship between fair trade and sustainable production. Further research into the economic, social and environmental costs and benefits of fair trade will be needed to guide planning for future projects. As interest in local provisioning develops, the role of export agriculture may have to be reassessed. Although the demand for fair trade coffee, chocolate, and other imported products is unlikely to diminish in the short run, and although producers of these products cannot easily survive without foreign sales, the environmental costs and benefits of production for international markets must be examined. Does fair trade production help producers improve the environment? Does consumption of fair trade products result in greater consumer awareness of environmental issues, or does it merely reinforce existing consumption habits among affluent Northerners?

A less obvious question may contemplate the effect of fair trade on gender relationships. Fridell (2007) discusses gender inequality in co-operatives, where membership is by household and, in most instances, men participate on behalf of their families. While gender relationships have not been a focus of this study, *Heather's* comments on chicken-raising and rotating loans raise questions about the role of women in the co-operative and in the family. Is women's work understood as central to the functioning of their co-operatives, or is it limited to projects that focus on household wellbeing? Does the distribution of fair trade social premiums reflect the interests of all members of the community? Finally, although this study did not focus on gender relations in Northern organizations, they are not immune to gender-based bias. TransFair USA's (n.d.) description of "producers' wives" who have formed their own associations and established small businesses, without mentioning their role in the core productive activities of their co-operatives, is just one example of the assumption that men are the main actors in the fair trade

movement. This gender imbalance is also evident in the membership of the FLO Board of Directors, where in 2006 only one of its 14 members was female (FLO, 2006). Still in the global North, there is likewise room for more exploration of the roles, and potential participation, of women in organizing and supporting both consumer co-operatives and fair trade.

6.6 Contribution to Sociology

This study was carried out to examine the practices of three fair trade intermediaries that are affiliated with the co-operative movement. It focused on their work to support small producers who are their suppliers and their commitment to the consumers who buy the finished products. I have argued that acting on the overlapping interests of the fair trade and co-operative movements can be mutually beneficial, and that the desire to participate in the market and to make it more equitable is compatible with core values of both fair trade and co-operative enterprises. The study has demonstrated that co-operatives can use the structures of the global market and still ensure that the activity results in positive outcomes for their members and trading partners.

Although academic interest in fair trade continues to grow, much research on fair trade focuses on producers, and less is written about the intermediaries who facilitate producers' relationship with consumers, or about the consumers themselves. This research has demonstrated that the combination of fair trade and co-operative practices can help intermediaries in their work to create mutually beneficial relationships with other organizations seeking a more inclusive and environmentally positive approach to economic and social development. If the Canadian co-operative movement increases its support of the fair trade movement, it will put into practice its concern for communities, enjoy a greater share of a potentially profitable trade, and further differentiate itself from its conventional competitors.

Today, the fair trade and the co-operative movements span the globe and provide a measure of hope for a future that is socially and economically just. As Buttell & Gould (2004) suggest, the success of the anti-corporate globalization movement will rest, at least in part, on its ability to establish links between groups that are working to solve social and economic problems, domestically and internationally. Although the co-operative movement enjoys a longer history and larger membership than the fair trade movement, there is considerable overlap between the philosophies that guide both movements. Furthermore, as has been discussed here, many fair

trade enterprises are co-operatives, and some large as well as small retail co-ops are strong supporters of fair trade. Corporate-led globalization is a major challenge to movements that seek to rein-in and to reform currently dominant development models. The successful association of fair traders and co-operatives is an approach worthy of more study by scholars and citizens interested in forging effective economic and social movements.

6.7 Final Thoughts

This research demonstrates that, by paying fair prices and offering technical and organizational support to producers, delivering good quality products to consumers, and demonstrating that there is demand for its products, fair trade intermediaries are helping to reform the market. It has also shown that enterprises committed to 100 percent fair trade can thrive by selling finished products to consumers who want good quality for themselves and fair treatment for producers. In addition, fair trade provides a partial solution to unfair trade and demonstrates that aspects of globalization can be harnessed for positive ends.

Although some co-operatives have been innovators and leaders, others, for a variety of reasons, have been more reticent to embrace fair trade in a significant way. This research demonstrates, however, that the principles and practice of the co-operative movement place it among the leaders of the international movement for fair trade. The commercial success of large and small co-operatives in the global North has supported commodity-producing co-operatives and enterprises (some partly owned by producers) that supply finished products to the market at prices consumers can afford. Co-operation between first- and second-tier co-operatives enables these enterprises to connect with sister organizations, to their mutual benefit. Finally, the success of some leading retail as well as intermediary co-operatives has demonstrated that fair trade is commercially viable, and has encouraged some conventional, large-scale enterprises to enter the market. This has helped to increase demand for fair trade products and has therefore allowed at least some of its benefits to reach a greater number of producers and consumers. This trend, however, also raises questions about the future of fair trade should it come to be increasingly dominated by large, transnational, food processing and marketing corporations.

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