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Mainstreaming Fair Trade:
Fair trade brands & the problem of ownership

Fair trade has undergone exponential growth in recent years, thanks largely to the expansion of Fairtrade certified food products in mainstream distribution and retail channels. However mainstreaming-as-product certification has provoked considerable controversy. For some, major firms represent an unbeatable opportunity for market growth and producer-level impact, and, so long as the product undergoes certification, any firm – whether a Nestle or a Fair Trade Organisation (FTO) – can and should be encouraged to promote fair trade. For others, mainstream food companies' participation in the Fairtrade certification system is 'bastardising' fair trade principles (Barrientos, Conroy & Jones, 2007) and jeopardising the market's long term sustainability. Out of this latter camp has emerged an alternative strategy for mainstreaming fair trade: through fair trade brands. Fair trade brands are among a few distinct FTOs set up to compete in highly concentrated, branded (largely food) markets. Some contend these companies are 'at the cutting-edge of fair trade mainstreaming' (Tallontire, 2006: 37) and 'the most risk-free and successful way to mainstream' (Barrientos & Smith, 2007: 116; Low & Davenport, 2005). Drawing on existing research and doctoral fieldwork data on the experiences of fair trade practitioners involved in mainstreaming fair trade, this chapter explores why fair trade brands represent an arguably superior approach to fair trade mainstreaming congruent with the movement's broader goal of market transformation. This analysis offers lessons for the future of fair trade.

Evolution in global food industry: from commodity based to brand based markets
Agriculture is vital for development. It is the backbone of survival for billions living in poverty who rely on it for income and food. More than two-thirds of those living on less than $US1 per day (1.2 billion, or one-fifth of the world's population) are located in rural areas and work as either small-scale farmers or agricultural labourers (UNDP, 2005: 129). In fact, the contribution of rural agriculture to alleviating rural poverty has become increasingly recognised (see IFAD, 2001; Mellor, 2001). The UK's Department for International Development (DFID) has stated that 'no other economic activity generates the same benefits for the poor' (cited in ActionAid, 2006: 11). Likewise, in his recent promotion of agriculture for overcoming global poverty, Robert Zoellick, Head of the World Bank, notes that 'growth in agriculture is 4 times more effective at raising incomes of the extreme poor than growth in any other sector' (Japan Today, 22 October, 2007).

Despite its potential the modern history of global agriculture tells a story of increasing poverty and disempowerment for small-scale rural producers. The first two thirds of the 20th century were dominated by a system of Fordist mass production of undifferentiated products for mass consumption in Western markets. Subsequent processes of globalisation in the global food industry have encouraged corporate concentration, increasing the influence of global retailers and brand manufacturers over producers and intermediaries in global supply chains (Vorley, 2003; Heffernan, 1999). This transition to 'post-Fordist' markets has produced new forms of social organisation; producer-driven[i] markets have been replaced by global 'buyer-driven'[ii] supply chains in which buyers lead centrally coordinated but internationally dispersed production networks, setting the terms and conditions of production (e.g. geographical source, market price and production timeframes) (Gereffi, 1994). It has also led to a

migration of the value of international trade away from tangible assets (e.g. commodities, equipment) towards intangible assets (e.g. branding, human resources) (ibid., 1994; see also Piore & Sabel, 1984).

> For much of the twentieth century, the vast majority of a company's assets were tangible – real estate, plant, facilities, equipment, inventory, stock investments and cash. A company's balance sheet was, therefore, a reliable measure of its worth. However, this is no longer the case. Today, the intangible assets of the firm are frequently the most valuable – that is, the copyrights and patents; the company's technical expertise and know-how; the management teams, and particular the company's trademarks or brands…brands are now among a company's most valuable assets and represent the 'engines' of corporate growth, future success and ongoing profitability…(Interbrand, 1997, cited in Pritchard, 1999).

Brands are indeed engines of corporate profitability, and a tool for market power; the retailers and conglomerate brand manufacturers who dominate global food production networks own the leading brands (see Vorley, 2003; Folds, 2001)[iii]. Agricultural commodity production by comparison has steeply declined in market value (Robbins, 2003). In the cocoa industry for instance, despite the rising value of chocolate in the largest chocolate markets (the US and UK), the world market price for cocoa has fallen by 50 per cent since 2003[iv]. While global chocolate sales today produce some $US75 billion a year, the world's 14 million cocoa producers receive only $US4 billion (*The Economist,* April 4, 2007); they produce cocoa, they do not own chocolate brands. In contrast, just 5 confectionary brand manufacturers, who account for roughly 50 per cent of the global chocolate market, capture significant proportions of the remaining value (M&M/Mars, Hershey Foods, Kraft Jacobs Suchard, Cadbury-Schweppes and Ferrero) (Vorley, 2003: 50).

Global commodity chain (GCC) analysis, now global *value* chain (GVC) analysis accounts for the shifting distribution of fortunes and organisational processes that have characterised post-Fordist markets. GVCs refer to the entire cluster of productive units in commodity production networks, each one commanding a value that is indirectly proportional to the level of competition at that stage of production. Highlighting issues of market coordination and entry barriers, GVCs offer a useful framework for considering the modern political economy of international trade as shaped heavily by lead firms' organisational strategies for market governance (Gibbon & Ponte, 2005). It also provides something of a directive for market actors at low-value ends of the production chain to improve their position by 'upgrading' to high-value units of production where fewer competitors exist (see for example Kaplinksy 2006; Daviron & Ponte, 2005). Upgrading involves establishing 'rents' which enable firms to 'insulate themselves from competition by taking advantage of, or creating, barriers to the entry of competitors' (Kaplinsky, 2006: 357).
To improve their competitiveness, firms seek out ways to protect rents from competition, intellectual property being a significant contemporary tool for doing so (see below).

Several forms of upgrading exist (Humphrey & Schmitz, 2002): (1) *process upgrading*: achieving a more efficient transformation of inputs into outputs through the reorganisation of production activities; (2) *product upgrading*: moving into more

sophisticated products with increased unit value; (3) *functional upgrading*: acquiring new functions (or abandoning old ones) that increase the skill content of activities; and (4) *intersectoral/chain upgrading*: applying competences acquired to one function of a chain and using them in a different sector/chain. Of these four standard types of upgrading, own-brand manufacturing (functional upgrading) is the most lucrative unit in the competitive process (Gereffi, 1994). The mark rights that underwrite brands offer *ongoing* protection from imitation[v] - a decisive barrier to entry for would-be competitors (Lunney, 1999; Bain, 1956; Economides, 1988)[vi]. Unable to capture or dissipate the 'super-profits' that accrue to brand owners, ownership of established brands effectively creates monopoly/oligopoly markets (Lunney, 1999).

A contemporary history of 'mainstreaming' fair trade: product-certification and fair trade brand companies

In the context of brand-based markets, the fair trade movement has developed two primary approaches to mainstreaming fair trade. Since the 1950s, the fair trade movement sought to offer market access to the most disadvantaged producers in developing countries on terms that favour their interests. The movement aims to prove through practical example that trade can benefit all if the rules and terms that underpin international trade are changed. Pioneered by Oxfam and other alternative trading organisations in Europe and the US until the 1980s, fair trade has since become a much broader and more complex market phenomenon in its pursuit of larger 'mainstream' markets for small-scale producers (Tallontire, 2000, 2006; Kocken, 2003; Low & Davenport, 2005; Litrell & Dickson, 1999; Raynolds et al., 2007).

In the late 1980s, a perception existed within the fair trade movement that its marginal status was having limited impact on producers' livelihoods and on the mainstream trading system. Impetus for action came in 1989 with the crash of the world market price for coffee, following which coffee prices dropped from around $US1.16 to $US0.52 by 2003 (Nicholls & Opal, 2005: 81)[vii]. The Fairtrade system emerged out of this context out of collaboration between religious organisations and contacts in the Netherlands and Mexican coffee producers. Formalised by the organisation 'Max Havelaar', the certification system was quickly adopted by sister organisations across Europe, under the name of Max Havelaar and 'Transfair'. In 1997, this organisational cluster established the Fairtrade Labelling Organisations International (FLO) and in 2002 created an independent auditing arm to separate potentially conflictual simultaneous functions of monitoring and supporting the development of producers.

Today, FLO is the worldwide standard-setting and certification organisation for labelled Fairtrade. FLO's mission is to 'improve the position of the poor and disadvantaged producers in the developing world, by setting the Fairtrade standards and by creating a framework that enables trade to take place at conditions respecting their interest' (FLO 2006a). The Fairtrade system offers producers a 'fair wage' together with a social premium for development projects. Consisting of FLO e.V. and FLO Cert., FLO has 3 responsibilities: setting the international Fairtrade standards (see Box 1), product certification and trade auditing, and producer support services.

Trading Criteria:
A price covering the cost of production
A social premium for development purposes
Advance payments to assist farmers during pre-harvest periods

Long-term contracts with producers to enable long-term production planning
Long-term trading relations to allow stable and sustainable production and planning
Production Criteria:
Democratic organisation of producers in farmer cooperatives
For plantations/factories: workers receive fair wages, adequate housing, freedom of association, no child or forced labour

Box 1: Fairtrade labelling criteria (traders and producers)

The growth of Fairtrade product markets internationally has been rapid. Global sales are valued at over $US1.6 billion, a small share of market trade made remarkable by a growth rate of 50 per cent (Murray & Raynolds, 2007: 8; see also Krier, 2005: 7). Sympathetic cooperative retailers and health food stores such as the UK's 'Fresh and Wild' and The Cooperative Group ('the Co-op') were the first to offer Fairtrade products in mainstream distribution channels. The Co-op converted all of its own-label coffee and chocolate to Fairtrade in 2002 and 2003 respectively. Similarly the US retailer 'Wild Oats' converted all of its own-label coffee to Fairtrade in 2002 and now stocks a range of other Fairtrade products (Nicholls & Opal, 2005: 193, 146).

The involvement of more traditional retailers in national markets has fast-tracked the growth and variety of Fairtrade product markets[viii], providing the fair trade movement with significant market access. Supermarkets in fact account for 56,700 of the 78,900 'points of sale' for Fairtrade products in 25 European countries (Krier, 2005). In Switzerland, the two national retailers, Migros and the Co-op offer own-label Fairtrade products in 10 and 9 different own-label product groups respectively (Nicholls & Opal, 2005: 196). Migros' turnover of Fairtrade products accounted for 40 per cent of the total sales of Fairtrade in Switzerland in 2002 (Nicholls & Opal, 2005: 196). More recently, conventional brand manufacturers such as Nestle, Procter & Gamble, Kraft, Starbucks, Fyffes, Dole, and Chiquita have moved into the Fairtrade system, and FLO intends to explicitly encourage this development for future growth (Raynolds in Raynolds et al, 2007).

During the certification system's rapid expansion, and at the other end of the spectrum of fair trade markets, FTOs have remained a vital force and undergone their own regional and international institutional development (Nicholls & Opal, 2005; Raynolds & Long, 2007)[ix]. FTOs are unlike mainstream traders who have joined the Fairtrade system in recent years, and share the following organisational principles and practices.

Standards for Fair Trade Organisations (FTOs)

1. Creating opportunities for economically disadvantaged producers; supporting the poorest producers
2. Transparency and accountability; dealing fairly and openly with trading partners
3. Capacity building; developing the skills of producers and creating opportunities for trading their products
4. Promoting Fair Trade; telling as many people as possible about Fair Trade and informing customers where products have come from
5. Payment of a fair price; ensuring that producers receive a fair price for their products
6. Gender Equity; providing equal pay and opportunities for women and men
7. Working Conditions; ensuring that producers are working in a healthy and safe place
8. Child Labour; ensuring that the UN Convention on the Rights of the Child is respected
9. The Environment; ensuring that materials used in production and packing do not damage the environment (IFAT, 2006).

Since the 1990s, FTOs have by and large become more professional and consumer-oriented in response to financial difficulties with their traditional producer-focus (Redfern, & Snedker, 2002; Tallontire, 2000: 168; Low & Davenport, 2005: 146; Nicholls & Opal, 2005: 99-100; Litrell & Dickson, 1999). It was out of this evolution that a number of 'new' FTOs emerged that pioneered a transformation in the traditional FTO model to thrive in a commercial environment. Replacing the non-profit nature of the traditional FTO with a for-profit structure, several fair trade brand companies such as Divine Chocolate, Cafedirect and Agrofair are a small group of unique FTOs that exploit commercial tools of marketing and branding to compete in mainstream consumer markets.

> Some of the [fair trade] companies - like Divine Chocolate Ltd. and Equal Exchange - those are great models, but that's not the norm in the fair trade world...(fieldwork interview notes).

> …our [companies'] success comes quite heavily down to the fact that we've taken a *branded* route, so the Fairtrade products from Cafédirect and Divine Chocolate are coming from companies that specialize in the commodity that they're dealing in and are coming to the market with a *brand*…that's quite distinct from…[FTOs that are] coming to the market with a *chocolate*…[which] is….much harder to crack. You get your initial core supporters - obviously people interested in development are Oxfam supporters - but if you actually want to break it wider than that [market], then you actually need to have something that communicates something with the broadest range of the population…(fieldwork interview notes).

An example is AgroFair, founded by Solidaridad in 1996 in partnership with groups of fruit farmers and farmer cooperatives located in Ghana, Ecuador and Costa Rica. Producers own half the company's shares as well as receive 100 per cent of its profits (Nicholls & Opal, 2005: 91). A cluster of FTOs – Twin Trading, CTM Altromercato and Solidaridad – hold AgroFair's remaining share capital and ensure fair trade principles are upheld (AgroFair, 2006). The AgroFair Foundation provides grants and loans to producer groups for quality improvement projects. New fruit producers who are FLO-certified and have maintained reliable trading relations with AgroFair for over 12 months are offered ownership in the producer-owned company, a policy which growers from Peru, Burkina Faso and the Dominican Republic have benefited from so far. AgroFair producers also have direct involvement in the company's sales and marketing, the day-to-day operation of which its FTO partners take responsibility in European, the UK/Ireland and Italian markets[x].
AgroFair fruit, particularly bananas, is the darling of one of the two national retailers in Switzerland, *Coop*, which switched its banana supply to 100 per cent Fairtrade (to sell more Fairtrade bananas than any other supermarket retailer in the world) (AgroFair, 2004: 4, 24). In 2004, AgroFair's turnover increased by 47 per cent to €37.6 million, up from €25.6 million in 2003. In 2006, the company grew a further 40 per cent, with a turnover of €62 million and a share dividend of €236,000 (half of which has gone to producers).

Cafédirect is another example. Founded in 1991 in the UK by Equal Exchange (UK), Traidcraft, Oxfam and Twin Trading, Cafedirect is the UK's leading Fairtrade hot drinks company and 4th largest coffee company, with a growth rate of 20 per cent.

Cafédirect's mission is to be the 'leading brand which strengthens the influence, income and security of producer partners in the south and links them directly to the consumer' (Cafédirect, 2006). To date the company has achieved this with remarkable success. From offering one coffee product in 1991 to now 41 products ranging from drinking chocolate to gourmet and specialty coffees and teas, Cafédirect's turnover was £13.6 million in 2004 (Twin Trading, 2006). The company works with thirty-three producer organisations in eleven countries, which represent over a quarter of a million tea, cocoa and coffee producers. As part of a reorganisation of Cafédirect's ownership structure and capital venture, since 2003 Cafédirect producers have gained greater influence over the company by becoming shareholders and Board members (Cafédirect, 2004).

A final example is Divine Chocolate Ltd., set up in 1997 primarily between Twin Trading and the Ghanaian cocoa cooperative, Kuapa Kokoo[xi]. Divine pioneered the radical corporate governance model recently adopted by Cafedirect (Hutchens, 2007)[xii], whereby Kuapa Kokoo producers are also Board Directors and co-own the brand. Since 2006, Kuapa Kokoo farmers have in fact been majority share owners of the company. Divine's mission is multiform: to 'take a quality affordable range of Fair Trade chocolate bars into the mainstream chocolate market'; and to 'pay a Fair Trade price for all the cocoa used in the products'. Positioned consciously among other normal 'mainstream' chocolate bars in terms of price, quality and availability, the fair trade company aims to 'raise awareness of Fair Trade issues amongst UK retailers and consumers of all ages' and 'be highly visible and vocal in the chocolate industry and thereby act as a catalyst for change'.

Similar to Cafedirect and Agrofair products, the Divine Chocolate brand range competes directly with major firms in its industry such as Cadbury and M&M/Mars. Divine Chocolate is available in 5,000 stores in the UK, including Sainsbury's, the Co-op and Tesco supermarkets and has boosted its market presence further through private label ventures. In 2000 for instance, the UK's Co-op supermarket launched a co-branded private label chocolate with Divine, later changing its entire own-label chocolate to Fairtrade. Similarly, Starbucks changed all its own-brand chocolate to Fairtrade certified in 2002, co-branding it with Divine. In 2003, the company reached profitability, and has continued to do so year on year. In 2006, with 18 per cent growth, the company received a post-tax profit of over £450,000, and after 10 years of business, in 2007 the company made its first dividend of £500/share (Martyn, 2007).

This brief account of the movement's efforts at mainstreaming fair trade highlights the development of two primary tools: Fairtrade product certification and fair trade brands. Some suggest that fair trade brands are the most successful and cutting-edge for progressing the movement's aim to empower small producers. Within the context of the post-Fordist structure in global agriculture discussed earlier, this proposition is explored below in light of the author's empirical fieldwork data[xiii].

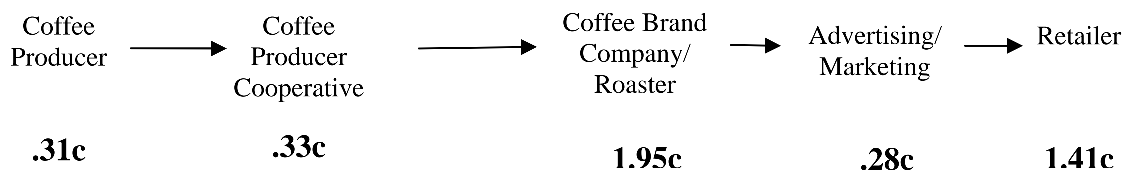
Mainstreaming fair trade: product certification

Noted above, the Fairtrade system requires higher-than-market commodity prices and a social premium be paid to Fairtrade producers. On the one hand, and assuming Fairtrade-registered producers actually have a trader to sell to (Doppler & Gonzalez Cabanas, 2006), these sources of revenue provide some degree of financial security – especially in the volatile markets of tropical agriculture (see Robbins, 2003). The

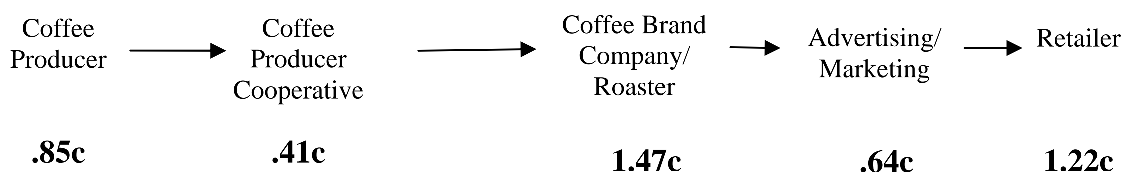
premiums provide for investment in community development projects such as housing, schools, roads, health clinics and medicines. On the other hand, however, producers' remuneration and status remains tied to *commodity* production – a low-value activity in the context of post-Fordist market structures.

> …for cocoa farmers…the dollar value of cocoa in a bar of chocolate that costs 1 dollar is about *eight cents*. So you can be paying a cocoa grower a fair wage with respect to the local market, but [the producer] is not actually able to capture the value that their labour has directly and indirectly generated because all the value happens further down in the supply chain - it's in the brand (fieldwork interview notes).

An example from the coffee sector in Diagram 1 illuminates the replication of unequal value-distribution that persists in the Fairtrade system. As it shows, Fairtrade producers receive 85 cents and the cooperative 41 cents for collective purposes, which is clearly greater than that received in traditional coffee chains: 31 cents and 33 cents respectively. Yet this is where the system 'stops' its provision; MNCs continue to capture the lion's share of the value in Fairtrade supply chains and maintain a dominant position vis-à-vis producers. By continuing to capture the value in brands *and* advertising/marketing (which is greater in the Fairtrade value chain), coffee brands/roasters receive $US2.11 - nearly 2.5 times as much as Fairtrade coffee producers and over 5 times more than the cooperative. The retailer also receives roughly 1.4 times as much as the grower, and 3 times as much as the cooperative.



Traditional coffee value chain



Fairtrade coffee value chain

Source: Nicholls & Opal, 2005: 83. (In $US dollars).

These figures highlight that, whilst the certification system may pay producers a relatively higher price for their produce, it continues to measure up poorly against brand owners' share. The certification system does not overcome producers' exclusion from ownership of, and participation in, high-value units of production. Moreover, with decreasing returns to primary production (see above), the potential for

development and poverty-reduction through production of primary commodities is limited.

This weakness in the certification system is difficult for FLO and the NIs to rectify for the seldom written about issue of FLO's funding model[xiv]. The logic of this funding model is as follows. Conventional traders can use the Fairtrade label provided they make a contractual commitment to the trader requirements stipulated in license agreements. Fee payments for those licenses – paid to NIs – are a key revenue source for NIs and FLO, particularly in their aim to achieve financial independence and sustainability from donors[xv]. The problem with this model is the fee structure which is based on traders' market share, sales or volumes. By virtue of their enormous size, large traders such as Starbucks or Chiquita represent the largest revenues regardless of how little Fairtrade volume they stock or sell, and, due to their market dominance, are central in FLO's 'mainstreaming' strategy, and priority clients for some distinctly market-oriented NIs. However the cost of this funding relationship – in which FLO/the NIs are dependent on the largest market players for mainstream market access and funding – is a political one.

> …one of the major problems with the 'greenwashing question' is that FLO and Transfair USA refuse to address it publicly. Their…reasoning is obvious: these companies doing the damage provide most of the cash for their operating budgets… (Earley, February 11, 2005).

> …it's not all about volume and signing up more MNCs, there's something else. Signing up more companies doesn't address ideological issues…FLO needs to push companies not just to address the price issue, but fundamental issues of inequality in the supply chain…that's tough because it's easy to ask a company to write a cheque, but to hand over power, I think that's where the challenge lies…(fieldwork interview notes).

> …[fair trade] is something that has been boiled down to 'Fairtrade means producers get a fair price'. But in actuality, it's about almost everything *but* that…[fair trade] is actually not about what you're paying so much as the fact that you are engaged in direct, long-term relations with producers, where the objective is to maximize benefits going back to the most vulnerable people in the supply chain in ways that challenge the existing terms of trade. So it's really process-oriented, it's really a long-term project…that's not something that you can easily do by saying 'yep here's your seal and put it on your bag and pay 1.26 and be done with it'. …Even though you can get people to pay a better price when you get these large corporations on board…what you *lose* is…the *power* of what *could* come if they really understood what they were buying into… if you could really get Procter & Gamble to understand that it's not just about paying a Fairtrade price, it's about developing long-term relationships, it's about really investing in these communities, it's about seeing the sustainability of *your* business being tied to the sustainability of *their* business…[then] we'd have a much different story to tell…(fieldwork interview notes).

In addition to this political weakness and its consequences for producers, the last of these comments above points to a concerning 'hollowing out' of the fair trade model

as large-scale MNCs have become increasingly involved in the Fairtrade system. This development is noted in Bezencon & Blili's (2006) examination of the Fairtrade system's supply chain configuration which suggests that, in mapping onto mainstream (as opposed to alternative) production and distribution channels, several fair trade requirements for traders have been omitted. In addition to the diminishing focus on market access for marginalised small-producers is the disappearance of *direct* trader-producer relations, investment in capacity-building, *long-term* business partnerships, and political advocacy for trade justice. While a few retailers and businesses participating in the Fairtrade system have sought to distinguish themselves from more opportunistic MNCs in FLO's system by making demonstrable commitments to Fairtrade markets and producers (albeit circumscribed by dominant market prerogatives and principles) (see Barrientos & Smith, 2007; Raynolds & Murray, 2007), they are an exception to the norm[xvi].

In fact, FLO's very definition of traders/licensees – as those involved in production, packing and labelling of the products – and the commitments to fair trade required of them tends to exclude large retailers (and potentially brand manufacturers[xvii]) who outsource these production activities. Absented from contractual commitments to fair trade practices, retailers are free to switch between Fairtrade producers at their discretion, abandon relationships with producer groups, buy the cheapest Fairtrade produce available and ultimately threaten the system's capacity to offer developmental benefits to producers (Barrientos & Dolan, 2006: 18; see especially Barrientos & Smith, 2007). Major buyers also prefer to maintain contracts with existing suppliers rather than engage in partnerships with small-scale Fairtrade producers (Nicholls & Opal, 2005). To accommodate this (and other issues), FLO has begun inspecting and certifying large-scale commercial farms and plantations to an increasing degree (Renard & Perez-Grovas, 2007: 150)[xviii], even though MNCs' existing suppliers are not the most exploited or marginalised producers nor in greatest need of capacity-building and technical assistance[xix]. Moreover, the entry of large-scale commercial producers onto the Fairtrade producer registers and favoured position with mainstream traders recreates a barrier to market entry that small-producers face in conventional markets.

For such reasons, Tallontire (2006) and others question mainstream companies' involvement in Fairtrade which neglects principles of capacity-building and market access and fundamentally misses the point that fair trade is a way of doing business, not just another product to be sourced. While not the only limitations for empowering small-producers[xx], the above-mentioned shortcomings of the certification model for empowering small producers can be seen to derive from both its *neglect* of the sources of power inequality in brand-based markets, and its *dependence* on this power structure for mainstreaming Fairtrade products.

Mainstreaming fair trade: fair trade brands

Not long after the certification system was established did fair trade pioneers within the broader movement realise its limitations as a model of change, triggering the development of a new approach to mainstreaming fair trade. Fair trade brands were developed to offer greater control and value to producers in international business and trading partnerships.

> …[the brands] were designed to achieve a few things. One was - when we started Cafédirect, it was designed to give small-scale producers who had really worked *hard* to learn how to access the market, somebody to sell to, someone to call their own…Because you know that old adage 'you can lead a horse to water but you can't make it drink'? The thing about Transfair and the trade-marking models –…[is that] the [Fairtrade] label made it possible for conventional companies to buy directly from small farmers and get some kind of reward for that…but it didn't make [conventional companies] *do* [fair trade] with many small-farmer organizations, especially the weaker ones with which they just didn't want to get involved. They tended to pick the ones that were more capable, more able. And that's not very developmental…And I realized quite early on that [the brand] was where you made money…(fieldwork interview notes).

> …you can be paying a cocoa grower a fair wage with respect to the local market, but [the producer] is not actually able to capture the value...because all the value happens further in the supply chain - it's in the brand. Companies like the Day Chocolate Company [Divine Chocolate Inc.] in the UK which sells Divine Chocolate is one third owned by the farmers that grow it. So they get the value from the Fairtrade premium and they get the value of the *brand*…Fairtrade will only be successful and sustainable if it can adapt and respond to [these] *emerging* difficulties that producers face…(fieldwork interview notes).

A unique feature of fair trade brands which directly tackles the certification system's political limitations is their structures of corporate governance. Producers are not only the growers/suppliers for fair trade brand companies, but also company Directors and key shareholders. Greater economic security flows from this. Fair trade company producers not only receive Fairtrade prices and premiums for their produce, but also the added-value provided by dividends derived from ownership of brand equity. For example, Divine Chocolate's farmer cooperative 'Kuapa Kokoo' received £1,025,000 in Fairtrade premiums between 1993 and 2001. This has been a valuable income stream for community and business investment during this 8 year period, but further and more secure financial gains have come from an additional source: their 45 per cent ownership share of the company (Kyere, 2006). At current market prices, Divine Chocolate is worth some £1,833,333 million, which, in 2007, returned to Kuapa Kokoo a dividend of £47,352 (incl. ordinary shares and interest on preference shares) (Martyn, 2007). These figures are not as important in themselves as they are an indication of the political empowerment and control small-producers gain in the fair trade brand model by co-owning the company and its intangible assets.

The challenge fair trade brands pose to conventional firms in highly concentrated markets – including those selling Fairtrade certified products – is a capacity to operate thriving commercial enterprises that explicitly hand power and business ownership to small-producers.

> With the traditional players you can see a trend: western companies are integrating the supply chain, getting closer and closer to the global South. They do not focus only on selling bananas – they also dominate production and logistics. What AgroFair is doing can be called 'reverse supply chain

> integration': the Third World producer is integrating the supply chain in his own interest. The producer is dedicated not only to growing product, but to organising logistics, and having at the same time a voice and vote in the sales strategy. In contrast to normal opinion, AgroFair has shown that involving Third World producers in business structures, making them co-responsible for the marketing strategy, is a viable aspiration (cited in Nicholls & Opal, 2005: 91).

Unlike conventional traders in FLO's system whose 'commitment' to fair trading in many cases amounts to paying a Fairtrade price and social premium, fair trade brand companies, as FTOs, preserve the integrity of trading principles such as direct and short supply chain relations, a focus on small-scale producers, and capacity-building and technical assistance to increase producers' skills, knowledge and independence in high-value areas of international business. For instance, as part of its 'Gold Standard Fair Trade policy', Cafedirect invested 86 per cent of its working capital in 2006 into producer support ventures (£574,000 in 2004-2005) (Cafedirect, 2006). Similarly, Divine Chocolate has invested an increasing amount into technical assistance, from £23,876 in 2002 to £331,486 in 2006 (Martyn, 2007). These organisational principles and practices for farmer-empowerment and development are unmatched by traditional firms in FLO's system and in mainstream markets. These principles or features remain unique to fair trade brands - forms of competitive advantage – which fair trade brand companies are deliberately using to engage in direct competition with established brands to catalyse industry transformation (see Diagram 2).

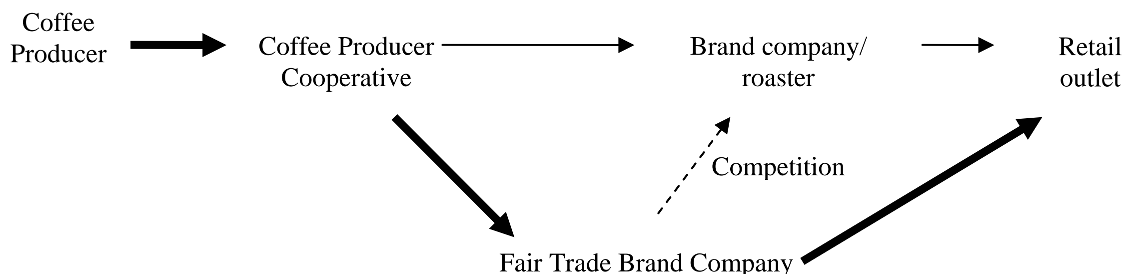


Diagram 2 (adapted from Hutchens, 2007).

Certification and brands as modes of market engagement: the prospects for social change

Fair trade brands have clear advantages over Fairtrade product certification for enabling producer empowerment and poverty alleviation in mainstream markets. How do they compare in their capacity to bring about systemic change? This question involves recasting each model as a different type of institutional engagement and understanding its institutional effects.

Two relevant types of engagement in this case are 'resistance' and 'game-playing' (Braithwaite, forthcoming) and both contribute to the process of change, but in different capacities (Hutchens, 2007). Resistors are located within capitalist institutions and discourses and seek to change the regulatory system for the better. Their role in the process of social change is to take innovative ideas percolating on the margins and work to institutionalise them by collaborating with institutional actors. Their acknowledgement of, and engagement with, the *status quo* makes them vulnerable to institutional capture. Institutional actors respond to resistance with

symbolic changes/reforms that pacify mass publics and 'capture' resistance and maintain the *status quo* (see Ayres & Braithwaite, 1992; Braithwaite & Drahos, 2000). By contrast with resistance, 'game-playing' entails a very different strategy for change. Game-players ignore and transcend existing regulatory codes, inventing new rules and institutions in order to radically transform the prevailing system. They can never be captured. Rather, they re-innovate when resistors become captured to continue their aim for structural freedom.

Portrayed in this way, FLO/NIs identify with the role of resistance. They are seeking to institutionalise Fairtrade certification by enrolling the support of their institutional allies – dominant retailers and manufacturers, modifying and compromising the model in the process. While seeming 'allies', MNCs are engaged in 'symbolic' imitation of Fairtrade to preserve brand power. This strategy involves stocking minimal/'niche' amounts of Fairtrade to in part associate the company with Fairtrade's value, but more significantly to ensure that the Fairtrade symbol does not dominate the brand in consumers' purchasing decisions. In short, corporate brands are giving the *pretence* of genuine imitation whilst suppressing Fairtrade's growth potential and its political implications (Hutchens, 2007)[xxi].

> …I really think it is important what companies say: they see the value of their product in their *brand*, not in the [Fairtrade] label. But the certification schemes of the niche markets, Rainforest and Utz Kapeh and Fairtrade…they are building their marketing aspects on labelling a *product*…I mean, imagine you go to a supermarket shelf and you see the product of Sara Lee and Nestlé and Kraft…all standing close to each other, and they all have the [Fairtrade] label on the product…[from the consumer's viewpoint] there's no credibility in the brand then…consumers will assume that a product that has been labelled has a very high value…[and that the label] is *the value* of the product…This is important to understand why the companies did not go for certification and labelling, and why they do not have an interest to transfer one of the existing certification systems to the mainstream…(fieldwork interview notes).

> …if you have three coffee roasters - all of whom deliver Max Havelaar coffee - but you cannot as a consumer distinguish the three from each other, then those roasters are not [going to be] interested at all in the Max Havelaar brand because they're investing in their competitor…(fieldwork interview notes).

The frontrunners of the fair trade brand movement identify with the role of game-playing. They have responded to MNCs' symbolic imitation of Fairtrade with new models that offer new pathways of empowerment for marginalised actors and reinvigorate the challenge to the *status quo*. Farmer-owned brand companies in fact have posed a more challenging threat than the certification model to the traditional business power structure defined by Northern corporate ownership. Democratising this power structure in favour of small-producers represents a paradigmatic shift for conventional corporate organisation and philosophy. Instead of competing with this more challenging commercial proposition, traditional brand companies have promoted the view that fair trade brands are 'unviable' for mainstream business. This is in spite of the uncomfortable reality of fair trade brands' continued commercial success. Here we gain insight into the battle that remains on the movement's horizon:

the principle of producer ownership. While MNCs can evade this political change within FLO's system, fair trade brands' increasing success will likely thrust upon institutional actors the necessity to transform for mere market survival.

> The future I see…is with these new ways of doing business that we're creating in the fair trade movement and with farmers, with new ownership structures of getting value back to poor farmers and poor communities and workers. … Are [conventional] companies going to genuinely change because [fair trade] is the way to do business, or are they going to become the dinosaurs of the future? Are they part of the new way of doing business…or do we slowly…*push* the boundaries and take consumers with us…In that situation, the *market* forces people to change or to exit (fieldwork interview notes).

Conclusion: mainstreaming producer ownership

In the context of the shifting basis of power and value in post-Fordist agricultural markets, fair trade brands are a particularly strong approach for pursuing the fair trade movement's aims to alter this structure in favour of producers. Despite their strengths, very few brands exist within the fair trade movement (especially outside of Europe) and, relative to public awareness about Fairtrade product certification, their added-value is inadequately recognised. Consumer knowledge about the added value that fair trade brands provide for producers over conventional companies selling Fairtrade products is crucial for building a critical consumer base in the context of increasing corporate entry into Fairtrade markets. If the movement is not only to survive but also shape the current phase of 'corporatisation' to realise genuine achievement of its mission, it is important that fair trade brands become a key focus in fair trade research, capacity-building and public education/advocacy work. Moreover, the leadership of the movement's 'game-players' (its pioneers) as opposed to its resistors (FLO and the NIs) will be crucial for ensuring the commercial and political sustainability of fair trade's future.

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[i] Producer-driven chains are coordinated by large transnational manufacturers and predominate in capital- and technology- intensive industries such as the automobile and airline industries (Gereffi, 1994).
[ii] Buyer-driven commodity chains predominate in labour-intensive sectors where production functions are typically outsourced and market information, product design and marketing/advertising costs set the barriers to entry for would-be lead firms (Gereffi, 1994).
[iii] A variety of forms of governance exist in value-chains, not only buyer-driven and producer-driven but also modular, relational and captive chains (Gereffi et al., 2005). *Modular* chains involve codification, enabling the segmentation of production chains, relatively independent suppliers and frequent transactions. *Relational* chains are characterised by solidarity, trust and cooperation and even power distribution throughout the chain. In *captive* chains, producers are closely controlled by retailers and processors through contractual agreements.
[iv] Globally, cocoa farmers have experienced increased exposure to such world market fluctuations since the global cocoa market was liberalised in the 1990s (except in Ghana).

[v] This is unlike other forms of intellectual property such as copyright and patents that offer only temporary monopoly.
[vi] For instance, of the 16,000 products that are launched on the US market each year, 95 percent are launched as brand extensions of existing brands (Murphy cited in Lury, 2004: 71).
[vii] Coffee is not the only agricultural commodity suffering from declining terms of trade. Others include cocoa, bananas, cotton, traditional commodities on which developing countries desperately depend (Robbins, 2003).
[viii] Products include not only coffee but also tea, rice, sugar, cocoa, fresh fruit, juices, honey, spices and nuts, sports balls, wine and flowers.
[ix] In 1989, the International Fair Trade Association (IFAT) was established to represent the global association of FTOs. Further development of regional networks then occurred (especially in the North), including in 1990 the European Fair Trade Association (EFTA) (a network of 11 fair trade importers across Europe); and in 1994 both the US Fair Trade Federation (FTF) (a national association for fair traders), and the Network of European World Shops (NEWS!) (a network of 15 national World Shop associations across 15 European countries).
[x] In 2006, AgroFair's Oké-labelled bananas gained access to marketing and distribution through a new fair trade company called Oké USA. Oké USA is owned by AgroFair, Equal Exchange (US pioneer in fair trade coffee) and Red Tomato (Boston-based non-profit organization that helps family farmers in New England to access markets, founded by co-founder of Equal Exchange). AgroFair farmers benefit from this ownership structure through ownership of company equity in addition to fair trade minimum prices and premiums.
[xi] Other investors and/or partners included The Body Shop, SNV, Comic Relief, DFID, the International Cocoa Organisation and Christian Aid (Tiffen et al., 2004: 24). Until July 2006, The Body Shop held ownership of 14 per cent of shares, and Kuapa Kokoo 33 per cent. The Body Shop donated its shares to Kuapa Kokoo which now owns 47 per cent of the company.
[xii] Cafedirect's recent restructure of its corporate governance model is somewhat different to Divine Chocolate. Producers own 5 per cent of shares, 40 per cent are 'guardian shares' divided among Cafedirect's founders (Equal Exchange, Twin Trading, Oxfam and Traidcraft), and the rest are owned by the public (whose ownership is limited to no more than 3 per cent of shares and who have limited voting rights) (see Cafedirect, 2004; see also Nicholls & Opal, 2005).
[xiii] The qualitative data cited as 'fieldwork interview notes' was collected during fieldwork conducted in April-July 2005 as part of the author's doctoral research (see Hutchens, 2007). Data were gathered in over 60 semi-structured interviews (either face-to-face or by phone) with practitioners in the fair trade movement. Interviewees were based primarily in Europe and the US and included individual FTOs, IFAT Executive Committee members, NI/FLO staff and board members, conventional traders and global brand companies, politicians and policy-makers, producers as well as civil society network members. All other quotes and references included in the analysis derive from existing research and are cited as such.
[xiv] An extended and complete version of FLO's funding model is analysed in Hutchens (2007), in which the issue of producer certification fees is addressed.
[xv] For instance, Max Havelaar Switzerland's total revenue derives from license fees, or 85 per cent in the case of the Fairtrade Foundation UK.
[xvi] Barrientos and Smith's (2007: 118, 120) research on retailers' participation in the Fairtrade system shows significant differences between retailers in their levels of commitment and contribution to Fairtrade principles. They also highlight that FLO Cert. will be unable to discriminate in favour of 'best' practice amongst traders if it seeks ISO 65 certification (international standards for product certification bodies).
[xvii] To extract greater value from already heavily concentrated markets, an emerging strategy for brand dominance is to outsource the production/manufacture of particular items to contract suppliers to enable them to concentrate their investment on branding and advertising (Gibbon & Ponte, 2005: 27).
[xviii] Certifying plantations has been necessary for products produced by plantation methods (such as tea). Despite an agreement with FLO producer-members that certification of plantations would be exclusive to plantation-only commodities and not for commodities produced by small-producers, FLO has begun doing so and in increasing amounts, such as has been the case with bananas and tropical fruits (see Raynolds, 2007; Wilkinson & Mascarenhas, 2007; Renard & Perez-Grovas, 2007).
[xix] Vorley (2003: 14-15) notes three types of 'rural world': the 'globally competitive' world of producers who work within consolidated supply chains; the 'shrinking middle' sector, who provide residual supply to global buyers on diminishing terms of trade; and the population of 'fragile livelihoods' who are unskilled, low-waged, uneducated labourers (often migrant) who work as urban

and rural casual labour. Suppliers of large MNCs can be located the first tier of producers in rural agriculture, hence certification of their operations comes at the cost of the second and third tier suppliers who suffer continued marginalisation and poverty.

[xx] An additional problem or barrier to entry into the Fairtrade system for small-scale producers is the certification fees they are now required to pay to FLO Cert. to become part of the system. FLO's governance structure has historically posed significant obstacles to producers' attempts to exercise greater influence over the market processes affecting them (see especially Chapter 6 in Hutchens, 2007).

[xxi] A popular example of symbolic imitation to capture the Fairtrade system is Nestlé's 'Partner's Blend' (launched in the UK in 2004), which amounts to less than one-tenth of 1 per cent of Nestlé's total volume (see North, February 10, 2006).