

A Taste of Trade Justice: Marketing Global Social Responsibility via Fair Trade Coffee

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ABSTRACT *The movement to certify and promote fairly traded coffee is one of many efforts aimed at linking social responsibility and free market capitalism. In the wake of a worldwide crisis in which coffee prices have fallen to levels that do not support small-scale production, non-profit Fair Trade certifying and labeling organizations are working to develop a market situation that is sustainable for workers and the environment. The Fair Trade system promotes living wages for farmers, access to affordable credit, and the adoption and maintenance of environmentally sound practices. Fair Traders' marketing efforts seek to influence cultural and political values in such a way that consumers and corporations will have to respond to them by incorporating the welfare of Southern workers into their purchasing decisions. This article discusses and evaluates current strategies for creating and expanding the market for Fair Trade-certified coffee and their outcomes in the United States and Europe. We argue that, while Fair Traders have achieved some laudable goals, they must now address the limits to supply-driven marketing efforts.*

The movement to certify and promote fairly traded coffee is one of many efforts aimed at linking social responsibility and free-market capitalism. Non-profit Fair Trade labeling organizations such as Max Havelaar and TransFair alter coffee's path from farmer to consumer by making it possible for farmers to form cooperatives to process and market their own beans. They aim to ensure that farmers earn a living wage for their produce, provide access to affordable credit, and promote practices that are sustainable for workers and the environment. The movement has linked consumer activists, farmers, environmentalists, development agencies and

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1474-7731 Print/1474-774X Online/04/020223–24 © 2004 Taylor & Francis Ltd
DOI: 10.1080/1474773042000308587

industry leaders—many of whom see coffee as one of the world's most powerful tools for social change (Rice and McLean, 1999). Fair Traders seek to influence the values of the cultural and political system in such a way that corporations—even the multinationals that purvey mass-market coffee—will have to respond to them.

Though still very small (from about 0.2% of total coffee sales in the United States to over 3% in some European countries), the market for Fair Trade-certified coffee is growing. For example, US imports of Fair Trade-certified coffee rose from 2.1 million pounds of green beans in 1999 to about 9 million pounds in 2002 and 18.5 million pounds in 2003 (TransFair USA, 2004). Yet this is still less than 0.1% of the nearly 3 billion pounds of coffee imported to the United States in 2003.¹ How much can this movement achieve? In this article we first outline the problems that led activists to create a Fair Trade 'solution', and how certification and labeling initiatives work. We then discuss and evaluate current strategies for creating and expanding a market for sustainable coffee and their outcomes in the United States and Europe. Finally we raise several limitations that challenge the continued growth of a Fair Trade system. We argue that Fair Traders (NGOs that label and market Fair Trade certified coffee and/or promote this effort) must not only educate consumers about the issues surrounding sustainable coffee, but also foster linkages that help Fair Trade producers respond to consumer preferences. Standards of social responsibility—issued by corporations, governments, producer organizations, via Fair Trade networks, or perhaps in combination—should link the profitability of the coffee industry with quality and sustainability.

Coffee, a Crisis and its Roots

Two species within the genus *Coffea* account for virtually all coffee traded. *C. arabica* is the original coffee, native to the highlands of Ethiopia. *C. canephora* (known familiarly as robusta) originated in the lowland forests of West Africa. It did not enter the commercial market until after the Second World War, as low-grade filler used in blends. *C. arabica*, the tastier species, typically grows at higher altitudes than robusta, and is more vulnerable to poor soils and diseases. It thus commands a higher price, but is susceptible to price competition since much of it ends up as a flavor component in canned coffee blends. Cup quality reflects growing and harvesting conditions (e.g., altitude, soil quality, weather) as well as the way the coffee cherries are processed to yield green (unroasted) coffee beans for market.

In the early 1990s *C. arabica* accounted for about three-quarters of the world coffee supply. This figure is around 60% today. Arabica production has declined and robusta production has risen (almost all of the recently planted coffee is robusta) because new technologies such as steaming to mellow harsh flavors make it possible for roasters to use more robusta in their blends. Even European countries that used to import almost exclusively arabica beans are now buying robustas. Meanwhile, some arabica producers find that prices have fallen too low to sustain the more labor-intensive cultivation and harvesting that these coffees need. Since grocery store blends are still 35–40% arabica, their makers have started to worry about having a continued supply of their blends' flavor components. Even specialty roasters who buy highest quality arabica beans at premium prices express concern that in the future they will not be able to locate enough of the coffees they are interested in (Gressler and Tickell, 2002).

The export price of coffee is pegged to futures contracts on the New York exchange. During the 1990s the 'C' price for green arabica coffee declined from a high of \$2.71/pound to as low as \$0.48/pound. Currently it is about \$0.76/pound. Figure 2 is a graph of the ICO composite indicator prices (which include arabicas and robustas) from 1984 to the end of the coffee harvest in 2004. Prices are no longer at all-time lows, but the ICO's most recent trade statistics show that

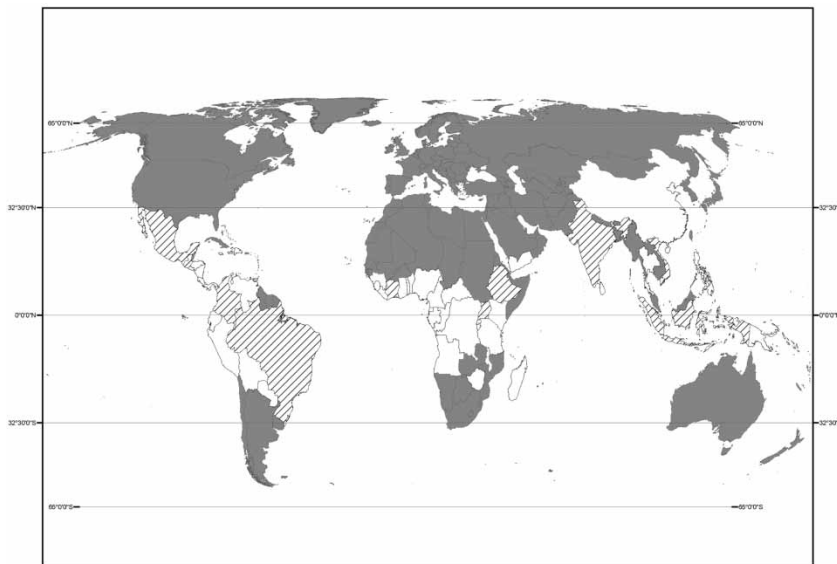


Figure 1. Coffee-growing regions of the world (top ten producers are striped). *Source:* International Coffee Organization.

total world coffee exports in the first five months of coffee year 2003/04 (October 2003–February 2004) were down 9.1% from the previous year.

An Overview of the Political Economy of the Coffee Trade

John Talbot’s (2002) discussion of ‘the old international inequality’ in the coffee trade begins in the seventeenth century, when Arab traders brought coffee from the area that is now Yemen to

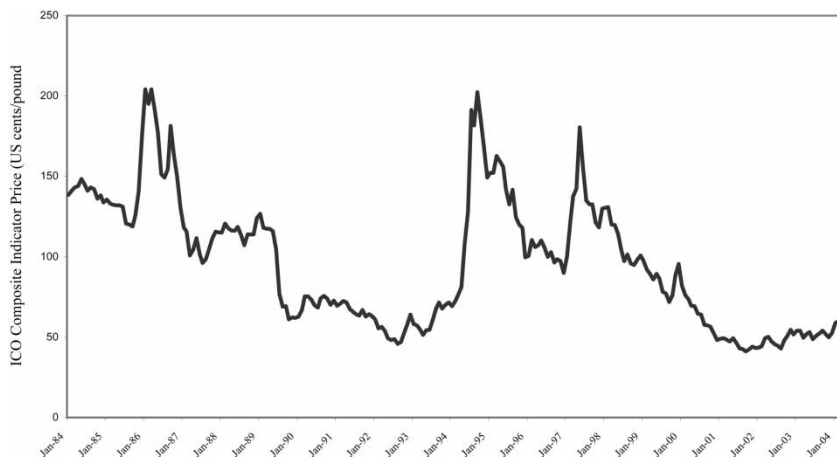


Figure 2. Coffee prices, 1984–2004. *Source:* International Coffee Organization.

Europe. In the late eighteenth and nineteenth centuries, European colonizers introduced coffee to Indonesia, the Caribbean, Brazil and Central America. After the colonies gained independence, core countries still dominated the coffee industry by continuing to produce blends based on the types of coffee that consumers in a particular country were used to getting from their former colonies. The use of blends allowed northern roasters to substitute coffees from broader geographic origins (e.g., West Africa or Central America) and thus maintain consistent taste at the best price. As Talbot (1997; 2002) has documented, large roasters' promotion of branded blends rather than origin-labeled coffees, plus the sheer market dominance of firms such as General Foods in the United States and Nestlé in Switzerland, made it nearly impossible for coffee-producing countries to add value to their product by roasting, packaging and selling coffee in the major consuming markets of Europe and the United States.² Coffee-producing countries continued to export green coffee to consuming countries, much as they did in colonial times. Landholding elites and entrepreneurial European immigrants took up the role that colonizers had played (Paige, 1997; Wagner, 2001; Wilkinson, 2002).

In the 1950s, coffee producing countries began to organize in hopes of bettering their market positions vis-à-vis consuming countries. By 1962, producing and consuming countries had successfully negotiated the International Coffee Agreement (ICA), which established an export quota system that limited the flow of coffee in the world market and specified, by country, maximum yearly export amounts of various types of coffee. Why would coffee-consuming countries, especially the United States (whose backing was essential), support an agreement that restricted the supply of coffee and raised its price? Primarily because the United States sought to contain the spread of communism. Latin American countries and some soon-to-be-independent and newly independent African and Asian countries had come to rely on coffee exports. Following the logic behind the Marshall Plan—that it was necessary to prevent economic deprivation from providing fertile ground for communist agitation in Western Europe—economic deprivation caused by excessively low coffee prices should be prevented in the newly designated 'Third World' (Bates, 1997; Tarmann, 2002).

Security issues notwithstanding, it took the United States almost three years to implement the ICA. It appears that 'this delay was grounded in the persistent, continued expectation on the part of the American public of its veritable 'right' to cheap coffee' (Tarmann, 2002, p. 69). Congress blocked implementation until concerns about the domestic political ramifications of higher coffee prices due to the ICA could be allayed. The House of Representatives only agreed to pass the implementing legislation with strict sunset clauses requiring reauthorization every two years.

The ICA, administered by the London-based International Coffee Organization (ICO), held coffee prices relatively high for almost 30 years. It did so in a manner that suited the economic and political interests of the largest producer and consumer members, Brazil and the United States, and the mostly US-based transnational corporations that controlled the coffee trade. But the ICA failed in the long term because the ICO did not adapt its rigid quota system to changing consumer tastes. Higher demand and prices for certain coffees encouraged over-quota production and illegal trading. By the end of the 1980s support for the ICA had eroded to the point that the agreement could not be renewed (Bates, 1997; Dicum and Luttinger, 1999; Pendergrast, 1999; Tarmann, 2002). Tensions ran so high that the ICO ended quotas in July 1989—a few months short of the current ICA's actual expiration date. The Soviet Union had collapsed; free trade and market ideology was sweeping the world. Except for producers, major actors in the international coffee trade had no further incentives to support the ICO. In 1994 the organization's much smaller membership restructured it as a promotional trade group.³

Post-ICA Developments in Producing Countries

Coffee was an important source of foreign exchange for most producing countries. In order to comply with the ICA, these countries established state coffee agencies that regulated prices within a country (e.g., the price paid to small farmers by the plants that processed their coffee cherries into exportable green beans) and issued export licenses.⁴ State agencies extracted revenues from the coffee sector, but this arrangement was advantageous to growers because the agencies cushioned growers' position in a fluctuating market by varying the proportion of the world market price that they returned to the growers. When prices were high, the state kept more; when they were lower, it kept less.

Even after the United States and international financial intuitions began pressuring less-developed countries to free up their markets, the ICA quotas protected these countries' coffee sectors. But when the quotas ended, structural adjustment programs compelled state marketing boards to give up their monopolies on exporting coffee. Coffee-growing elites supported this change because private exporting agreements would net them a higher percentage of the market price. But meanwhile, the suspension of ICA export quotas drove many coffee *importers* out of business, a development that further concentrated control of the coffee trade in the hands of large importing and processing transnational corporations (TNCs) that buy the vast majority of the world's coffee. Because these companies are multi-product conglomerates, they can often generate capital to finance their coffee operations in-house. They also are important customers of large banks and thus can borrow on most favorable terms (Talbot, 2002).

'Freeing' the coffee trade effectively transferred control from the governments of coffee-producing states to coffee TNCs. In the 1990s, temporary price spikes due to crop damage in Brazil encouraged over-planting of new coffee trees as well as new entrants into the market, notably Vietnam. Since 1990, coffee production worldwide has increased by 15%, whereas consumption has only increased about 7%.

Producers, industry analysts, activists, and even the coffee TNCs now concur that there is a global coffee crisis. In 2002, Oxfam reported:

There is a crisis affecting 25 million coffee producers around the world. The price of coffee has fallen to a 20-year low and long-term prospects are grim. Developing-country coffee farmers, the majority of whom are poor smallholders, now sell their coffee beans for much less than they cost to produce. The coffee crisis is becoming a development disaster whose impact will be felt for a long time. (Gressler and Tickell, 2002, p. 6)

The small farmers who grow over half the world's coffee earn only a fraction of coffee's export price because the typical pathway from producer to consumer (Figure 3) involves several intermediaries. When prices fall to levels as low as they have been since the 1990s, farmers can end up getting less than the cost of production for their crops. They must borrow against future harvests just to meet expenses. While it might seem advisable to transition from coffee to different crops or income-generating activities, small farmers usually do not have sources of funds and technical support for such a transition.

The coffee crisis has left many farmers in poverty, decreasing their families' health and their children's education prospects while encouraging migration to overcrowded urban areas where their wellbeing is likely to further diminish. In Central American countries, hardly a day goes by without a newspaper story about economic and social fallout related to the dismal coffee market. For example, recent articles report the collapse of the Salvadoran government's fund to provide emergency loans to coffee growers (Cabrera, 2003), and tell of farmers ceasing to harvest their coffee because the price of doing so exceeds what they would receive for their crop

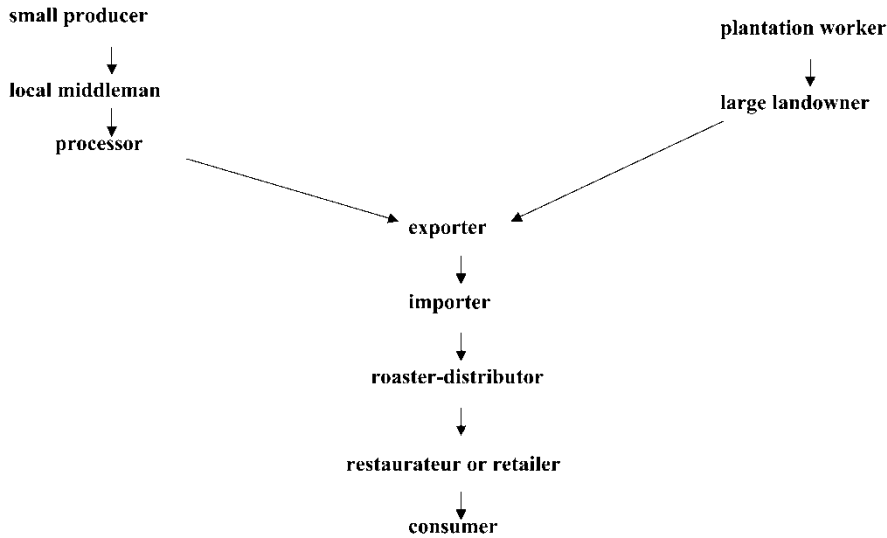


Figure 3. The conventional coffee path.

(Henríquez, 2003). In Guatemala, aid agencies describe the situation as a national emergency but government efforts to help families impoverished by the crisis have amounted to little more than empty promises (Garmendia, 2003).

The Fair Trade Alternative: World Citizenship instead of Global Consumption

The highest quality arabica beans go to specialty roasters. These companies compete on the bases of quality and product differentiation (e.g., a coffee's origin and the style in which it is roasted) much more than price, and typically pay top dollar for green coffee. Yet when coffee travels from farm to market via the traditional path, as shown in Figure 3, small farmers' benefit from the higher export price is limited. Unless they are already integrated into the high end of the specialty coffee market or are selling their coffee directly through an alternative trade organization such as Equal Exchange, these farmers have few—if any—incentives to grow high-quality coffee and cannot compete with other producers of low-quality coffee. Activist groups such as Global Exchange and Oxfam are working to make this situation visible to the coffee-consuming public and to promote an alternative: Fair Trade certification.

The internationally accepted criteria for Fair Trade coffee are:

1. Purchase directly from small farmers organized into democratically managed cooperatives.
2. Guarantee a floor price when market prices are low.
3. Offer farmers credit (an obligation of the importer).
4. Promote long-term relationships between importers and farmer cooperatives.

The Fair Trade movement thus creates an incentive for small farmers⁵ to organize into cooperatives and obtain and manage their own processing and marketing operations, thus eliminating the middlemen on the route between producer and importer. Cooperatives that meet the Fair Trade criteria market their coffee at a floor price of US\$1.26/pound or US\$0.05/pound

above the 'C' price, whichever is higher.⁶ With current market prices for Arabica coffees, the Fair Trade price is approximately \$0.66 per pound above the market rate for similar, conventionally produced coffees (Giovannucci and Koekoek, 2003, p. 20). Of the \$1.26 per pound, a farmer can net around \$1.10 per pound, with the rest going toward the transportation fees, co-op membership dues and other fees (Marklein, 2004).

The Fair Trade movement has been created to challenge the traditional neoliberal view of commercial conventions through a 'reconsideration of the meaning of "fairness" in commodity prices, market exchanges, and North-South relations' (Raynolds, 2002a, p. 410). Fair Trade labeling and certifying organizations help farmers establish cooperatives, monitor their practices and verify that coffee bearing a Fair Trade label was indeed produced and sold under Fair Trade conditions. The Fair Trade concept developed as Alternative Trade Organizations (ATOs) like The Netherlands' *Fair Trade Organisatie* and England's Oxfam Fair Trade started to trade directly with 'disadvantaged producers' (Giovannucci and Koekoek, 2003, p. 39). Max Havelaar Netherlands, founded in 1988, was first to introduce a Fair Trade label. During the 1990s similar initiatives spread throughout Europe and to Canada, the United States and Japan.⁷ These are listed in Table 1. Since 1997, Fair Trade initiatives have been united under the umbrella of the Fairtrade Labeling Organization (FLO) International, an umbrella group working to standardize the certification process for a wide range of products. FLO maintains a register of producer groups approved to sell to the Fair Trade market and monitors these groups' practices. This broader, international project has three central goals:

1. All consumers should have optimal access to the promoted alternatively traded products which should allow alternative trade to develop along the lines of 'normal' trade.
2. All the commercial parties in the established system must participate, since their long-term interests coincide with the interests of the third world producers.

Table 1. Fair Trade coffee certifiers worldwide

Country	Labeling organization	Year founded	% Market share (2000)
Austria	TransFair Austria	1993	0.7
Belgium	Max Havelaar Belgium	1991	1.0
Denmark	Max Havelaar Denmark	1995	1.8
Finland	Reilun kaupan edistämisyditys ry.	1998	0.3
France	Max Havelaar France	1992	0.1
Germany	TransFair Germany	1992	1.0
Ireland	Fairtrade Mark	1995	0.5
Italy	TransFair Italy	1999	0.1
Luxembourg	TransFair-Minka Luxembourg	1992	3.0
Netherlands	Max Havelaar Netherlands	1988	2.7
Norway	Max Havelaar Norway	1997	0.3
Sweden	Föreningen för Rättvisemärkt	1996	0.8
Switzerland	Max Havelaar Switzerland	1992	3.0
UK	Fairtrade Foundation	1994	1.5
USA	TransFair USA	1996	0.2
Canada	TransFair Canada	1994	0.4
Japan	TransFair Japan	1993	<1.0

Sources: European Fair Trade Association, TransFair Canada, TransFair Japan, TransFair USA.

3. All the prevailing prejudices related to alternative trade must be fought, especially in relation to the perceived reliability of the farmers and the quality of their products (Langeland, 1998, p. 3).

In the case of coffee, the Fair Trade alternative enables farmers to establish prices that support a living wage. But to be successful, Fair Trade cooperatives must produce coffee that high-end consumers desire (an issue we will return to later), and Fair Trade advocates in the North must get consumers to figure economic sustainability into their buying decisions. They are marketing global social responsibility—*world citizenship instead of global consumption* (Elkington, 1998).

Fair Traders' Marketing Strategies

Fair Trade labeling organizations promote a product to northern consumers, but what they are really selling is a social value: buying Fair Trade certified coffee will help alleviate severe social inequalities faced by farmers in Third World countries. In his study of anti-sweatshop and 'green' forest products initiatives, Tim Bartley notes that

in contrast to the notion that certification and labeling initiatives are merely responses to the rise of socially and environmentally responsible consumerism, research on these programs suggests that stable markets for certified products rarely exist before the programs are begun—at least not at a scale that would warrant the amount of effort being put into these programs. Instead, making markets for certified products is part of a larger institution-building project that occurs along with the construction of certification associations. (Bartley, 2003, p. 435)

Fair Traders—like the proponents of other market-based initiatives to improve working conditions or protect the environment—must create their market. To a large extent they have tried to popularize their products via what Galbraith calls a 'revised sequence', as opposed to the 'accepted sequence' in which consumers drive the market. 'The producing arm reaches forward to control its markets and on beyond to manage the market behavior and shape the social attitudes of those, ostensibly, that it serves' (Galbraith, 1974, pp. 216–17).

Marketing efforts and education campaigns are often used interchangeably, but do not necessarily mean the same thing. Marketing is 'a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others' (Kotler and Armstrong, 1994, p. 32). It is 'not the art of finding clever ways to dispose of what you make', but rather of 'creating genuine customer value' (Kotler Marketing Group, 2002). Thus, marketing is a means of communication in which exchange takes place. Education is part of marketing, but—unlike successful marketing—education does not necessarily create demand to purchase a product. In the case of Fair Trade coffee, education raises consumer awareness of a global labor issue and identifies a product designed to address that issue, but it does not necessarily sell the coffee.

Fair Traders have focused their efforts to sell the coffee on three groups: individual consumers, businesses such as coffee roasters and cafés, and institutional buyers such as universities and government offices. These efforts are discussed below.

The Demand Side: Individual Consumers

Fostering sustainable demand for fairly traded coffee through consumer education has been fundamental in addressing the first and third of the goals central to the Fair Trade movement: promoting access to fairly traded products and dispelling prejudices related to the quality of

these products and the reliability of their supply. Since consumers cannot ask for what they are unaware of, education is a first step toward stirring up consumer demand. Educational outreach began through the isolation of target consumers: those who are most likely to be socially conscious purchasers. For example, TransFair USA identified the potential market for Fair Trade coffee as individuals who are between 25–45 years old, have an annual income of \$35,000 or more, are college educated; live in ‘liberal’ towns, particularly in the Northeast, Midwest and Northwest; and are not put off by high prices (TransFair USA, 2002). The geographical component of this profile influenced TransFair’s decision to initiate their first campaigns in Oakland, Seattle, Washington DC and Boston.

Likewise, European Fair Traders first tried to target consumers who were already eager to buy socially responsible products. European labeling organizations have since extended their focus outward from a socially aware consumer base, attempting to attract greater, mainstream demand. While Fair Trade campaigns in the United States remain centered on college campuses and more traditional activist strategies including rallies, seminars, public information bulletins, and participation in various social and cultural events, Europeans have employed newer techniques aimed at grafting alternative trade into everyday activities and interests of more mainstream consumers. Examples of many of these can be found on the labeling organizations’ websites. The UK-based Fairtrade Foundation currently produces two educational packs: one specifically designed for primary school pupils and another that is much more flexible, enabling ‘teachers to introduce and develop the concept of Fairtrade in the classroom from Key Stage 2 to 16+, in a range of curriculum areas’. The Foundation’s website also lists multiple opportunities to ‘get involved’ in Fair Trade, such as the ‘Fairtrade Fortnight’ (Fairtrade Foundation, 2004). There are bulletin boards where teens can post comments and engage in discussions about trade issues, educational literature, recipes, songs (such as ‘Hip-Hop-Havelaar’), and the latest Fair Trade news. Max Havelaar Netherlands organizes a writing contest for Dutch youth in which participants are asked to write an essay discussing the international development of Fair Trade. The winner receives a trip to visit cooperatives and participate in public information events. Max Havelaar Belgium has published a comic book for classroom use entitled *The Struggle for the Black Bean*. In addition to copies of the book, teachers receive educational materials on Fair Trade coffee. Max Havelaar Belgium has also created a board game, ‘The Max Trade Game’, aimed at demystifying the global economy. And Max Havelaar France presents a play entitled ‘Aye Aye Aye Café’, an adaptation of the history of the Max Havelaar character. Some sites also offer simple ways for more dedicated individuals to become ‘ambassadors’ or representatives of the Elephant, Max Havelaar’s signature trademark. Partnering consumers are able to select from a list of promotional ideas and suggestions about how they personally can promote the label. This allows flexibility to individuals seeking to further engage themselves, yet allowing their involvement to be tailored to specific lifestyle needs, interests or constraints.

Media attention has also been a significant factor in Fair Trade education and advertisement to potential consumers. The Fair Trade movement in the United States has received some news coverage, but far less than European counterparts. European labeling organizations’ ability to reach a larger consumer base via the media is at least in part due to their greater monetary resources. Max Havelaar organizations in the Netherlands and Switzerland each had communication and marketing budgets of almost \$700,000 in their first operating year (compared to TransFair USA’s \$93,500). Max Havelaar Denmark was in the mainstream media almost ten times a week throughout its first year.

Despite different educational strategies and levels of market penetration, Fair Traders in the United States and Europe share a common, twofold goal: to teach consumers that they possess

the power to make a positive difference in the developing world through their purchasing behavior and to encourage them to *act* on this knowledge. Consumer empowerment through education is unequivocally viewed as a primary step toward creating a broad and sustainable demand for Fair Trade coffee.

The Northern Supply Side: Campaigns that Target Businesses

Fair Trade business campaigns aimed at increasing the supply of certified coffee available to consumers concern all three goals central to the labeling and certification initiative: increased consumer access, participation by all commercial parties, and the alleviation of prejudices against fairly traded goods. These goals are directly related to the movement's potential for building strong market relationships. Fair Traders want both to attract business participation by demonstrating that consumer demand already exists, and to encourage companies with large resources to create their own demand, thus enlarging the Fair Trade market.

Similar to strategies used to initiate consumer demand for Fair Trade coffee, business campaigns began by targeting companies with a predisposition towards socially responsible goods. In Europe, these included large roasters such as Neuteboom and La Semeuse. In the United States, roasters such as Green Mountain Coffee, specialty stores emphasizing 'natural' and environmentally friendly products, and independent coffee shops were among the first to start purchasing Fair Trade certified coffee. Many of these companies have made considerable efforts getting both their name and the Fair Trade label out into the mainstream market. Very soon, other roasters and grocery store chains signed on to the Fair Trade concept. In 2000, Trans-Fair USA entered into contract with Starbucks, the world's largest coffee chain. Shortly thereafter, Peet's, Seattle's Best Coffee and Tully's added Fair Trade-certified coffee to their product lines.

As opposed to more singularly focused consumer campaigns, Fair Traders' strategy to solicit business participation is twofold: to encourage companies to act in a socially responsible manner (by embracing Fair Trade certification) and to strongly *discourage* businesses from neglecting their social responsibilities (by not offering Fair Trade certified products). In this 'good-cop, bad-cop' approach, labeling organizations are primarily the good cops, forging contractual agreements with companies wishing to purchase certified beans. Through lower-visibility tactics, labeling organizations promote a win-win situation. A company's sales increase to the extent that it meets already existing demand for the Fair Trade product. There is also potential to create and profit from new demand for the same and, ultimately, to protect the coffee-producing farmers to which future profits are tied. Other examples of the benefits businesses receive in turn are a socially conscious reputation and increased customer brand loyalty.

On the 'bad cop' side of Fair Trade business campaigns, NGOs such as Global Exchange take on the role of discouraging non-participation. They engage in high-pressure tactics such as threats of smear campaigns or boycotts in order to force companies to embrace the Fair Trade concept. As acknowledged by a representative of Seattle's Best Coffee⁸ David Wickberg (2002), scare tactics have created tension between the Fair Trade movement and the business world. While such strategies are not particularly conducive to building alliances between Fair Traders and corporations to advance farmer interest, they *have* at times been successful in convincing roasters to purchase Fair Trade certified coffee.

There are no formal guidelines about the responsibility of companies that sell Fair Trade coffee to educate consumers about it and promote sales. Businesses are generally in a better position to do this because of their greater marketing infrastructures and visibility. Difficulties that

roasters and retailers may face in advertising Fair Trade coffee to their customers include confusion with other sustainable coffees (such as organic or shade-grown), saturated markets, and increasing brand competition (Schreiber and Lenson, 1994). This has led to a rise in cause related marketing (CRM), also known as societal marketing—a strategic positioning and marketing tool that links a company or brand to a relevant social cause or issue, for mutual benefit. Consumers are known to be anthropomorphic about brands, attaching emotional and practical aspects to them (Pringle and Thompson, 1999). Corporations therefore promote brand attachment in a way that utilizes Fair Trade to their advantage and adds to their brand's 'soul'. But integrated branding, an organizational strategy used to drive company and product direction (LePla and Parker, 1999), is much harder in the case of Fair Trade coffee because Fair Trade is already a separate 'brand' to which competitors have access. Yet at the same time a roaster or retailer can be negatively singled out for not offering a Fair Trade-certified product.

So how does a corporation develop a CRM strategy for promoting Fair Trade coffee? The first step is to incorporate customers' values and social concerns (Scriber and Lenson, 1994). If a company can align its Fair Trade marketing focus with part of an experience that its customers want to have, consumers will respond to it again and again. For corporations that already enjoy strong brand loyalty from their customers, the Fair Trade label could become a 'brand extension' (David, 2000, p. 132). The synergy here is evident; there can be mutual benefits for both the company's brand and the Fair Trade 'brand'.

Starbucks's recent 'Commitment to Origins' campaign illustrates the usage of Fair Trade coffee to retain brand loyalty. The Starbucks website states,

Purveying quality coffees means much more than selecting the finest beans on the market. It means protecting a way of life for our farmers by supporting social, economic and environmental issues that are crucial to their livelihood. Commitment to Origins is dedicated to creating a sustainable growing environment in coffee origin countries. (Starbucks, 2003)

The Commitment to Origins campaign includes Fair Trade, organic, Farm Direct,⁹ and conservation (e.g. shade-grown) coffees, and encompasses alliances with Conservation International and CARE. Starbucks does not aim to single out Fair Trade coffee as the only socially responsible coffee, but rather to allow the consumer to identify a whole line of branded products that have been produced and obtained through socially responsible means. Starbucks's tactic has been to convince consumers to buy Fair Trade coffee as part of their overall 'Starbucks experience'—as one choice in a line-up of socially progressive products. Some Fair Traders do not support this approach, positing that Starbucks is just adding a new product line for the socially conscious and not changing their basic purchasing policies (Cabrera, 2001). Starbucks's response is that the company's ultimate goal is to have consumers identify all Starbucks products as socially responsible.

The Northern Supply Side: Campaigns that Target Institutions

Another supply-side tactic is to convince large buyers to switch to a Fair Trade product. Global Exchange, Oxfam, TransFair Canada and TransFair USA have done much to help student groups raise awareness of Fair Trade issues on campus and convince their institutions to offer Fair Trade certified coffee. At least 90 US colleges and universities now make the coffee available in their food service establishments, with some serving it exclusively (Global Exchange, 2003).¹⁰ Several city governments have also switched to Fair Trade coffee, and a US Senate resolution calling for government purchases of it is currently under discussion (Levi and Linton, 2003).

In Europe, Max Havelaar organizations have been an active force in targeting political institutions. Fair Trade coffee is served in most city halls, national parliaments and in the European Union Parliament.

Evaluation and Critique

Since the first Fair Trade initiative (Max Havelaar Netherlands) was launched in 1988, sales of Fair Trade-certified coffee have risen steadily. Yet, while the numbers reported by Fair Trade associations are impressive, they represent a very small proportion of the coffee trade. Table 1 does indicate that Fair Trade coffee's market share is somewhat higher in places where labeling organizations have been active for a longer. In 2000, Fair Trade-certified beans accounted for about 3% of the total coffee market in The Netherlands, Luxembourg and Switzerland and around 1% in most other European countries. In this section, we first analyze the differential success of Fair Trade initiatives, and then explore reasons why—in all cases—Fair Trade plays such a minor role in the market, and what might be done about this.

Public Awareness and Purchasing of Fair Trade Products

Fair Trade-certified coffee is not in high demand. TransFair USA's 1997 consumer study revealed that 49% of specialty coffee drinkers surveyed said they would buy Fair Trade coffee if it were available to them, but actual purchases have been much lower. For example, in fiscal year 2001 Starbucks bought 653,000 pounds of Fair Trade certified coffee, and was only able to sell 186,000 pounds (24.48%) of it. Data pertaining to public awareness and purchasing of Fair Trade certified products are much more extensive for European countries than for the United States and Canada. We make use of such data to evaluate the success and potential of Fair Trade campaigns. Table 2 shows labeling organizations' expenditures on consumer education, public relations and marketing in 2000.¹¹ The final columns report two different estimates of public awareness of Fair Trade. The 1997 figures come from the Eurobarometer public opinion survey (Melich, 2000), which included several questions about consumers' knowledge and purchasing of Fair Trade-certified products.¹² The percentages represent persons who answered *yes* to the question 'Have you heard about Fair Trade products?'¹³ The 1999/2000 estimates come from much smaller surveys conducted by a variety of organizations. Here consumers were asked if they had heard of the labeling organization specific to their country. In European countries with Fair Trade labeling organizations, about 38% of the population (in 1999 or 2000) knew about Fair Trade.

The analyses reported in Tables 3 and 4 explore factors that correspond to the probability that a European individual (1) knows something about Fair Trade and (2) has purchased a Fair Trade-certified product. In Table 3, Model 1 shows that younger, higher income people are statistically more likely to have heard of Fair Trade, regardless of their political leanings. Model 2 indicates that, in addition to individual characteristics, the odds of knowing about Fair Trade increase with the time that a labeling organization has existed in one's country of residence. The final model includes a marker signifying residence in The Netherlands. Controlling for other factors, the Dutch are nine times more likely to be aware of Fair Trade than other Europeans! We will return to this point. First, we examine the degree to which knowledge of Fair Trade products corresponds to purchasing them.

If a respondent reported that they had heard about Fair Trade they were then asked, 'Have you ever bought any of this type of products?' Figure 4 contrasts the percentages of persons *that have*

Table 2. Public awareness of Fair Trade in Europe

	Expenditures on education, PR, & marketing (2000)		% public awareness of Fair Trade	
	€	Per capita	1997*	1999/2000**
Austria	380,000	0.05	31	30
Belgium	770,000	0.08	37	36
Denmark	310,000	0.06	33	36
Finland	180,000	0.03	19	NA
France	530,000	0.01	14	91
Germany	1,300,000	0.02	33	41
Ireland	170,000	0.04	30	NA
Italy	210,000	0.00	21	NA
Luxembourg	50,000	0.13	56	20
Netherlands	2,230,000	0.14	86	74
Norway	80,000	0.02	NA	6
Sweden	300,000	0.03	23	13
Switzerland	420,000	0.06	NA	60
UK	2,970,000	0.05	38	16
<i>Average</i>	<i>707,143</i>	<i>0.05</i>	<i>35</i>	<i>38</i>

Sources: *Eurobarometer 1997. The survey question describes fair trade products in general, then asks if respondent has heard of these products. **Small surveys compiled by the European Fair Trade Association (EFTA). The knowledge question pertains specifically to awareness of the country's labeling organization.

heard of Fair Trade who have and have not actually purchased a Fair Trade product. Clearly, consumer education does not always translate to purchases of Fair Trade products. Here and in Figure 5 it is also noteworthy that in The Netherlands and Luxembourg most of the people who know about Fair Trade *do* make Fair Trade purchases, at least on occasion.

Table 4 repeats the multivariate analysis in Table 3, this time with *buying* Fair Trade products as the dependent variable. All persons included in this analysis reported knowing about Fair

Table 3. Odds ratios for logistic regression of *knowing about* Fair Trade product, Europe, 1997 (N = 16,362)

	Model 1	Model 2	Model 3
Income (4 quartiles)	1.23***	1.24***	1.26***
Age (4 quartiles)	0.95***	0.94***	0.95*
Male	0.99	0.99	0.98
Politically left (1–10 scale)	1.02	1.01	1.02
Years certifying organization active		1.20***	1.10***
Netherlands			9.37***
– 2 log likelihood	18,903	18,239	17,808
Chi-square	141***	805***	1,236***

*p < 0.05; **p < 0.01; ***p < 0.001

Source: Eurobarometer 1997.

Table 4. Odds ratios for logistic regression of *buying* Fair Trade products (given that one knows about them), Europe, 1997 (N = 4949)

	Model 1	Model 2	Model 3
Income (4 quartiles)	1.13***	1.15***	1.16***
Age (4 quartiles)	1.08**	1.07**	1.07*
Male	0.83**	0.84*	0.83**
Politically left (1–10 scale)	1.12***	1.13**	1.13***
Years certifying organization active		1.13***	1.08***
Netherlands			1.63***
–2 log likelihood	5,977	5,862	5,848
Chi-square	72***	188***	201***

*p < 0.05; **p < 0.01; ***p < 0.001
 Source: Eurobarometer 1997.

Trade. The results show that Fair Trade purchasers are most likely to be left leaning, female and relatively prosperous. The relationship between certifying organization activity and buying is almost identical to that with knowing about Fair Trade; the odds of buying increase by 8% per year of the organization’s presence in one’s country.

The strongest predictor that a European knows about or has purchased a Fair Trade product is living in The Netherlands. What makes this country’s Fair Trade movement stand out?¹⁴ We identify four factors: history, resources, product availability and product variety.

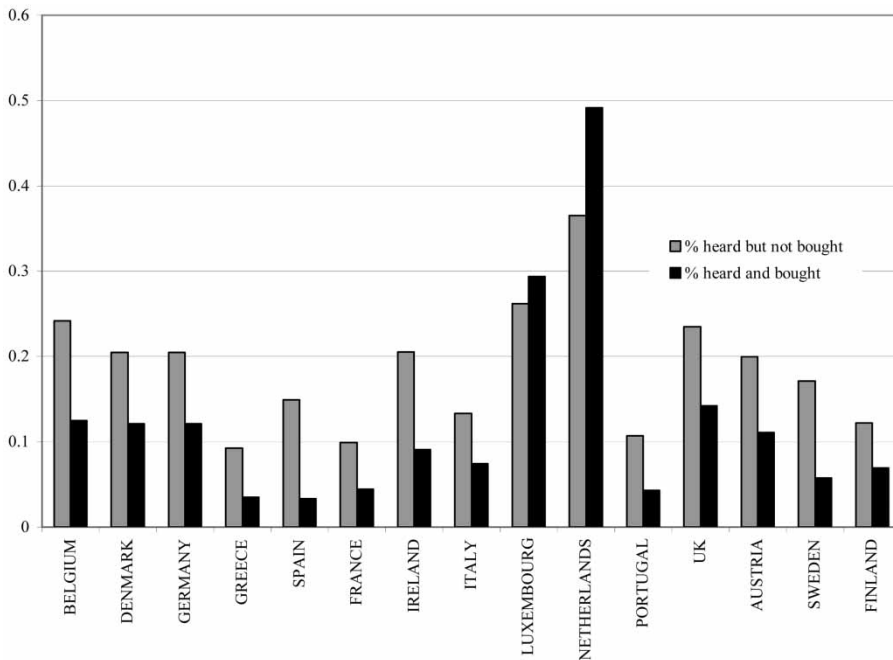


Figure 4. Knowledge and purchases of Fair Trade-certified products in Europe, 1997. Source: Eurobarometer 1997.

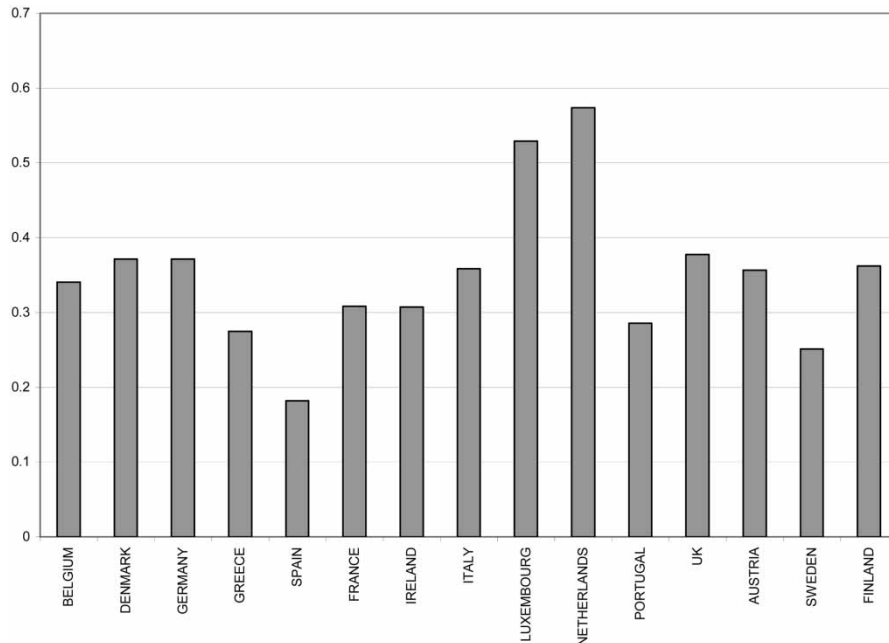


Figure 5. Percent purchasers among persons who know about Fair Trade products, 1997. *Source:* Eurobarometer 1997.

- *History:* The Netherlands' earliest Fair Trade organization, *Fair Trade Organisatie* (then called SOS), was founded in 1959. Alternative Trade outlets such as World Shops have existed there since the 1960s.¹⁵
- *Resources:* As Table 2 shows, Max Havelaar Netherlands and TransFair-Minka Luxembourg spend about twice as much as other European labeling organizations on education and promotion. It appears that resources matter in terms of public awareness *and* purchasing.
- *Availability:* Our examination of the lists (found on labeling organizations' websites) of retailers offering Fair Trade coffee in Europe indicates that it is exceptionally easy to locate Fair Trade coffee in the Netherlands. It is available at virtually all of the mainstream supermarket chains, besides specialty shops and other outlets.
- *Variety:* In The Netherlands, there is a comparatively wide variety of Fair Trade Certified coffee to choose from. Individual consumers are thus more likely to find a Fair Trade brand that suits their taste.

The analysis and discussion above identify factors contributing to consumers' knowledge and purchasing of Fair Trade products, and suggests ways in which demand for them might be expanded. But it leaves much of the larger question unanswered: Why, after a decade and a half of Fair Trade activism, is the Fair Trade market still so small?

The Oversupply Problem

The Fair Trade movement attempts to address the coffee crisis by setting a price floor. However, the currently low coffee prices are most indicative of the oversupply of coffee—prices

themselves do not set quantity, supply or demand. Fair Trade does not directly address the root of the coffee crisis: a glut in the coffee market. Currently there are many coffee cooperatives that could qualify for Fair Trade certification but are not being certified by FLO because there is not enough demand.¹⁶ Certified cooperatives often sell only a small percentage of their beans (about 20% on average) at the Fair Trade price (Pendergrast, 2002),¹⁷ and less than half of the total production volume of FLO certified coffee growers is sold as Fair Trade coffee (Schrage, 2004, p. 82).

Constraints to Supply-driven Marketing

While Fair Traders maintain that retailers and corporations need to offer Fair Trade-certified coffee because of consumer demand, they also proclaim that corporations need to *create* that demand. While it is true that corporations like Starbucks can utilize their brand name to help promote a Fair Trade product, they too are subject to consumer demand and cannot force their customers to purchase a coffee that they do not desire.

On the other side of the coin, there are also those who criticize Fair Trade coffee and certification schemes for undermining their progressive goals by ‘failing to engage in true forms of alternative economic coordination and relying instead on industrial standard-based certification’ (Raynolds, 2002a, p. 420). Thus Fair Traders are operating in a precarious balance, adhering neither to the true forms of alternative trading methods nor to the traditional supply and demand model.

While Fair Trade attempts to provide producers an economically sustainable model, it does not offer a ‘response to the macro-economic conditions of the market fundamentally responsible for price credit and behavior’ (UNCTAD and IISD, 2002, p. 11). TransFair USA director Paul Rice has noted that ‘the mistakes that activists sometimes make is that they’re so possessed by this heartfelt concern for the farmer—which I share, obviously—that they sometimes forget the business realities that we’re all in some sense constrained by’.¹⁸ Fair Traders must conform to the business realities of the industry they have targeted: specialty coffee. First and foremost, this means responding to demand for quality—the factor by which the specialty coffee industry differentiates itself.

As Donald Schoenholt (2001), specialties editor for the trade journal *Tea and Coffee*, notes, ‘A guaranteed premium price without a guaranteed premium cup is not sustainable.’ Schoenholt asserts that while Fair Trade coffee is a laudable movement, it often does not always provide laudable coffee. A less than top quality coffee ‘must find a market elsewhere’. Only more recently has Fair Trade placed more emphasis on quality. In the movement’s earlier stages, the cause of helping farmers earn a sustainable living was deemed more important than coffee quality (Giovannucci and Koekoek, 2003).

Besides turning some attention to helping farmers produce coffee that will be of a quality that is desirable in the specialty market, of late Fair Traders have also initiated efforts to help growers and potential buyers learn more about each others’ needs and constraints. For example, Fair Trade groups have arranged coffee industry representatives’ visits to farmer cooperatives and sponsored cooperative representatives’ visits to specialty coffee trade shows.

Specialty Coffee vs the ‘Big Four’

Only about 8% of annual coffee production goes to the specialty market (Schrage, 2004, p. 66). Especially in North America, there is a sharp divide between the relatively tiny specialty coffee

industry, in which competition is based on quality and product differentiation; and the huge non-specialty coffee industry, where profits come from low costs and high volume. Four TNCs dominate the world coffee market: Proctor & Gamble (Folgers, Millstone), Altria Group/Philip Morris (owners of Kraft Foods; Jacobs, Maxwell House, Carte Noir, Maxim, Blendy, Gevalia, Jacques Fabre, Kenco, Kaffee Hag, Saimaza), Nestlé (Nescafé, Nespresso, Taster's Choice), and Sara Lee (Chock Full o'Nuts, Hills Brothers, Chase & Sanborn, MJB). None of the 'Big Four' have seriously ventured into sustainable coffees; only Proctor & Gamble and Sara Lee offer a Fair Trade-certified coffee as part of their higher-end lines. Activist groups have started to direct some of their efforts at large corporations (e.g., Global Exchange's Folgers Campaign) but this is unlikely to have much impact given the Big Four's imperative to procure coffee at the lowest possible prices. Some large roasters have chosen to make direct donations to coffee farming communities rather than engage in Fair Trade (Gressler and Tickell, 2002; Nestlé, 2003). Donations, however, will not solve a market-based crisis.

In comparison to the Big Four, the specialty coffee industry generally operates in a much more socially responsible way. The sustainability of the specialty coffee industry depends on the continuing availability of quality coffee, which requires balancing 'economic, environmental and social challenges' (SCAA, 2003). Specialty coffee producers are also the coffee producers least affected by the low world market prices because they procure premium coffees that command prices well above the market price (Schrage, 2004, p. 94). There is no oversupply of specialty coffee.

Thus, by making the specialty niche their primary target, Fair Trade coffee campaigns inadvertently attacked 'a segment of the industry that uses the least fertilizers and pesticides, has the best land management and labor practices, and that has the most hope of obtaining a premium for their product' (Castle, 2001). In the beginning, Fair Traders alienated some specialty coffee roasters by treating them as adversaries instead of customers. Many specialty coffee roasters and retailers felt 'insulted' by activists' criticism of their business practices (Macray, 2003), e.g., Global Exchange director Deborah James referring to all non-Fair Trade specialty coffee as 'gourmet sweatshop coffee' (Schoenholt, 2001).

Can Fair Trade Change Society's Norms?

Where demand didn't exist, companies were able to create it. By soliciting the help of norm-setting corporations to promote an ideology, Fair Trade could expand its market segment considerably. (*Times International*, 9 April 2001)

To effectively change society's norms regarding the need for sustainable goods in the marketplace, the Fair Trade message must extend to consumers and companies that as yet remain indifferent to concerns surrounding workers in other countries. There are still large consumer and institutional markets that are either unaware of the concept of Fair Trade or simply have not been persuaded to do anything about it. We suggest that—since businesses hold the key to capital, market share and consumer influence—Fair Traders need to strengthen their relationships with businesses and help their producer partners to do the same. On the business side, such efforts are congruent with the concept of Corporate Social Responsibility (CSR).

CSR is neither at odds with Fair Traders' goals nor anti-market. CSR is based on the idea that corporations have responsibilities to society beyond profit maximization (Pava and Krausz, 1995). In the United States, CSR's more modern form emerged in the 1960s, but it is actually rooted in much older concerns about preventing monopolies and labor issues—matters that were eventually addressed via government intervention. However, absent legislative pressures, many corporations have voluntarily chosen to integrate social issues into their operating and

decision-making processes. In an article on CSR in the *Harvard Business Journal*, Michael Porter and Mark Kramer (2002, p. 59) observe, 'The most effective method of addressing many of the world's pressing problems is often to mobilize the corporate sector in ways that benefit both society and companies'. Because companies do not function in isolation from society, economic and social issues are not at odds with one another. In the case of the Fair Trade movement, the labeling organizations' 'good-cop' approach of helping direct businesses' endeavors to support Fair Trade appears most advantageous.

Nico Roozen, the founder of the 'Max Havelaar' coffee fair trade label, said in a speech at the 2004 Atlanta SCAA conference:

The companies that are taking on the challenge of CSR are not charities . . . [they are] companies that act within a competitive environment and who do not necessarily position themselves as "idealistic" brands. The companies we are working with are pioneers in their branch in translating CSR-policies into concrete activities. (Roozen, 2004)

Regarding the importance of company-initiated marketing efforts for Fair Trade products, Sue Mecklenberg (2002), vice president of business practices of Starbucks Corporation, notes: 'If we wait for the consumer to get it, the game will be over'. The relationship between businesses and NGOs is essential in broadening not only the corporate base of the market but also in promoting a norm change in the consumer base. Roozen further notes that

a code of conduct for the coffee branch must really make a difference for coffee producers. CSR is of no use when it only brings us a different *story* about reality . . . The market lacks a social framework that can give expression to the social and environmental costs of production. Exactly this social and environmental shortage makes CSR necessary. The market will not offer a sustainable product just by itself . . . A CSR concept defining better trading conditions does not interfere within the market. It merely adds a new social framework to the market, allowing prices to tell the truth about social and environmental costs. (Roozen, 2004, pp. 2–3)

Another way the coffee industry has attempted to address the coffee crisis is through private voluntary initiatives (PVIs). PVIs have been less developed in the coffee industry (and agricultural sector in general) than in other industries with global supply chains. This is because of the complex nature of the coffee supply chain, where factors like the lack of direct relationship between producer and consumer, commodity price volatility, and seasonal change in demand for labor during harvest make it hard to exert enough pressure or incentives within any part of the coffee supply chain to address things like labor rights and environmental concerns (Schrage, 2004, p. 61). But PVIs in the coffee sector do exist in the specialty market. Their emergence reflects reasoning like that of David Griswold, president of Sustainable Harvest Coffee. He writes,

To me, the companies that will be successful are the ones that commit themselves to a way of sourcing coffee that has transparency, traceability, and integrity. Then they figure out what parts consumers want to hear about, what parts their employees want to hear about, and what parts they do simply because it's the way they're going to maintain a sustainable supply of the coffee they want. (Foley, 2004, p. 9)

An example of a PVI is Utz Kapeh, which is a partnership between coffee brands, producers and civil society. Utz Kapeh relies on the Utz Kapeh Code of Conduct and the Sustainability Differential to certify its coffee, and is attractive to many roasters because it does not require them to pay a premium price and can be aimed at middle and large-scale farms. Another example is Starbucks' recently launched 'CAFE Practices', an incentive performance-based program that uses independent third-party verifiers (such as people from the Rainforest Alliance) to audit farms on environmental and social indicators. Suppliers who wish to apply to the

program must first pass quality profile and economic transparency requirements, and their final scores determine their ranking of preference that Starbucks chooses to buy coffee from. There are premiums awarded for high performers, and this program is currently under development (Starbucks Coffee Company and Scientific Certification Systems, 2004).

While PVIs by the major coffee brands, especially the Big Four; and by coffee-trading companies (that take delivery of coffee in importing countries, hold it as inventory, and then sell it to roasters)¹⁹ may have the greatest impact on labor standards for the greatest number of coffee farmers and workers, it is still doubtful that such PVIs will develop without government interventions.²⁰

Conclusion

Fair Traders and others promoting sustainable coffee production have done much to raise consumer and business awareness of the issues involved while helping small farmers improve the conditions under which they work and live. The most successful Fair Trade organizations have relatively generous resources at their disposal and—in addition to raising public awareness—have worked to increase the availability and variety of Fair Trade-certified coffees in the consumer markets they serve. This article has raised several challenges that, we assert, need to be addressed if the market for sustainable coffee is to grow beyond its small segment of the specialty niche. It has also suggested strategies for overcoming these challenges.

We are optimistic about the potential for expanding Fair Trade's share of the coffee market. Fair Traders have definitely improved awareness of the need for sustainability in the coffee sector, raised the social consciousness of consumers and increase pressure towards the broader adoption of ethical codes of conduct and PVIs by mainstream processors and retailers (Jones and Bayley, 2000, p. vvi). We must, however, emphasize that Fair Trade is not the solution to the global coffee crisis. Breaking the vicious cycle of growing coffee that cannot be sold is the key to providing stability to coffee producers. What need to be addressed are the problems of over-production and poor countries' reliance on a few export commodities. Fair Trade coffee is only one way to help ameliorate hardships on small coffee farmers.

Consultant Krystell Maya Guzman (2003) asserts that 'dependence on the coffee "C" market as a price-determining factor must be changed . . . Set price structures can be created that take into account the true production cost of growing and selling green coffee.' While initiatives like Fair Trade coffee and PVIs like Starbucks' CAFE Practices show great flexibility and promise in adapting and ameliorating specific geographical coffee problems, they are still limited in their ability to address macro-economic conditions of the market at a systemic level, which is what the ICO seeks to influence (UNCTAD and IISD, 2002, p. 9).

The ICO also promotes a multi-faceted approach to the crisis, with an emphasis on political solutions and inter-government cooperation.

One of the primary objectives of the International Coffee Organization is providing a forum for inter-governmental consultations. Working towards securing a healthy world coffee economy is important economically and politically in importing countries as well as being desirable from the viewpoint of encouraging economic development both to improve living standards in producing countries and to increase markets for goods produced in consuming countries. As a respected intergovernmental organization which speaks for both producers and consumers, the ICO has a focal role to play in channeling international cooperation between consumers and producers and developing political solutions for issues such as the crisis of low prices currently facing producing countries.²¹

The recommendations above call for augmenting the approach taken by Fair Traders and other sustainability initiatives with commodity agreements (set price structures would necessitate

some government regulation of supply), while avoiding the pitfalls that led to the ICA's failure. They also call for international standards. There are many existing international standards outlining ethics, human rights and corporate social responsibility; they include the United Nations Global Compact, International Labor Organization (ILO) Covenants, ILO Tripartite Convention on Multi-national Enterprise, Global Sullivan Principles, Principles for Global Corporate Responsibility, Amnesty International Guidelines for Companies, and China Business Principles. UN High Commissioner for Human Rights Mary Robinson recently said the following on business as an 'organ of society': 'It is not a question of asking business to fulfill the role of government, but of asking business to promote human rights in its own sphere of influence' (Bennett, 2002, p. 397). The standards listed above, however, are not yet encoded in a binding international treaty. Attaining compliance poses a formidable challenge, but not an impossible one.

A solution to the coffee crisis will involve private certification schemes and voluntary agreements as well as enforceable laws and international standards. Fair Trade, we believe, will continue to play an important role in creating and expanding international market relationships that incorporate sustainability and social responsibility.

Acknowledgements

We thank Angela Fertig, Barry Gills, David Holiday, Margaret Levi and an anonymous *Globalizations* reviewer for helpful comments. An earlier version of this paper was presented at the meetings of the International Studies Association in Portland, Oregon, 25 February 2003.

Notes

- 1 The International Coffee Organization's website, <http://www.ico.org>, contains up-to-date coffee trade statistics.
- 2 Producing countries' distance from the major buyers was also a disadvantage because (with the exception of soluble products) roasted coffee goes stale quickly.
- 3 This is the ICO's current status, though recently it has produced resolutions addressing the coffee crisis and calling for the United States to rejoin the organization.
- 4 Talbot (2002) provides an interesting and detailed account of state coffee agencies' activities in various parts of the world.
- 5 Lots of coffee is also grown on large plantations worked by day laborers. Some plantation owners uphold minimum wage laws and maintain decent working conditions, but many do not (James, 2000; Diebel, 1997). Efforts to organize coffee workers have been largely unsuccessful because coffee production is highly decentralized. The seasonality of the coffee harvest and growers' management strategies (e.g., paying pickers a piece rate, which increases competition among them) also hampers union activities (see Ortiz, 1999). Given such constraints, it is logical that NGOs and others seeking to improve conditions for coffee workers have first targeted small farmers rather than landless workers.
- 6 If coffee sold under Fair Trade terms is also certified organic the price is US\$1.41/pound or US\$0.15 above the 'C' price, whichever is higher.
- 7 For more detailed information about the history of the Fair Trade movement, see Grimes (2000). Dicum and Luttinger (1999) and Levi and Linton (2003) summarize the emergence and growth of Fair Trade coffee initiatives. Reynolds (2002b) reviews existing research on the potential of Fair Trade as a poverty alleviation strategy.
- 8 Seattle's Best Coffee is now owned by Starbucks.
- 9 'Starbucks exclusive single-origin coffees purchased directly from the source' (Starbucks, 2003).
- 10 Resnick's (2003) case study of Western Washington University students' efforts to put Fair Trade certified coffee on their campus documents challenges, strategies, and outcomes typical to such campaigns.
- 11 For comparison, in 2001 TransFair USA spent US\$486,202 on marketing and consumer education, or about \$0.002 per capita. TransFair Canada spent CA\$23,468, or about \$0.001 per capita (TransFair USA, 2002, TransFair Canada, 2002).

- 12 72% of persons reporting the purchase of Fair Trade products said they bought coffee, making it by far the most common. Other products in the survey include crafts (40%), tea (36%), chocolate (25%), dried fruit (17%), honey (17%) and sugar (15%).
- 13 Full text: 'Some products from developing countries carry a 'fair trade' (USE APPROPRIATE NAME IN EACH COUNTRY) mark or label. This mark guarantees that the products have been produced ensuring fair working conditions for farmers and employees, and respecting the environment. It also means that a fair part of the profit is transferred back to the producers and/or workers. Have you every heard about this type of products, or not?'
- 14 In the case of Luxembourg the country marker becomes non-significant with control for years that a labeling organization has been active there.
- 15 The relatively maturity of Max Havelaar Netherlands (founded in 1988) also led us to test for a cumulative effect of the time a certifying organization has been present, but we found this not to be the case.
- 16 As of this writing, FLO is only considering cooperatives that already have organic certification for Fair Trade certification. Giovannucci (2002) and Taylor (2002) discuss reasons why market demand for organic coffee greatly surpasses demand for Fair Trade coffee.
- 17 Some cooperatives or groups of cooperatives sell 50–70% of their coffee on the Fair Trade market, others have not been able to sell any of it (Asencio, 2003; Bollen, 2003). Lyon's (2003) case study describes an exceptional case: a Guatemalan cooperative that sells its entire harvest to a single Fair Trade purchaser.
- 18 Quoted in Cabrera (2001).
- 19 The five largest coffee trading companies, Aron, Cargill, Esteve, Neumann and Volcafe, purchase 46% of all exported coffee, and can definitely have a great impact on the coffee farmers' lives (Schrage, 2004, p. 65).
- 20 Sara Lee does have 'Supplier Selection Guidelines' that each supplier must comply to, which cover ethical standards, legal requirements, environmental requirements and employment practices. There has been much speculation over the actual effectiveness of this PVI, however, as the language in the guidelines seem vague and Sara Lee does not take any initiative to monitor their suppliers (Slob and Oldenzel, 2003).
- 21 <http://www.ico.org/frameset/activset.htm>, accessed 29 April 2004.

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