

# FAIR TRADE COFFEE: BUILDING PRODUCER CAPACITY VIA GLOBAL NETWORKS

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**Abstract:** This article examines the ongoing rapid expansion in Fair Trade coffee networks linking Northern consumers with producers in the global South. We provide a comparative analysis of the experiences of seven coffee producer co-operatives in Latin America, identifying the characteristics which facilitate successful integration into Fair Trade networks. Our analysis finds that coffee organizations, communities and producers derive important material and non-material benefits from Fair Trade. We conclude that while the financial benefits of Fair Trade appear the most important in the short run, it is the capacity building nature of Fair Trade that will prove the most important in fueling sustainable development in the long run. Copyright © 2004 John Wiley & Sons, Ltd.

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## 1 INTRODUCTION

Fair Trade represents an important approach to alleviating poverty in the global South based on a strategy of ‘trade not aid’. The growing Fair Trade movement seeks to challenge historically unequal international market relations, transforming North–South trade from a vehicle of social exploitation to an avenue of producer empowerment. Global Fair Trade networks link ethically minded Northern consumers with democratically organized groups of Southern producers, offering disadvantaged farmers and workers a chance to ‘increase their control over their own future, have a fair and just return for their work, continuity of income and decent working and living conditions through sustainable development’ (Fairtrade Foundation, 2004). Fair Trade, like environmental certification in organic, forest and marine products and labor standard certification in apparel, footwear, textiles and flowers, involves the implementation of voluntary global production standards (see Barrientos, 2000; Blowfield, 1999; Gereffi *et al.*, 2001; Hughes, 2001; Raynolds,

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2004). But Fair Trade goes beyond these other efforts in supporting more socially just and environmentally sustainable international trade, as well as production, relations (Raynolds, 2000, 2002a).

Fair Trade products represents only a minor share of the world market. Yet international sales are worth well over US\$ 500 million and are growing at close to 30 per cent per year (Fair Trade Federation, 2003). Eight hundred producer organizations in 45 countries of the South participate in Fair Trade. In recent years, alternative trade networks have expanded their fairly traded product lines, moving from a largely handicraft base into range of food items. The majority of Fair Trade sales are now in the food sector, in coffee, bananas, cocoa, and tea, but also in rice, honey, sugar, fruit juices and fresh fruits (FLO, 2004a). Coffee, the first labelled food commodity, is by far the most important Fair Trade product. In 2002, consumers in 17 countries purchased almost 16 000 tons of Fair Trade certified coffee. Coffee represents the backbone of Fair Trade in relatively well established markets in Europe and the lead commodity in recently established initiatives in North America and the Pacific Rim. Fair Trade coffee is propelling the movement around the world and is responsible for much of the market's recent growth, with sales rising at close to 50 per cent per year in some countries.

Given the ongoing rapid expansion of Fair Trade coffee markets, it is important to develop a more systematic understanding of the opportunities posed by these alternative networks for producers in the global South. In addition to media reports and information provided by Fair Trade groups (FLO, 2004a; Fairtrade Foundation, 2004; TransFair USA, 2004), there is a nascent academic literature focussing on the Fair Trade concept and coffee markets (Hudson and Hudson, 2003; Raynolds, 2002a; Renard, 2003; Tallontire, 2002). There are also a few published case studies of Fair Trade coffee co-operatives (Bray *et al.*, 2002; Mutersbaugh, 2002; Nigh, 1997; Tallontire, 2000). What is missing, and what we provide here, is a systematic comparative analysis of the experiences of Fair Trade coffee producer groups which can illuminate (i) the characteristics which facilitate successful integration into Fair Trade networks and (ii) the benefits which may be derived from participation. Our analysis draws on research carried out through a collaborative project involving seven Fair Trade coffee producer groups in Mexico, El Salvador, and Guatemala.<sup>1</sup> We focus on Latin America, since this region supplies the vast majority of the world's Fair Trade coffee.

## 2 FAIR TRADE COFFEE NETWORKS

The Fair Trade movement has grown out of a variety of European initiatives seeking to alleviate poverty in the global South. As a founding Fair Trade group explains: 'Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, disadvantaged producers and workers—especially in the South' (Fairtrade Foundation, 2004). In the 1960s, church and development organizations opened alternative shops around Europe as a way of supporting Southern producer groups. While these outlets initially focused on handicrafts, solidarity

<sup>1</sup>The project summary report, background paper, and individual case studies can be found at [www.colostate.edu/Depts/Sociology/FairTradeResearchGroup](http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup). Information not otherwise cited draws from these reports and from the first author's field visits.

sales of Nicaraguan coffee and bananas expanded European alternative trade activities into food products. Handicraft based alternative trade organizations also appeared in the United States in the 1960s and 1970s; in the 1980s, the first US alternative trade organization focusing on coffee was founded. Though early Fair Trade initiatives shared similar goals and strategies, European efforts were far more successful in gaining public support and garnering market shares than their North American counterparts.

From its alternative trade organization roots, Fair Trade has grown rapidly over the past 15 years largely as a result of new labelling initiatives which have increased the availability of certified products. The key to this highly successful strategy has been to get 'Fairtrade into the supermarket where most people do their shopping' (FLO, 2004a). In 1988, three Fair Trade labels—Max Havelaar, Fairtrade Mark and TransFair—were introduced in Europe and later extended to the United States, Canada, and Japan. These labelling initiatives have harmonized their activities under the umbrella of the Fairtrade Labelling Organizations International (FLO) which now represents members in 17 countries. Though Fair Trade certification and labelling efforts initially focused only on coffee, FLO currently provides certification guidelines for 12 different commodities (FLO, 2004a). Europe remains the hub of the Fair Trade market: it currently accounts for 60 per cent of global sales, the vast majority in coffee, bananas, tea, and cocoa (EFTA, 2001, p. 14). Though Fair Trade labelling was initiated in North America only recently—in 1997 in Canada and 1999 in the United States—and there are currently only a handful of Fair Trade products available, regional sales are growing at 44 per cent per year, greatly outpacing European growth rates (TransFair Canada, 2004; TransFair USA, 2004).

Fair Trade certification criteria focus on production and trade conditions, unlike other labelling schemes—like ethical trade in food and flowers or eco-labelling in (organic) food and forest products—which focus only on social or ecological production conditions (Raynolds, 2000, 2004). FLO has established detailed certification requirements pertaining to both distributors permitted to utilize the Fair Trade label and producers permitted to supply labelled commodities. To affix a Fair Trade label on their product, coffee importers must: (i) buy directly from approved grower organizations using purchasing agreements which extend beyond one harvest cycle; (ii) guarantee the FLO minimum price (US\$ 1.21 per pound for arabica coffee), pay an additional US\$0.15 per pound for coffee certified as organic, and pay a social premium valued at US\$0.05 per pound; and (iii) offer pre-financing equal to 60 per cent of the contract value (FLO, 2004d). To be included on FLO's approved registry of Fair Trade coffee growers, producers must (1) be small family based operations, (2) be organized into politically-independent democratic associations, and (3) be pursuing ecological goals conserving natural resources (FLO, 2004b). The FLO certification unit is responsible for monitoring groups and maintaining the producer registry; national labelling organizations are responsible for licensing, monitoring and collecting fees from distributors.

Coffee is by far the most widely available Fair Trade labelled commodity. In 2000 European countries sold 12 thousand metric tons of Fair Trade coffee with a retail value of close to 400 million dollars (FLO, 2002). Fair Trade coffee is sold in over 35 000 supermarkets across Europe and is served in many corporate headquarters and universities as well as municipal, national, and EU government offices. Fair Trade coffee accounts for an average of 1.2 per cent of European national markets and for roughly three per cent of the market in Luxemburg, Switzerland, and the Netherlands (EFTA, 2001). As noted in Table 1, the Netherlands and Germany were the world's largest Fair Trade coffee markets in 2002, with sales of roughly 3000 tons each. Fair Trade coffee sales have leveled off in

Table 1. Fair Trade labelled roasted coffee sales by country (metric tons)

	1996	1998	2000	2002
Europe				
Austria	306	271	300	409
Belgium	508	497	548	632
Denmark	238	611	742	655
Finland	0	0	91	109
France	64	112	495	1387
Germany	4173	3606	3098	2942
Great Britain	703	1164	1332	2079
Ireland	0	22	55	60
Italy	289	322	399	243
Luxembourg	43	70	64	68
Netherlands	3165	3345	3102	3140
Norway	0	52	125	232
Sweden	0	206	217	289
Switzerland	1385	1353	1382	1246
North America				
Canada	0	24	154	425
USA	0	0	707	1854
Asia				
Japan	7	7	7	10
<i>Total</i>	10 883	11 662	12 818	15 780

Source: FLO, 2004b.

parts of Europe where long running campaigns have captured significant market shares; but markets are growing rapidly in countries like Britain and France, where Fair Trade is having a resurgence, and in countries like Norway, where the movement is still young.

Recently established North American Fair Trade coffee initiatives are causing the largest growth in the world market. Though not yet a major Fair Trade coffee market, sales in Canada are growing at an astonishing 65 per cent per year. Fair Trade coffee sales in the United States—the world's largest coffee market—are growing at 47 per cent annually. In 2002, just four years after being introduced, almost 2000 tons of TransFair USA labelled coffee (valued at US\$ 131 million) were sold (Fair Trade Federation, 2003, p. 2; FLO, 2004b). By 2004, the United States will be (at this rate) the world's largest Fair Trade coffee market, despite the fact that only 0.5 per cent of the country's coffee is Fair Trade certified. Growing US Fair Trade coffee sales are primarily in the gourmet sector and 80 per cent is certified organic (TransFair USA, 2004). Fair Trade coffee is not yet as widely available in the United States as it is in Europe. In 2002, 12 000 US retailers were selling Fair Trade coffee, with 50 per cent more entering the market each year. Institutional sales are also rising as hundreds of US restaurants, universities, churches, businesses and government offices switch to Fair Trade coffee.

Fair Trade coffee is currently produced in 24 countries in Latin America, Africa and Asia. There are 197 coffee grower associations on the FLO register, representing well over 670 000 small-scale growers (FLO, 2004b). Perhaps 30 per cent of the world's small-scale coffee producing households are linked to Fair Trade networks (Conroy, 2001, p. 10). Fair Trade coffee production is highly concentrated in Latin America and the Caribbean. The region's 165 FLO registered producer associations are located in 14 countries and together export over 84 per cent of the world's Fair Trade coffee. As demonstrated in Table 2,

Table 2. Fair Trade labelled green coffee exports by country (metric tons)

	1996	1998	2000
<b>Africa</b>			
Cameroon	53	18	36
Tanzania	629	597	1001
Uganda	138	272	186
Zaire	815	782	627
<b>Asia</b>			
Indonesia	0	0	433
Thailand	0	0	5
<b>Latin America</b>			
Bolivia	60	145	262
Colombia	995	1113	1601
Costa Rica	1235	1106	969
Dominican Rep.	193	51	101
El Salvador	131	17	0
Guatemala	1349	1366	1332
Haiti	112	0	56
Honduras	144	302	476
Mexico	1593	2464	3680
Nicaragua	707	974	1428
Peru	317	1031	2172
Venezuela	36	36	36
<i>Total</i>	8506	10273	14400

Source: FLO, 2002.

Mexico is by far the largest supplier with annual exports of 3680 metric tons of green coffee; Peru, Colombia, Nicaragua, and Guatemala are also major exporters. Roughly half of Fair Trade labelled coffee exports from Latin America are also certified organic (FLO, 2002). Mexico leads this trend, with 70 per cent of Fair Trade coffee being dual certified.

### 3 FAIR TRADE PARTICIPATION

To understand the variable insertion of coffee producer groups in Fair Trade networks and the characteristics facilitating their successful engagement, we analyse the experiences of seven Latin American co-operatives. Five co-operatives are located in Mexico, the world's largest supplier of Fair Trade coffee, and one each in Guatemala and El Salvador. Table 3 outlines key characteristics of these producer groups, which vary significantly in their age, size, length of engagement in Fair Trade, and export activities. Our comparative analysis supports Reynolds' (2002b) hypothesis that successful Fair Trade participation depends on: (i) prevailing political economic and market conditions; (ii) producers' social and ecological resources; and (iii) a group's internal organization and external links.

#### 3.1 Political Economic and Market Conditions

Entry into Fair Trade and success thereafter is in all cases rooted in favourable political economic and market conditions at national and international levels. Though many of the

Table 3. Characteristics of Fair Trade coffee producer co-operatives

Producer group	Year founded	Year entered Fair Trade	Number of members	Total coffee exports (lbs)*	Fair Trade certified exports (% of total)	Certified organic exports (% of total)
CEPCO Oaxaca, Mexico	1989	1995/96	16 000	1 884 000	64%	87%
UCIRI Oaxaca, Mexico	1981/83	1989	2076	1 531 000	100%	100%
Majomut Chiapas, Mexico	1983	1993/94	1500	989 000	100%	59%
La Selva Chiapas, Mexico	1976	1990 until 2000	943	—	0%	—
Tzotzilotic Chiapas, Mexico	1992	2001/02	840	38 030	100%	0%
La Voz, San Juan Laguna, Guatemala	1970s	1989	116	151 500	100%	100%
Las Colinas, Tacuba, El Salvador	1997	1998	99	225 000	33%	0%

\*Export data refer to the 2001–02 harvest except for the figures for CEPCO (which go only through June 2002), La Voz (which are for 2000–01), and Las Colinas (which are for 2000).

producer groups were established earlier, most entered Fair Trade soon after the 1989 collapse of world coffee prices which was exacerbated by neoliberal state cutbacks. Struggling to survive, coffee growers were forced to reduce their use of expensive chemical inputs and to work together to forge more favourable export links. The Unión de Comunidades Indígenas de la Región del Istmo (UCIRI) provides the strongest example, for this cooperative not only sought out new solidarity and organic coffee markets, but went on to co-found Max Havelaar, the world's first Fair Trade label. Between 1989 and 1995, the Unión de Sociedades de La Selva and Unión Majomut co-operatives in Chiapas, and the Coordinadora Estatal de Productores de Café de Oaxaca (CEPCO), an association of Oaxacan cooperatives, entered Fair Trade. The experience of La Voz co-operative in Guatemala is similar: it entered European Fair Trade markets in 1989 as an early Max Havelaar supplier. In all cases Fair Trade entry was associated with a move into rapidly growing markets for certified organic and gourmet coffees. As Fair Trade pioneers, most of the groups studied took advantage of, and helped shape, rising international interest in specialty coffee.

While the political economic conditions encouraging coffee growers to seek out new markets currently resemble those of the early 1990s (with low world prices and deteriorating national conditions), the co-operatives studied faced less competitive markets than current prospective entrants. First, because established FLO co-operatives are capturing the bulk of the expanding Fair Trade market. Most of the study groups have recently increased their Fair Trade sales: CEPCO has raised Fair Trade exports from 20 to 64 per cent and four of the groups now sell all their coffee as Fair Trade. Second, because with Fair Trade's increasing visibility there are many cooperatives currently seeking entrance. Tzotzilotic's 2001 initiation of Fair Trade sales suggests that the market remains open to new participants, though this entrance was facilitated by pre-existing regional ties. And third, because Fair Trade quality expectations have risen dramatically, particularly in the growing US market which requires gourmet quality organic certified coffee. The impact of quality restrictions are clear in El Salvador, where four co-operatives are FLO registered, but only Las Colinas and one other are able to meet high Fair Trade standards. Given current market constraints, the characteristics outlined below which historically fostered Fair Trade entry and success are likely to be necessary, but not sufficient, conditions for success today.

### 3.2 Producer Characteristics

The social and economic characteristics of producers shapes their willingness and ability to engage successfully in Fair Trade. Though rooted in diverse (typically hybrid) indigenous, religious, and political traditions, members of many of the groups studied share values fundamental to the Fair Trade movement. These values are stated in many groups' organizational mandates. As the UCIRI president explains, 'we do not see Fair Trade social and environmental expectations as market rules, these are our life commitments'. Commitment to Fair Trade values bolsters broad participation. Yet all groups struggle with the socio-economic limitations of their members. Most producers have rudimentary educations (commonly less than four years), often only basic Spanish (and no other international market languages), and limited understanding of international markets. These factors make it difficult to maintain strong democratic organizations and meet global production and trade expectations. Training and support is critical in ensuring the active participation of less advantaged members. According to a UCIRI producer, 'no one is too uneducated to contribute, if you do not have the knowledge to do your cooperative *directivo* task, the last person responsible for it teaches it to you'. As all groups acknowledge, maintaining such participatory commitments given rigorous international market requirements is a constant struggle.

Producers' land, labour and capital resources are also critical to successful Fair Trade engagement since they shape the quantity and quality of coffee exports. Most producers have less than five acres of coffee and cooperatives must amass coffee from large numbers of often distant growers to fulfill export contracts. This challenge is most evident for Tzotzilotic, which averages less than 50 pounds of exported coffee per member. Land elevation and ecology are key to gourmet coffee production, privileging these seven cooperatives over their low lying national counterparts. Producing for the organic market heightens the importance of soil fertility and increases labor and capital requirements, particularly during the conversion process.

### 3.3 Internal Organization and External Links

The strength of producer groups' internal organization—their group identity, leadership, and organizational capacity—is central to Fair Trade success. Study groups represent co-operatives and associations of cooperatives, with membership ranging from 100 to 16 000. Almost all organizations were founded 5–10 years prior to entering Fair Trade and were already well developed. Most identify themselves as indigenous groups defending their land, well-being, and cultures. This is clearest in Chiapas, where Tzotzilotic and La Selva are linked to peasant autonomy movements. In UCIRI and La Selva, Catholicism enhances group identity and commitment. Strong visionary leaders in most cases help articulate common goals and solidify the membership. A number of groups uphold indigenous forms of organization. CEPCO exemplifies how democratic and bureaucratic forms can be combined in large groups to bolster collective efforts (Aranda and Morales, 2002). Las Colinas illustrates the challenges for a young co-operative in developing the organizational capacity to meet internal and external demands (Méndez, 2002).

Fair Trade success requires producer groups' to create and maintain strong external ties with corporate buyers, development NGOs, and other organizations. Cosmopolitan leaders

typically facilitate these international links. UCIRI stands out, since its Dutch founder initiated many of the relationships undergirding the Fair Trade system. Other early participants, like La Voz, were solicited by international NGOs to enter Fair Trade. For most groups, NGO links have provided access to key resources. In recent years direct links with buyers have become more critical in maintaining international coffee sales.

Success in Fair Trade necessitates managing the inherent tension between co-operatives' democratic commitments and the organizational requirements of world market participation. The groups studied must work to maintain broad participation, since many producers feel unqualified to take on organizational activities. Co-operatives have hired technical staff to meet organic certification and market requirements and all struggle to combat the tendency for skills and power to become centralized. The concentration of power is heightened in international arenas by reliance on technical foreign language contracts and personal relationships. For La Voz, the co-operative manager's long-term personal ties with buyers underpins both the groups' market success and members' concerns that he maybe becoming 'the true owner of the cooperative' (Lyon, 2002, p. 17). Highlighting the pitfalls of failing to balance democratic and market requirements, for La Selva disagreements between the central manager and group members led to contract neglect and FLO de-certification (Gonzalez, 2002).

#### **4 FAIR TRADE BENEFITS**

All seven case studies find that Fair Trade coffee networks provide important benefits to producer organizations, communities and households. The clearest and most direct benefits are from the higher prices paid for Fair Trade coffee. FLO guarantees a minimum floor price of US \$1.21 per pound for Arabica coffee with an additional \$0.05 per pound social premium. This Fair Trade price is over twice the current world market price. Enhancing the price advantage, Fair Trade coffee which is certified organic receives an additional US\$0.15 per pound premium. Since the world coffee price has been below the FLO minimum for most of the past decade, positive price impacts have been substantial and sustained.

While price benefits are crucial, our analysis reveals a range of additional social benefits radiating from Fair Trade which appear equally important. Fair Trade activities support and intersect with other community development efforts, grounding and enhancing the resulting benefits. We argue that Fair Trade's most positive impacts lie in individual and collective empowerment and capacity building.

##### **4.1 Co-operative Benefits**

Fair Trade operates through producer cooperatives and thus many of the resulting benefits accrue at this level. The security of Fair Trade prices and markets enhances a co-operatives' general financial and organizational stability and the economic viability of coffee marketing. According to Majomut and CEPCO, Fair Trade market participation fuels the credibility of the co-operative among members who can be confident in the group's ability to sell their coffee for a good price. Fair Trade also increases the legitimacy of producer organizations in government and NGO circles. CEPCO and La Voz report that



this increased credibility and the security of Fair Trade markets gives them access to a range of credit institutions. Other co-operatives, like Las Colinas, are able to secure needed credit from Fair Trade buyers in accordance with FLO requirements.

The ability of producer organizations to provide services to their membership is strengthened through Fair Trade participation. A portion of Fair Trade income is re-invested by all co-operatives in coffee improvements. These funds finance storage facilities, processing plants and transport systems. To improve quality control, Majomut and UCIRI have purchased electronic coffee graders. The majority of groups devote funds to technical services, organic certification fees and producer credit programmes. Most groups fund producer training and environmental projects. Majomut and UCIRI have created peasant training centres in sustainable agriculture. Most co-operatives also invest in leadership and management training and facilities.

Co-operatives gain access to technical and market information, as well as income, from their participation in Fair Trade. All FLO members receive information on Fair Trade market trends and buyer contacts as well as invitations to international forums. Most groups credit Fair Trade with facilitating the organic certification and quality improvements demanded by specialty coffee markets. CEPCO has used its new knowledge and contacts to increase its Fair Trade sales and negotiate better conditions in non-Fair Trade coffee markets. A key test of the organizational capacity of co-operatives may be whether they are able to move beyond Fair Trade markets. Four of the study groups sell all of their export coffee as Fair Trade, suggesting that dependence on (or monopolization of) this market may become a serious problem. Exemplifying ways to limit this dependence, UCIRI, one of these four, has established national cafes and is negotiating direct sales with European supermarkets.

## **4.2 Community Benefits**

According to FLO guidelines, the Fair Trade social premium (US\$0.05 per pound) is intended to support social as well as production programmes. Most co-operatives have leveraged additional resources for their social programmes from government agencies and NGOs. Some of the resulting social programmes in health, housing, education and other areas are geared to producers while others include the community as a whole. A number of groups provide medical assistance for producers; UCIRI and CEPCO go on to fund community health services and medical supplies for members and non-members. Majomut, UCIRI and CEPCO support housing improvements for producers. Majomut and UCIRI have established community stores selling low priced staple goods. Many groups provide support for local schools. To counter the isolation of many producer communities, a number of groups fund road improvements. UCIRI has gone on to provide public bus services.

Some of the most important community level benefits from Fair Trade are the least tangible. The stability of Fair Trade prices and markets has bolstered the economic security of poor communities battered by deteriorating conditions in export and peasant agriculture. Fair Trade environmental specifications and the encouragement of organic farming have health benefits for communities and ecological benefits that extend even further. Since improving coffee quality and gaining organic certification requires significantly increasing the amount of labor devoted to coffee production, employment opportunities are enhanced for community members needing paid work.

### 4.3 Individual and Household Benefits

In the current coffee crisis, Fair Trade prices mean the difference between survival and bankruptcy for many small-scale producers. Though producer prices vary somewhat depending on cooperative costs and the proportion of exports entering Fair Trade markets, our cases suggest that growers earn two to three times more than what they would selling to local coffee merchants. For example, Majomut members earn an average of US\$1700 per year for organic coffee sold through the co-operative; in the conventional market, this coffee would fetch only \$550. Thousands of producers throughout the region are abandoning their coffee parcels since prevailing prices do not even cover harvesting costs. Members of Majomut, CEPCO, UCIRI and La Voz report that while people in neighbouring communities are being forced to migrate, they are able to stay on their land and invest in their farm enterprises—in replanting, soil improvement, household food production, animal husbandry and farm equipment. Along with these financial benefits, producers suggest that they have gained a better understanding of international market and quality specifications. Perhaps even more importantly, UCIRI producers report that they have learned ‘the benefits of being associated.’

Higher and more stable incomes from Fair Trade sales are fueling improvements in household wellbeing. Members of Majomut, UCIRI and CEPCO report upgrading household sanitation systems, water supplies and cook stoves. In almost all the groups studied, producers are increasing investments in education: purchasing additional school supplies, allowing their children to remain in school during the coffee harvest and even supporting additional years of schooling. Members of UCIRI and CEPCO point to important investments in women’s non-farm income generating activities. These long-term investments reflect producers’ growing confidence in the future. Majomut members report ‘an increased desire and interest in continuing as farmers and coffee producers who provide food for their families and also produce coffee commercially’ (Pérezgrovas and Cervantes, 2002, p. 18). For UCIRI, CEPCO and La Voz this increasing confidence is linked explicitly to a ‘recuperation of pride in being indigenous’ (VanderHoff, 2002, p. 19).

## 5 CONCLUSIONS

The Fair Trade movement has built an impressive global network which harnesses Northern consumers’ growing interest in the consequences of their purchases and creates new opportunities for Southern producers. Fair Trade networks are growing rapidly and are likely to continue to do so for many years to come. The coffee sector remains the backbone of the Fair Trade system and is the center of ongoing expansion given the current boom in North American markets. Our comparative analysis of Latin American coffee producer co-operatives helps identify the conditions supporting success in Fair Trade networks and the potential benefits to be derived from this participation.

We find that successful participation in Fair Trade is shaped by (i) prevailing political economic and market conditions, (ii) the cultural, social, and economic characteristics of producers, and (iii) the internal organization of producer groups and their external links. While pre-existing strengths bolster successful participation, the material and non-materials benefits derived from Fair Trade can build capacity in each of these areas and thus enhance the conditions for future success. Producer groups can not dictate political

economic and market conditions, but Fair Trade participation can help co-operatives respond to state cutbacks, meet rising coffee quality expectations, and enter new specialty markets. While Fair Trade strives to work with marginalized producers, over time participation can fortify the cultural, social and economic assets of these populations. Fair Trade involvement strengthens the internal capacity of producer organizations, through the provision of information and material resources and their external links to international buyers and development NGOs. We conclude that Fair Trade has brought significant broad ranging benefit streams to participating organizations, communities and producers. While the financial benefits appear the most significant in the short run, in the long run, it is the empowerment and capacity building nature of Fair Trade that will prove the most important.

Our analysis suggests that some of the key challenges which lie ahead for the groups studied here, and indeed for the movement as a whole, arise from the inherent contradictions between social equity and economic efficiency in Fair Trade networks. Co-operatives engaged in Fair Trade must balance the democratic values espoused by their own and other movement groups with the organizational requirements of world market participation. Rising quality expectations, increasingly rigorous certification requirements, and growing corporate demand are heightening the contradictions between these divergent norms and practices, necessitating constant attention and creative solutions on the part of producer groups. Since Fair Trade offers important benefits, deciding which producer groups participate in these networks also requires balancing social equity and economic efficiency concerns. As participating groups enhance their capacities they will hopefully be able to move beyond traditional Fair Trade markets, opening up possibilities for new groups to benefit. Ultimately for this broader equity—efficiency dilemma to be resolved, Fair Trade standards must become the norm in North–South relations.

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