Sustainable Development
Sust. Dev. **13**, 199–208 (2005)
Published online in Wiley InterScience (www.interscience.wiley.com). **DOI**: 10.1002/sd.278

Keeping Trade Fair: Governance Challenges in the Fair Trade Coffee Initiative[1]

Peter Leigh Taylor,* Douglas L. Murray and Laura T. Raynolds
Colorado State University, USA

ABSTRACT
Fair trade has gained attention as an innovative market-based mechanism for addressing social and environmental problems exacerbated by conventional global markets. Yet such initiatives are also regulatory mechanisms that establish voluntary alternative arrangements for governing production, commercialization and consumption of global commodities. Based on a recent study of fair trade coffee experiences in Latin America, this paper explores the changes that fair trade represents in governance of the coffee commodity chain. It argues that fair trade coffee governance is shaped both by formal organizational arrangements for coordination and control and, less formally, by the social and political relations embedded in fair trade's commodity chain. Fair trade's alternative governance arrangements represent one of the initiative's major accomplishments but also pose some of its most significant challenges for the future. Copyright © 2005 John Wiley & Sons, Ltd and ERP Environment.

Received 10 November 2004; revised 1 December 2004; accepted 10 March 2005
Keywords: fair trade; Latin America; certification; coffee; governance; farmer cooperatives; alternative trade; commodity chain analysis

Introduction

FAIR TRADE HAS GAINED GROWING ATTENTION AS AN INNOVATIVE CERTIFICATION AND LABELING initiative, which harnesses the power of the market to address social and environmental problems exacerbated by conventional global markets. In the international coffee sector, fair trade makes visible links between Southern producers and Northern consumers that conventional markets render invisible, and establishes trade relations based on alternative moral values such as fairness, trust and equality (Raynolds, 2002a, p. 404; Renard 1999, p. 490). However, market-based mech-

* Correspondence to: Peter Leigh Taylor, Department of Sociology, B258 Clark, Colorado State University, CO 80523, USA.
E-mail: Pete.Taylor@Colostate.edu

[1] We are deeply indebted for the experience and insights of the *One Cup at a Time* case study authors and other contributors, including Josefina Aranda, Edith Cervantes, Alma Amalia Gonzalez, Sarah Lyon, Maria Elena Martinez, Ernesto Méndez, Ron Nigh, Victor Pérezgrovas, and Franz VanderHoff. We also gratefully acknowledge the ongoing support of the Ford Foundation, which funded the research on which this article builds. Nevertheless, this article's authors are responsible for errors of fact or interpretation.

anisms such as fair trade are also regulatory mechanisms that establish voluntary alternative rules and procedures for governing production, commercialization and consumption of certain commodities in a global market system (Ribot, 2004; Gereffi *et al.*, 2001, p. 64). Some of fair trade coffee's most important innovations, as well as some of its greatest challenges, lie in the governance arrangements it introduces into the coffee commodity chain.

Based on a recent study of fair trade coffee experiences in Mexico and Central America (Murray *et al.*, 2003),[2] this paper explores the changes fair trade represents in the coordination of production and trade along the coffee commodity chain.[3] Fair trade coffee's governance is shaped both by its formal organizational arrangements for coordination and decision-making and by the social and political relations of the commodity chain in which it operates. Fair trade's alternative governance arrangements have made significant progress toward establishing and maintaining 'fairer' social relations among its participants, yet they also face new challenges posed by the initiative's very success in alternative and conventional coffee markets.

Commodity Chain Governance and Fair Trade

Unlike most other certification and labeling schemes, which focus mainly on conditions of production, fair trade aims explicitly to modify trade relations along the conventional coffee commodity chain (Raynolds, 2002a). This altering of coffee trade relations involves developing new ways to coordinate production, purchasing and commercialization – that is, new governance arrangements. Indeed, one of the greatest accomplishments of fair trade is that it has significantly reorganized the way its diverse actors arrange coordination and control along the coffee commodity chain. At the same time, fair trade's alternative governance arrangements pose some of its most challenging dilemmas for the future, as it struggles to implement a distinct vision of an alternative market while operating within a highly competitive conventional market.

In this paper, we draw on a body of recent literature, which analyzes how economic actors organize governance to achieve and maintain coordination and control over production, manufacturing and commercialization. The global commodity chain (GCC) approach focuses attention on 'sets of interorganizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world-economy' (Gereffi *et al.*, 1994, p. 2). According to Gary Gereffi, commodity chain governance refers to 'authority and power relations that determine how financial, material, and human resources are allocated and flow within a chain' (1994, p. 97).[4] The GCC's emphasis on relatively undifferentiated 'commodities' (Kaplinsky, 2000, p. 9), its explicit international dimension and its focus on power relations among competing chain actors (Ponte, 2002, p. 1101) make it highly useful for analysis of conventional and alternative coffee sectors. The related global value chain (GVC) approach focuses particular attention on how technical and organizational imperatives of manufacturing and retailing activities directly shape the range of possibilities for effective governance at distinct points along a value chain (Gereffi *et al.*, in press). Recent work on standards and certification

[2] This Ford Foundation-financed study was conducted by the Fair Trade Research Group (FTRG) in collaboration with a team of independent researchers. The year-long study surveyed the experiences of seven case study cooperatives participating in the fair trade coffee initiative in Mexico, Guatemala and El Salvador. For the FTRG report, case studies and supporting documents, see http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup

[3] See Raynolds (2002a, 2002b) for more in-depth discussion of fair trade coffee consumption issues beyond the scope of the present study.

[4] The analysis of governance includes attention to issues of 'responsibility', 'control' and 'management', but focuses especially on the political dimension of how the organization of social relations shapes the distribution of benefits and costs along commodity chains. The concept of governance, therefore, is especially useful for analyzing the regulatory nature of the fair trade coffee initiative. We are grateful to an anonymous reviewer for raising this point.

(Du Toit, 2002; Raynolds, 2002a) provides insight into how alternative conventions set up to govern production, trade and consumption of products such as coffee are not neutral, but can erect new barriers to market access by less powerful actors.

To analyze fair trade and related social and environmental certification and labeling initiatives, researchers have drawn synthetically on GCC, GVC and convention theory to critically assess these initiatives' capacity to meaningfully alter the social relations of South–North commodity chains. Raynolds (2002a, p. 404) argues that commodity networks are not given in time or space, but are ideologically and materially constructed, maintained and transformed by individual and collective actors. She offers a synthetic framework for analyzing the development of global organic and other alternative convention movements (2004). Renard analyzes the 'interstices' in the coffee chain that have facilitated fair trade (1999) and explores the potential for the initiative to be reabsorbed by dominant conventional market logics and powerful corporate actors (2003, 2004). Raynolds (2004) and Taylor (2005) highlight the relevance of Karl Polanyi's concept of embeddedness for analyzing how fair trade and other initiatives are shaped by the social and political relations of commodity chains. Taylor explores at the organizational level how governance arrangements of alternative commodity movements such as fair trade and Forest Stewardship Council certification are shaped by the embeddedness of their operations in conventional markets, practices and assumptions (2005).

In this paper, we explore how the success of the fair trade movement, seen in its recent dramatic growth in sales, as well as the seriousness with which it is being taken by practitioners and researchers, also poses new challenges for the initiative's governance scheme and future trajectory. Fair trade's formal governance arrangements, based on an organizational commitment to democratic representation of diverse stakeholders at all levels, continually strive to adapt both to the imperatives of a highly competitive coffee market and to internal pressures for more inclusive and effective participation. At the same time, governance of the fair trade coffee initiative is being shaped informally by the changing social relations of its commodity chain, promoted by internal pressures to increase market share to maintain producer support, and by the entry of new, powerful corporate participants.

Fair Trade Coffee

Fair trade's roots lie in the alternative trade organization (ATO) movement, which focused on creating direct ties between Northern consumers and Southern producers through educational campaigns and visits to producers by consumer groups. Fair trade today emphasizes development of a strong certification process and related label based on a unique set of independently monitored social and environmental standards (Raynolds, 2002b; Renard, 2004). The initiative currently pursues a 'mainstreaming strategy' to achieve rapid growth in market share via placement in conventional markets (James, 2000, p. 13). Fair trade encompasses coffee, bananas and other fresh fruit, cocoa, tea, rice, sugar and honey (FLO, 2005). Coffee, in many ways, represents the initiative's most significant commodity today, with nearly 200 fair trade certified grower associations offering a response to the coffee sector's deep crisis for nearly 670 000 small-scale producers in Latin America, Africa and Asia (Raynolds *et al.*, 2004, p. 1112; see Low and Davenport in this volume for a more detailed history and background of fair trade).

Fair Trade Coffee Benefits to Small-Scale Farmers

This study's seven cases suggest that fair trade has made a significant contribution toward improving the living conditions of the rural poor in coffee producing communities of the global South. Significantly, fair trade's benefits also shape the initiative's contribution toward new governance arrangements along the coffee chain, as producers gain new skills, develop new organizational capacities and improve their ability to negotiate with other actors, including the state.

It is difficult to precisely measure the direct income fair trade generates for individual producers because participating cooperatives handle debt servicing, cooperative expenses and distribution of social premiums differently. Nevertheless, the clearest direct benefit is the guaranteed price, which in 2002 represented as much as double the conventional coffee market price. Majomut cooperative members, for example, earned $US 1700 for their average of 1500 pounds of coffee, compared with a local conventional return of $US 550 (Pérezgrovas and Cervantes, 2002, pp. 16, 19). Fair trade also improves credit access because of its pre-financing requirement and because certification lends 'a certain prestige since it is assumed that the organization is subject to external monitoring and also demonstrates initiative and a capacity to enter new market niches' (Aranda and Morales, 2002, p. 17).

Fair trade has provided important support to producers' communities, especially in the Latin American context of greatly diminished state support for rural public services. Fair trade's $US 0.05/lb social premium has been invested in a variety of community projects. For example, in Oaxaca, UCIRI invested fair trade earnings in an educational center, which trains young people as community development workers, via courses in composting technologies, intercropping, animal husbandry, and alternative food and cash cropping (VanderHoff Boersma, 2002). Fair trade has helped provide communities with alternatives to migration, as its support of organic production has expanded opportunities for family labor (Pérezgrovas and Cervantes, 20032, p. 19).

Fair trade's most important indirect benefits include the strengthening of farmers' organizational capacity (also see Raynolds *et al.*, 2004). Fair trade has allowed cooperatives to guarantee a higher price and ensure more stable operation (Aranda and Morales, 2002, p. 16). Fair trade's greater price margin has also allowed investment in more advanced processing equipment, warehousing and office space (Pérezgrovas and Cervantes, 2002, p. 15). Fair trade certification and monitoring processes push grower organizations to improve their administrative capacity (Méndez, 2002). Significantly, fair trade has provided producer organizations with a secure space for 'an apprenticeship in commercialization', whose atmosphere of trust 'allowed us to learn in a low-pressure situation' (Gonzalez Cabanas, 2002, p. 27).

Fair trade's organizational strengthening is also visible in the level of collaboration it has encouraged among producer organizations. Méndez observes that fair trade's encouragement of the building of social networks and collective action has been 'essential for local actors to build and move forward their own development processes' (2002, p. 22). In Mexico, fair trade coffee production expanded significantly through producer groups assisting each other in getting started. Fair trade pioneer UCIRI helped draw La Selva into the initiative in 1990. La Selva in turn facilitated Majomut's entry in 1993–94; the latter helped Tzotzilotic enter the fair trade market in 2001. The collaboration made possible by these networks has given rise to new joint initiatives, as will be discussed below. In Mexico, certified producer organizations have also developed new capacities to influence policy. Such political spaces are particularly important in the light of diminishing opportunities to negotiate as governments have retreated from coffee market regulation (Ponte, 2002, p. 1116).

Fair Trade Coffee's Formal Governance Arrangements

Fair trade's benefits also represent changes in how producers participate and collaborate in production, processing and commercialization – that is, in the way commodity chain governance is organized. Fair trade involves a set of formal governance arrangements, which aim to institutionalize greater fairness and justice via democratic decision-making at all levels of the initiative.

FLO requires that fair trade certified coffee growers be organized into democratic associations. In most cases, members elect community level representatives to a general assembly, which meets regularly and elects officers for two or three year terms. General assemblies receive regular reports from officers and technical staff and approve general policies. Administrative and oversight committees help ensure effective, honest administration, dealing with everyday management and external contacts. Elected officers are usually reimbursed for direct expenses and receive modest honorariums to partially offset the costs of extended absence from family and farm work (Taylor, 2002, pp. 10–12). Technical staff are also a decisive part of the organizations' formal governance systems, and include agronomists, biologists, marketing specialists, accountants and even anthropologists (Pérezgrovas and Cervantes, 2002). Technical staff provide continuity and serve as interlocutors in fair trade networks and in accessing funding from government and international sources (VanderHoff Boersma, 2002; Gonzalez Cabanas, 2002). Most of the cooperatives studied have developed internal communication systems that include verbal and printed information, training sessions, and regular visits by leaders to member communities.

Another important fair trade governance principle is that the grower associations remain open to new members. In practice, the associations studied have become selective in recruiting new members, as few cooperatives are able to sell all their certified coffee through fair trade channels (also see Murray *et al.*, in press). If cooperatives admit members seeking only the short term benefit of higher price in a depressed coffee market, they risk facing supply shortages as 'fair weather' members defect to conventional markets when prices rise. UCIRI, Majomut and several other case study cooperatives require a demonstrated commitment by prospective small scale grower members that they 'not be opportunistic but desire to stick with the cooperative through good and bad' (VanderHoff Boersma, 2002, p. 15; Taylor, 2002, p. 12).

Ongoing problems of formal governance were noted in many of the case study grower organizations. Institutional memory is regularly lost because of the frequent rotation of elected leaders, and new leaders face steep learning curves for which they have little formal preparation. General assembly members often find information provided them difficult to understand. Most case studies reported tensions arising from management's need to respond quickly to changing market conditions. In some cases, members have complained that their leaders have made important decisions without adequate member consultation. Other interviewees reported that technical advisors hold the greatest decision making power. For example, in Mexico's La Selva and in Guatemala's La Voz, managers reportedly assume major decision-making responsibility because of low educational levels of many elected leaders (Gonzalez Cabanas, 2002; Lyon, 2002). Many members lack a clear understanding of the fair trade system, as they do not receive regular, detailed information on it and have little direct contact with fair trade representatives.[5] Pérezgrovas and Cervantes remark that 'for the majority of producers, Fair Trade is strongly identified with the cooperative. To be a member of the cooperative is to participate in Fair Trade' (2002, p. 14).

A fundamental tension exists between the cooperatives' formal democratic governance, which produces regular turnover of elected leadership, and the long term commitment desired of technical advisors. Fair trade's encouragement of longer term buyer commitments tends to further privilege the role of technical staff, who have more continuity than elected leaders. Nevertheless, it is important to point out that most of the problems reported with case study cooperatives' formal governance are not weaknesses specific to fair trade, but exist in democratic economic organizations more generally. Indeed, the fact that formal governance problems are at times aired publicly, resulting in leadership changes, is likely an indicator of the strength rather the weakness of democratic process in these fair trade organizations.

[5] See Murray *et al.* (in press) for additional discussion of producer knowledge of fair trade.

Nevertheless, the lack of greater direct involvement by ordinary members can create vulnerabilities for fair trade. For example, weaknesses in producer knowledge about fair trade may prove problematic, especially as opportunities to negotiate direct 'fair' trade arrangements outside the FLO system present themselves (as discussed below). Past experience suggests that some members may defect from fair trade and their cooperatives when the gap between the fair trade and conventional prices narrows (see Lyon, 2002, p. 10). This could lead to cooperatives' failing to meet contractual obligations, which can result in de-certification from fair trade.

At a higher level of formal organizational governance, fair trade coffee is part of the international Fairtrade Labelling Organizations (FLO). FLO is formally governed by a board of directors and several specialized bodies. A fair trade forum is held every two years to bring together diverse stakeholders to discuss issues affecting the initiative. FLO also sponsors periodic regional producer assemblies to strengthen producers' involvement (FLO, 2005). FLO's certification inspectors visit grower associations to evaluate their eligibility for certification and regularly monitor certified associations for compliance with its standards. FLO inspection and monitoring has been a crucial element in strengthening fair trade grower organizations as it encourages increased attention to effective management, participation, coffee quality and other issues. In two of the cooperatives, FLO inspections resulted in decertification for defaulting on a coffee contract or failing to market in fair trade channels over a period of several years.

Several of the case studies noted that as fair trade has evolved from an ATO model to the more institutionalized FLO-sponsored certification and labeling model new tensions have emerged between FLO and participating producers. Majomut participants, for example, remarked on a 'lack of clarity within the structure of FLO that causes uncertainty as to how decisions are made, who participates in the different levels of the organization and who should be consulted to help solve different problems . . .' (Pérezgrovas and Cervantes, 2002, p. 22). Other participants have complained that fair trade coffee governance has been dominated by Northern interests. One of the original actors in the fair trade movement, UCIRI advisor Franz VanderHoff Boersma, remarked on insufficient producer representation in FLO governance. 'For some time there was no democratic participation in the system, which has only recently been partially resolved. There is a pyramid decision-making structure, where the top often does not communicate with the base' (2002, p. 20).

FLO has taken such criticisms seriously, restructuring to enhance participation by producer groups, buyers and other fair trade participants. An autonomous unit within FLO to manage certification was created, and recently converted to a limited company in part to make fair trade certification and trade auditing more transparent. FLO's board of directors was modified to include democratically elected representatives from four producer, two trader and six national labeling organizations. A standards and policy working group and a certification committee were created, upon which producers, traders, ATO representatives, experts and other stakeholders participate. FLO also established a producer support network to better support small scale farmers and workers. It set up field liaison offices in several producer countries and formed a product management team to provide commercialization support (FLO, 2005). FLO also encouraged development of producer secondary level representative organizations, such as the Latin American Association of Small Coffee Farmers, which has 17 member cooperatives in ten countries (Taylor, 2002, p. 8).

The development of fair trade coffee's formal governance structure is an ongoing process. Key organizational governance features were established in fair trade's early years, such as the requirement for democratic grower organizations and FLO's basic representative structure. Yet fair trade's formal governance has evolved as the initiative has shifted from an ATO structure emphasizing direct ties between consumers and producers to the more impersonal labeling and market niche focus underlying FLO's mainstreaming strategy. Grower associations struggle to balance competitiveness with maintaining strong membership commitment for cooperative activities. FLO strives to adapt its formal governance structure to respond both to the demands of a highly competitive market and of its diverse stakeholders.

Market-Based Influences on Fair Trade Coffee's Governance

In addition to the formal organizational arrangements detailed above, fair trade coffee's governance is significantly shaped by the less formal influence of the social and political relations embedded in its commodity chain. As the conditions of fair trade coffee's market undergo change, the social and political relations of its commodity chain are modified, and new challenges for coordination and control of fair trade's activities emerge. Slow growth in the fair trade coffee market, new secondary-level organizational initiatives by producers, entry of new powerful corporate actors and the shift away from promoting direct links between consumers and producers toward labeling and market niche strategies all pose significant challenges for fair trade governance.

All of the case studies raised concern about the current Northern market development trends. Fair trade coffee export capacity in Latin America, Africa and Asia is roughly seven times greater than current exports via fair trade channels (FLO, cited by Raynolds, 2002b, p. 29). Many producer groups worldwide are likely capable of meeting fair trade standards, but are not on FLO's registry. Though UCIRI and Majomut in Mexico and La Voz in Guatemala currently sell all their coffee as fair trade, most cooperatives studied market only a portion of their certified coffee through fair trade channels. Though fair trade benefits such as organizational and commercialization strengthening still accrue, direct benefits such as guaranteed prices, social premiums, long-term contracts and low-interest credit are reduced as less coffee is sold in fair trade markets. Moreover, the UCIRI and La Selva studies suggest that the market problem threatens to fuel unprecedented competition for buyer contracts, undermining the historical solidarity among Mexican producer organizations. Some observers feared that fair trade may be favoring most the strongest, best established cooperatives. Yet removing these cooperatives from FLO's registry to allow space for new participants could undermine the older cooperatives' on-going impacts on poverty alleviation while not necessarily ensuring comparable benefits for newcomers or fair trade more generally.

In large part in response to slow growth in the international fair trade market, certified coffee grower organizations in Mexico are developing secondary level organizations to pursue new market options. UCIRI, CEPCO and Majomut have helped form a new firm, *Comercio Justo Agromercados*, to market fair trade coffee domestically. These cooperatives have also collaborated with other organizations to develop a domestic fair trade system within Mexico (Comercio Justo, 2005). La Selva has sponsored development of a chain of 18 autonomously operated coffee shops located in Mexico, the US and Europe, which exclusively purchase La Selva members' coffee and dedicate a percentage of profits to community development. CEPCO and UCIRI have also established coffee shops. La Selva and CEPCO, moreover, are developing *nombre de origin* brands of coffee (Taylor, 2002, pp. 7–8; Murray *et al.*, in press).

Perhaps more significantly, the more established fair trade cooperatives have begun pursuing direct relationships with Northern and European supermarkets, specialty roasters and other firms independently of FLO. Direct marketing arrangements have been negotiated with firms such as Starbucks, Neumann and Carrefour. VanderHoff Boersma observes that some of these agreements involve coffee prices equal to those of fair trade, though others entail a different 'social minimum price' (2002, p. 11). Renard reports that Carrefour has agreed to purchase organic coffee from UCIRI and several other Mexican cooperatives for a price above the FLO level, to be marketed in France under the non-fair-trade label Bio-Mexique (2003, p. 93, 2004, p. 13). Aranda and Morales argue that these new producer options represent an achievement of fair trade (2002, p. 20) as they signal grower organizations' advanced level of maturity. Certainly, these direct agreements are a rational response by grower groups to current fair trade market limits. Nonetheless, they also carry the potential to undermine the viability of fair trade certification and sales (VanderHoff Boersma, 2002, p. 11; Renard, 2004, p. 14).

Significant new corporate interest in direct involvement in fair trade has appeared in recent years. Starbucks is now the largest US buyer of fair trade coffee (Renard, 2003, p. 93). Starbucks' participation in fair trade is one of the most visible signs of success of FLO's mainstreaming strategy, which fuels rapid growth in fair trade's market share (Raynolds, 2002a, p. 410). TransFair USA has also signed agreements with Proctor and Gamble, Green Mountain and Dunkin' Donuts, triggering protests from small roasters who have supported the TransFair label (Renard, 2004, pp. 15, 16).

Fair trade was established in part to critique large corporations' role in coffee trade. Corporate interest might be seen as a sign of fair trade's success in promoting coffee sector reform. Yet the growing importance of large corporate actors in fair trade has awakened some concern. Pérezgrovas and Cervantes from Majomut remark that 'It is not clear what the objectives of these large companies are, if they are truly interested in helping the small farmers in the long term or only want to improve their public image . . .' (2002, p. 22). Raynolds points out that with one percent of its coffee supply fair trade certified Starbucks has reinforced its corporate image as being socially responsible while maintaining its conventional suppliers (2002a, p. 414). Aranda and Morales comment that 'at risk is that fair trade will simply become a market with higher prices and not include the respect for all the policies and ideals that go with it' (2002, p. 20). The incomplete understanding of fair trade by many certified producers may make them more susceptible to direct marketing arrangements that offer them favorable prices without the other guarantees that FLO offers them.

Moreover, many fair trade participants and observers fear that corporate commitment to fair trade may not be long lasting, and they may move on to establish their own 'fair' criteria, labels and certification. Renard observes, indeed, that Starbucks has recently launched its own 'Shade Grown' label, which it publicizes as improving the quality of life of producers in Chiapas and Central America. Renard remarks that 'if Starbucks were to withdraw from participation in the TransFair label, little would remain of fair trade in the United States where, unlike Europe, its introduction was not preceded by a large campaign to explain to consumers the meaning of the label and who certifies . . .' (2003, p. 93).

FLO's shift to a mainstreaming labeling and brand marketing approach responds to real, intense pressures to increase fair trade's market share and its capacity to serve more small scale coffee farmers. Yet interviewees in the case studies often characterized the current labeling model as a depersonalized and institutionalized relationship, which hinders transparent communication. Several of the case study authors called for re-establishing the direct ties between producers and consumers and the educational benefits promoted by the previous ATO model of fair trade. They perceived these visits as an important part of strengthening support for the fair trade movement among both Northern consumers and Southern producers. The existence of broad social support in North and South may be particularly important given the uncertainties surrounding the entry of new and powerful corporate actors into fair trade.

Conclusion

In addition to its direct and indirect benefits to participating coffee farmers, some of fair trade's most important innovations have included the alternative governance arrangements it has introduced and continues to develop as it promotes more fair relations of trade in coffee. We have suggested in this paper that fair trade coffee governance be analyzed both in terms of formal organizational arrangements and as shaped by the shifting social and political relations of its rapidly changing markets.

The initiative's formal governance system faces significant challenges today as it attempts to develop and implement an alternative model of production, trade and consumption. Within certified grower groups, participants must create and maintain democratic structures that balance real world dual imperatives to maximize business competitiveness and to sustain the conditions of transparency and broad participation necessary for strong producer support of their organizations. FLO's ongoing challenge continues to be to develop more inclusive stakeholder representation and to improve communication among a historically unprecedented alliance of diverse actors possessing varying interests in the coffee commodity chain.

Yet some of the most significant governance challenges the fair trade coffee initiative faces are not found in formal organizational arrangements, but emerge from shifting social and political relations in the highly competitive markets in which it operates. Some of these governance challenges stem from fair trade coffee's very success. In the face of slow growth in the fair trade coffee market, some certified grower associations are using their improved organizational capacities to seek new commercial opportunities even if they are developed outside of the FLO fair trade system. These developments clearly signal that FLO has succeeded in helping empower small scale coffee farmers, but they also carry the potential to weaken the fair trade system that helped birth them. FLO's challenge is to continue to support empowerment of Southern based producers while maintaining the integrity of its certification and labeling system.

The new corporate interest awakened by fair trade's commercial success and demonstrated potential in Northern markets is arguably a sign that fair trade has succeeded in demonstrating that the market can and should reward socially just and environmentally sound coffee production and commercialization. The recently launched Common Code for the Coffee Community suggests that fair trade's message that the coffee sector needs profound reform has been heard by powerful mainstream economic actors (GTZ, 2004). Corporate participation has indeed brought dramatic market growth for fair trade. Yet these new corporate actors cannot be expected to have the same interests and commitments that inspired the creation of the fair trade system, as evidenced by the proliferation of corporate 'fair' labels outside of FLO (Renard, 2004). FLO and its certified grower organizations must face the likelihood that because of their growing importance in the market these new and powerful corporate partners will also exercise significant informal, if not formal, influence on fair trade's system's governance at all levels.

The fair trade coffee initiative's labeling and market niche strategy has led to impressive growth in conventional market sales and has generated significant benefits for many participating farmers. Yet the initiative's very success in the market creates the potential for new vulnerabilities as it strives to pursue alternative goals in a highly competitive market. One of fair trade's greatest challenges for the near future will be to ensure that all participants along its commodity chain understand that making trade fair is not merely a matter of increasing prices, but requires creating and maintaining an alternative form of governance with people and the environment at its center.

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Biography

Peter Leigh Taylor (corresponding author), Douglas L. Murray and Laura T. Raynolds are Associate Professors of Sociology at Colorado State University. Murray and Raynolds are Co-Directors of the Fair Trade Research Group. In addition to their fair trade research, Professor Taylor engages in research and applied work with community-based forestry and forest certification in Mexico and Central America, Professor Murray does research and applied work on chemical intensive farming and pesticide hazard reduction in the developing world, and Professor Raynolds works extensively on alternative trade and global agro-food networks.

