



## Fair Trade: Social regulation in global food markets

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### A B S T R A C T

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This article analyzes the theoretical and empirical parameters of social regulation in contemporary global food markets, focusing on the rapidly expanding Fair Trade initiative. Fair Trade seeks to transform North/South relations by fostering ethical consumption, producer empowerment, and certified commodity sales. This initiative joins an array of labor and environmental standard and certification systems which are often conceptualized as “private regulations” since they depend on the voluntary participation of firms. I argue that these new institutional arrangements are better understood as “social regulations” since they operate beyond the traditional bounds of private and public (corporate and state) domains and are animated by individual and collective actors. In the case of Fair Trade, I illuminate how relational and civic values are embedded in economic practices and institutions and how new quality assessments are promoted as much by social movement groups and loosely aligned consumers and producers as they are by market forces. This initiative’s recent commercial success has deepened price competition and buyer control and eroded its traditional peasant base, yet it has simultaneously created new openings for progressive politics. The study reveals the complex and contested nature of social regulation in the global food market as movement efforts move beyond critique to institution building.

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### 1. Introduction

Fair Trade has emerged over recent years as a popular initiative to socially regulate global markets, particularly in the food sector. This movement seeks to empower producers in the global South through the provision of better prices, stable market links, and development resources. In the global North, Fair Trade seeks to promote responsible consumption and provide shoppers with socially and environmentally friendly products. Over a million producers and hundreds of millions of consumers participate in these new transnational networks, with annual Fair Trade sales nearing US\$ 6 billion (FLO, 2011b). Analysis of the promise as well as the challenges of this rapidly expanding initiative provides an insightful window into the theoretical and empirical parameters of social regulation in contemporary global markets.

Fair Trade joins a growing array of new regulatory systems that establish and enforce social and environmental standards in global production networks. New certifications, codes, and guidelines dictating production conditions abound in global manufacturing, where they focus primarily on labor conditions (O’Rourke, 2006; Seidman, 2007), and in agricultural and natural resource sectors,

where they focus primarily on ecological conditions (Barrientos and Dolan, 2006; Cashore et al., 2004). Fair Trade links labor, community, and environmental concerns primarily in food items like coffee, tea, cocoa, sugar, and bananas. In contrast with corporate social responsibility efforts which address regulatory concerns through internal mechanisms (Vogel, 2010), Fair Trade and related efforts position non-corporate actors as external moral overseers who govern economic activity often through standard-based certification and labeling procedures.

These new governance systems are often referred to as “private regulations” since they are not state-mandated and depend on voluntary participation by economic firms (e.g. Bartley, 2007; Gereffi et al., 2001). I argue that these new institutional arrangements are better understood as “social regulations” since they operate beyond the traditional bounds of private (ie. corporate) and public (ie. state) domains and are animated by individual and collective (ie. private and public) actors and actions. A social regulation approach builds on Polanyi’s (1957b) insights regarding the socially embedded nature of market relations. This analysis reveals the normative foundations of Fair Trade quality, in civic and relational conventions (Thévenot, 1995), as well as the institutional governance of market transactions by non-governmental organizations (NGOs), certification agencies, dominant buyers, and mission-driven companies. The case of Fair Trade illuminates Polanyi’s (1957a) argument that market expansion fuels the rise of

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countermovements for social protection and points to the broad range of social actors—including transnational and localized movement groups in the Global North and South as well as “imagined communities” (Anderson, 1983) of global citizens—who are allied in contesting conventional market rule.

In advancing a social regulation perspective, this article extends the literature by providing a critical and positioned Polanyian assessment of Fair Trade. A number of authors turn to Fair Trade to illuminate a Polanyian analysis of the role of peasant producers (Jaffee, 2007), certification labels (Barham, 2002; Guthman, 2007), and consumers (Watson, 2006) in forging a countermovement of decommodification and social re-embedding (Raynolds, 2000; Vail, 2010). While these studies are suggestive of the promises and pitfalls of Fair Trade, they are often removed from the contemporary complexities of social regulation in agro-food markets. To advance this discussion, I provide a grounded analysis of Fair Trade ideas and practices and their highly contested and diverse institutionalization across market and production arenas. This analysis highlights how NGOs and varied civil society groups challenge, construct, and govern economic activities, socially regulating global markets under a Fair Trade banner.

The theoretical underpinnings of social regulation are elaborated in the next section, merging analytical insights from the agro-food literature with those from industrial political economy and labor studies. This analytical framework is deployed and refined in subsequent sections exploring the contested nature of Fair Trade. My analysis of Fair Trade ideas, practices, and institutions shows how movement efforts to govern trade based on relational and civic values are repeatedly challenged, but not subsumed, by dominant commercial and industrial forces. In market arenas, movement groups, mission-driven enterprises, and ethically minded consumers uphold Fair Trade’s social foundations, forestalling processes of corporate mainstreaming. In production arenas, certification standards increasingly outweigh movement commitments in governing Fair Trade practices and while the power of peasant politics is being eroded new openings are being created for engaging labor politics. As I conclude, Fair Trade helps illuminate the complex and contested nature of social regulation in global food market as movement efforts move beyond critique to socio-economic construction.

## 2. Analytical dimensions of social regulation

### 2.1. Embeddedness, governance, and conventions

The theoretical foundations for conceptualizing social regulation are laid by Polanyi’s classic argument that the “human economy is an instituted process” that is “embedded and enmeshed in institutions, economic and noneconomic” (1957b: 250). Polanyi counters a neo-classical view of the autonomous self-regulating market, arguing that in the real world economic activity is always shaped by social and political institutions. Polanyi demonstrates how ongoing state action is needed to maintain competitive markets, manage the supply and demand for the “fictitious commodities” of land, labor, and money, and avoid the demolition of society by market forces (Block, 2003). The concept of embeddedness has proved central in understanding state/economy relations (Block and Evans, 2005). Following Polanyi in analyzing the ability of national policies to (for a time) stabilize capitalist relations, the regulation school for example demonstrates how Keynesian welfare policies supported Fordist mass production/consumption patterns after World War II (Jessop and Sum, 2006). Food regime studies extend this analysis and reveal the centrality of the agro-food sector in fostering political economic stability (McMichael, 2009a).

The contemporary rise of economic globalization and “hollowing out” of the nation state has shifted attention from the role of government, to the role of governance (Jessop, 1995). A governance approach challenges state-centric views of politics, top-down notions of power, and artificial public/private distinctions. This literature demonstrates how in the wake of effective government oversight dominant corporations configure the global economy. Pioneering this analysis, Gereffi (1994) provides a methodology for studying the interlinking of economic activities, coordination of enterprises, and allocation of profit along global commodity chains and a theory of the rising power of retail brand corporations to dictate conditions in “buyer-driven” chains. Global commodity chain/value chain analytics have been widely applied to the agro-food sector as well as manufacturing (Gibbon et al., 2008). Dolan and Humphrey (2000) demonstrate how oligopolistic supermarkets are able to use new contract and standard systems to control production processes, product characteristics, and enterprise participation in their supply chains, so much so that some authors argue that the global food economy is now “supermarket-driven” (Hatanaka et al., 2005).

Gereffi et al. (2001) argue that we are witnessing the rise of a powerful new system of “transnational private governance” in which non-state actors oversee the ethical and ecological facets of economic activity. While corporate codes of conduct address these concerns via self-regulation, the most powerful new governance arrangements engage external groups in certifying corporate activities (Bartley, 2007; Mayer and Gereffi, 2010). A growing number of certifications specify labor conditions in garments, shoes, and other manufacturing sectors (O’Rourke, 2006; Seidman, 2007) and environmental criteria in timber, food, and other natural resource sectors (Barrientos and Dolan, 2006). Cashore et al. (2004) view certifications as “non-state market-driven systems” which are distinguished by their voluntary nature and economically based incentives. This private governance approach highlights how economic rewards entice firm participation and regularize new environmental and social practices in global arenas (Bartley, 2007; Mayer and Gereffi, 2010), including in the agro-food sector (Hatanaka and Busch, 2008).

Recent work on quality and conventions deepens our understanding of the normative foundations of social regulation and demonstrates how economic expectations are normalized, as well as institutionalized. This literature follows Polanyi (1957b) in rejecting the assumption that all economic activity is guided by a rational logic of “economizing.” As Callon et al. (2002) argue, goods are transformed into products through complex processes of valuation in the contemporary “economy of qualities.” Merging social constructionist and institutionalist views, the convention approach explores the divergent definitions of quality which guide economic activity. This tradition analyzes the constellation of ideas, practices, and institutions that define and uphold economic networks (Thévenot, 1995). Applied to the agro-food sector we can see how the dominant agro-industrial food economy is configured by industrial and commercial norms and price competition, and how ethical and ecological values are embedded in specialty food arenas through the redefinition of quality attributes (Barham, 2002; Raynolds, 2002).

### 2.2. Countermovements, contestation, and resistance

To emphasize the social dimensions of regulation, where markets are shown to be arenas of social contestation not simply arenas of coordinated activity, it is helpful to consider the second facet of Polanyi’s theory of embeddedness. Polanyi (1957a: 3) argues that the increasing commodification of land, labor, and money must be regulated, since a “self-adjusting market...could

not exist for any length of time without annihilating the human and natural substance of society.” He proposes that “movements of social protection” arise to resist the destructive impacts of the unfettered market, challenge the dominance of market rule, and re-embed the market in support of societal interests. Although Polanyi focuses on the rise of national state regulatory institutions, policies, and laws, contemporary authors extend this argument to explain the emergence of transnational initiatives for social protection and non-governmental approaches to market regulation. Burawoy (2007) proposes that the intensification of market rule over labor, money, and now all of nature fuels successive waves of counter-movement, with major ongoing movements emanating from global civil society and focusing on human rights (incorporating both labor and social rights). Developing a similar line of argument, Evans (2008) explores how diverse global social justice initiatives might together advance a “counter-hegemonic globalization.” Since the agro-food sector is a central frontier of global commodification, it emerges as a key terrain for contestations over “place, power, and provenance” (Morgan et al., 2006).

Social movement research shows how the most powerful contemporary countermovements link local actions to global networks and alternative social norms to strategic projects (Smith, 2008). Keck and Sikkink (1998) reveal the centrality of “transnational advocacy networks” in strengthening the demands of marginalized groups through informational and resource exchanges, the incorporation of alternative normative frames, and integration into global campaigns. Non-governmental organizations (NGOs) play a central role in advancing these international initiatives in collaboration with social movement groups (Mitlin et al., 2007). As a Polanyian perspective would suggest, the social and environmental dimensions of economic activity are a central terrain of contestation (Evans, 2008). But rather than focusing on state regulation, social movements and NGOs increasingly pressure corporations directly to improve their practices. Taking advantage of the rising value of corporate brands, these groups “name and shame” negligent corporations, a strategy that has proved particularly effective in areas with high identity content like food and fashion (Barrientos and Dolan, 2006; Hughes, 2005; O’Rourke, 2006). Moving beyond demands for corporate *responsibility*, a number of social movement groups have worked to promote corporate *accountability*, asserting the right of society to oversee economic relations (Utting, 2008).

While a conception of social regulation builds on Polanyi’s insights regarding the impetus for social groups to seek to re-embed the economy, this societal action is not necessarily unified or formally organized. A rich literature analyzes the micro-politics of resistance. Based on her work on popular struggles, Piven (2008:5) argues that while power is typically seen as deriving from control over resources, power can also be derived from social interdependencies, where people “exert power over others by withdrawing or threatening to withdraw from social cooperation.” Scott (1985) develops this argument looking at the “everyday forms of resistance” of peasants who individually and collectively contest their subordination through dissent and non-collaboration. While popular resistance may be fleeting and disparate, it may also coalesce in the creation of new institutional arrangements for satisfying human needs. Contemporary resistance to capitalist production relations may be evidenced in processes of de-commodification (Vail, 2010) and the rise of social economy alternatives (Wright, 2010).

The political consumption literature frames a parallel argument regarding the contentiousness of consumers and their potential as individual and collective actors (Micheletti, 2003). Although consumers are conventionally seen as atomistic and self-interested, from Piven’s (2008) interdependent power perspective they may exert social power via their everyday acceptance or rejection of

market products. Micheletti and Follesdal (2007) suggest that people use the market to voice their values, engaging in “boycotts” where products viewed negatively are avoided, as well as in “buycotts” where products viewed positively are sought out. In the food sector, consumer ethical and environmental concerns have undermined markets for genetically modified grains and hormone intensive milk and fueled purchases of foods seen as more natural or socially responsible (Goodman et al., 2011). Following Bourdieu (1984), this reflexive consumption can be seen as a facet of individual self expression and identity creation. Yet often consumers appear to pursue a collective identity, creating an “imagined community” (Anderson, 1983) through corporate brand or alternative market affiliation (Thompson and Coskuner-Balli, 2007). When purchasing patterns are informed by social movement campaigns or used by movement groups as evidence in support of their cause, consumption may be seen as a form of collective political engagement (Barnett et al., 2005; Clarke et al., 2007).

### 2.3. Social regulation and Fair Trade

A number of authors have drawn implicitly or explicitly on Polanyi’s embeddedness framework and related theoretical traditions in analyzing Fair Trade. Renard (1999, 2003) pursues a convention approach to explore the rise of Fair Trade quality expectations and the implications of new forms of market governance for producers. Analyzing Fair Trade as a countermovement, Reynolds (2000, 2002) demonstrates how Fair Trade networks seek to challenge abstract capitalist relations and re-embed production and trade, shortening the distance between producers and consumers. A large number of studies go on to explore how producers are integrated into Fair Trade and the implications for their households, organizations, and communities (Bacon, 2005; Dolan, 2008; Jaffee, 2007; Reynolds et al., 2004) as well as how consumers are materially and ideologically engaged in Fair Trade networks (Goodman et al., 2011; Goodman, 2004; Lyon, 2006; Wright, 2004). Several studies detail how Fair Trade is institutionalized via certification standards and auditing practices (Mutersbaugh, 2002, 2005; Reynolds et al., 2007) and how lead firms shape Fair Trade supply chains (Dolan, 2010; Reynolds, 2009).

While Fair Trade is typically seen as embodying a process of de-commodification (Vail, 2010), a set of recent studies suggest that Fair Trade and related initiatives may actually support a process of re-commodification if corporations can use certification and labeling to appropriate niche markets (Daviron and Vagneron, 2011; Jaffee and Howard, 2010; Watson, 2006). Guthman argues that rather than representing a Polanyian movement of social protection, Fair Trade and related organic food labels represent forms of neo-liberal regulation which “employ tools designed to create markets where none previously existed” and “‘devolve’ regulatory responsibility to consumers” (2007: 256, 257). Although this argument will be shown in the analysis to follow to have some merit, it focuses on the economic mechanisms of labeling and concedes the market to corporate actors, downplaying the engagement of diverse social groups in shaping market arrangements, including potentially powerful individual and collective consumers. As this study demonstrates, Fair Trade remains both “a movement and a market” (Reynolds, 2000). For as a number of recent studies suggest, NGOs, movement groups, activist producers, and politicized consumers continue to support economic alternatives and resist Fair Trade’s co-optation (Bacon, 2010; Gendron et al., 2009; Reynolds, 2009; Velly, 2007). The social regulation approach pursued in this analysis advances this more contentious view of Fair Trade, exploring the engagement of diverse social actors in shaping activities in an economy which is both an arena of institutional coordination and social contestation.

### 3. Fair Trade ideas, practices, and institutions

Fair Trade operates at the intersection of market critique and re-regulation, challenging dominant “unfair” trade practices and promoting alternative “fair” trade norms in global arenas. As critique, Fair Trade represents a normative challenge to neo-liberal “free trade” orthodoxy and resulting global inequalities. While this critique shares commonalities with other global social justice initiatives (Smith, 2008), what accounts for Fair Trade’s popularity is its ability to combine visionary goals with practical engagements. As a strategy of social re-regulation, Fair Trade seeks to transform the nature of transnational economic activity. Fair Trade is related to other regulatory efforts—such as organic food, sweat-free garments, or eco-labeled timber initiatives—that work to improve production conditions and promote the sale of alternative often certified products (Bartley, 2007; Cashore et al., 2004). Yet Fair Trade distinguishes itself from these other initiatives via its breadth in incorporating social and environmental conditions and its depth in regulating both production and trade relations. Fair Trade engages a variety of broadly-based social values, mechanisms of social coordination, and social actors in novel and potentially powerful ways.

Positioned at the heart of what Burawoy (2007) argues is the dominant countermovement of our time, Fair Trade emanates from global civil society and advances a human-rights equity and sustainable development agenda. As expressed in a joint definition by major proponents (WFTO, 2011):

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

Fair Trade is presented here as a classic Polanyian countermovement, as a challenge to the dominance of abstract economic principles and a move to re-embed international trade within social relationships. Using a convention theory lens (Thévenot, 1995), Fair Trade can be seen as questioning the legitimacy of “industrial” and “commercial” norms—where items are valued based on production efficiency and price and trade is guided by free market competition—and promoting a re-qualification of economic activity based on “civic” and “relational” ideas and practices.<sup>1</sup> In redefining trade as a “partnership,” Fair Trade deploys widely held social values of interpersonal trust which are commonly associated with face-to-face interactions but are here extended internationally. In promoting “equity,” “sustainable development,” and the “rights” of producers and workers, Fair Trade taps salient social and environmental values of self determination and the public good. The Fair Trade narrative links personal commitments to people and places with collective responsibilities for global social and ecological well being, interweaving “relational” and “civic” worlds.

While Fair Trade can be seen as a coherent countermovement with a powerful narrative and agenda, its principles have been institutionalized in three quite distinct and at times conflicting ways. The first is via the pioneer Fair Trade organization model. Development NGOs and faith-based groups were the first to

develop Fair Trade ideas and practices, creating organizations which purchased handicrafts from associated producers at favorable prices and sold them to consumers in dedicated shops. These Fair Trade organizations blossomed over the years, fueled by public interest generated by international solidarity and social justice movements. Fair Trade organizations and their trading partners formed the World Fair Trade Organization (WFTO), which identifies itself as “the authentic voice of Fair Trade and a guardian of Fair Trade values.” WFTO has 350 members comprised predominantly of producer groups and to a lesser extent importers/retailers who sell only Fair Trade products. Producers and marketers are equally represented in WFTO governance. All WFTO members are expected to embody fairer practices throughout their operations, to “have the concept of Fair Trade at the heart of their mission and at the core of what they do” (WFTO, 2011).

Fair Trade organizations clearly promote relational and civic ideas and practices. The direct trade model creates relational ties between Southern producers and Northern market actors by embedding commodity exchange within broader social networks (Reynolds, 2000, 2002; Renard, 1999, 2003). By supporting poor producers and public education, Fair Trade organizations seek to enhance global understanding and civic engagement. This civic agenda is reflected in WFTO’s (2011) mission “to improve the livelihoods and well being of disadvantaged producers by linking and promoting Fair Trade Organizations, and speaking out for greater justice in world trade.” As outlined in Table 1, WFTO members are expected to uphold 10 fairness principles in their economic practices with conformity appraised via self-reporting and peer review. Although Fair Trade organizations traditionally relied on their own moral authority to support claims of fairness, some are now externally monitored and use the WFTO logo to enhance their credibility and signal their 100 percent commitment.

A second key way that Fair Trade has been institutionalized is through the creation of a rapidly expanding system of certification for products which may be sold by mainstream retailers. Fair Trade certification and labeling seeks to inform and assure consumers about the social conditions embodied in their purchases, much as organic or origin labeling speaks to ecological and place-based attributes (Barham, 2002). Fairtrade International (FLO) has coordinated certification’s rapid growth, developing a network of increasingly bureaucratic institutions and formalized standards (FLO, 2011a). This umbrella organization links 18 national labeling initiatives in Northern market countries (like the UK Fairtrade Foundation) with 872 producer groups in Latin America, Africa, and Asia (see Table 1). FLO was founded and originally controlled by Northern market members, but producers have over the years gained a substantial voice in FLO governance (FLO, 2010a). In the most recent organizational shift, FLO’s America affiliate, Fair Trade USA (previously called TransFair USA) has decided to withdraw from FLO (FLO, 2011). While the long-term implications of this move are unclear, in the near term FLO remains the institutional core of the Fair Trade certification system.

FLO certification translates Fair Trade principles into a system of rules regulating the production and trade of labeled products. Devised first for coffee, FLO standards cover 20 commodities, with more products added each year (FLO, 2011a). To be certified producers must (1) be organized into democratic associations, (2) uphold International Labor Organization conventions, and (3) promote ecologically sustainable practices. Licensed importers must (1) buy from certified growers using long-term contracts, (2) offer credit for a portion of purchases, and (3) pay guaranteed floor prices and a social premium. In addition to these general standards, FLO has detailed commodity specific standards which are periodically updated. There are entry and progress requirements for producers. The autonomous FLO-Cert oversees compliance

<sup>1</sup> Although convention theorists refer to conventions based on trust as “domestic,” I use the term “relational” since in English this more effectively signals the idea of trust.

**Table 1**  
Characteristics of Fair Trade Umbrella Organizations.

	World Fair Trade Organization (WFTO) <sup>a</sup>	Fairtrade International (FLO) <sup>b</sup>
Established	1989	1997
Organizational Structure & Focus	Membership organization focused on fair trade market development, monitoring, & advocacy	Third party organization focused on setting fair trade standards & overseeing certification & labeling
Membership Composition	350 members: mostly producer groups; some retailers, distributors, & marketing networks	18 national labeling initiatives from Northern markets, 2 market organization members & 827 affiliated producer groups
Governance	9 member elected board of directors including representatives from Africa, Asia, Latin America, Europe, North America & Pacific Rim	14 member elected board of directors representing: 5 national initiatives, 4 producer groups, 2 importers, 3 independent experts
Oversight	Member self-assessments every 2 years with peer review; those that are externally monitored can use the WFTO logo	Direct auditing of national initiatives & importers; annual certification of producer groups done by semi-autonomous agency (FLO-Cert)
Key Standards & Expectations	Member Organizations Must: 1. Create opportunities for economically disadvantaged 2. Be transparent & accountable 3. Build producer capacity 4. Promote Fair Trade 5. Pay a fair price 6. Support gender equity 7. Provide safe & healthy working conditions 8. Ensure no forced child labor 9. Promote environmental goals 10. Promote egalitarian trade	Buyers Must: 1. Purchase from certified groups using long-term contracts 2. Provide credit upon request 3. Pay guaranteed FLO price floor & a social premium Producers Must: 1. Be organized into democratic associations 2. Uphold 10 UN International Labor Organization Conventions 3. Pursue environmental goals
Major Products	Wide range of items, including textiles, house wares, gifts, accessories, some foods	20 predominantly food commodities, some are product categories or composites

Sources: Compiled by author using data from FLO (2011); WFTO (2011).

<sup>a</sup> Formerly the International Fair Trade Association (IFAT).

<sup>b</sup> Formerly Fairtrade Labeling Organizations International.

following formal verification procedures as laid out by the International Organization for Standardization (FLO-Cert, 2010). Each year, producers are audited via onsite interviews and document reviews and buyers through a review of purchase records. Rather than embodying principles of trust, certification imposes a system of oversight where producers in particular are subject to intensive external control. While FLO has partially transformed Fair Trade's alternative norms into a business management program, as Mutersbaugh (2002, 2005) proposes, its standards diverge from commercial norms in: addressing trade as well as production conditions; stipulating non-quantifiable expectations like "democratic" representation as well as easily measured indicators; and including progress rules as well as fixed benchmarks.

A third key manner in which Fair Trade ideas have been institutionalized is via the creation of transnational advocacy networks which pursue strategic campaigns to harness globalization to more progressive ends. The power of Fair Trade advocacy networks derives, as Keck and Sikkink (1998) propose, from their pursuit of alternative normative frames, extensive informational exchanges, and new institutional ties. Fair Trade weaves social, environmental, and place-based values into a compelling normative framework that identifies the problems of unfair trade and promise of a Fair Trade solution. This vision is advanced by coalitions comprised of new largely virtual affiliations in the North (like the United Students for Fair Trade) and the South (like the Latin American Solidarity Economy Network) which promote popular education and mobilization efforts. Well institutionalized global NGOs such as Oxfam International provide important funding and advocacy support through programs like their "Make Trade Fair" campaign and increasingly global celebrities are called upon to rally support for Fair Trade (Goodman, 2010).

Although Fair Trade resembles other contemporary advocacy networks in many regards, it goes beyond most such efforts in linking advocacy to social regulation via the creation of alternative commodity networks. Fair Trade advocacy networks are entwined with Fair Trade organizations and labeling initiatives in seeking to prove the market viability of fairer trade relations, provide an

avenue for mainstream businesses to enter certified markets, and offer public opportunities for demonstrating support through consumer purchases. Fair Trade organizations and, to a lesser extent, labeling initiatives in turn bolster advocacy networks through their political activities. Fair Trade organizations have an activist agenda and participate in advocacy campaigns both individually and collectively. While some Fair Trade organizations are activist groups which run Fair Trade shops; others are merchants first and activists second.<sup>2</sup> Reflecting their collective priorities, WFTO (2011) identifies advocacy as one of its three main foci and is a key player in global and regional social justice forums. WFTO and other Fair Trade organization coalitions join with FLO to support a joint advocacy office that promotes Fair Trade in multilateral arenas.

This analysis suggests that Fair Trade's normative power derives from its ability to move from critique to a positive vision which merges popular social/ecological and personal/global values, rights, and responsibilities (Reynolds, 2000), while its institutional power derives from its ability to harness transnational advocacy networks and embed its vision in socialized market arrangements. Framed as a Polanyian countermovement, Fair Trade challenges free market rule based on industrial and commercial conventions and asserts relational and civic values and institutions rooted in trust, place attachment, and social benefits (Thévenot, 1995). Although Fair Trade has a common narrative, these principles are institutionalized in three distinct strands, via: Fair Trade organizations and direct trading, Fair Trade labeling initiatives and certification, and Fair Trade advocacy networks and campaigning. This analysis supports the distinction between a Fair Trade organization strand, which asserts alternative values most strongly, and FLO certified trade strand, which extends practices most broadly yet reintroduces North/South inequalities and mainstream market forces (Gendron et al., 2009; Renard, 2005; Velly, 2007). Yet to understand

<sup>2</sup> For example, Ten Thousand Villages is focused on merchandising while Global Exchange is primarily a human rights organization.

the varied, interlinking, and at times conflicting arrangements between and within these two Fair Trade strands, we must focus also on the advocacy strand of Fair Trade. For social movement groups and NGOs are the key advocates and architects of alternative economic relations, reaffirming the importance of civil society in global food regulation.

#### 4. Social regulation in market arenas

Fair Trade is booming across markets in the global North. Sales of FLO certified items were valued at US\$ 5.8 billion in 2010 (FLO, 2011b). Markets for non-certified Fair Trade items, comprised largely of handicrafts, have been growing more slowly, adding US\$ 363 million to global sales (Krier, 2008). Certified commodities have made major inroads across Europe and North America and represent one of the most rapidly growing segments in the food and beverage industry. As noted in Table 2, the United Kingdom has the world's largest market for Fair Trade certified goods, with annual sales of US\$ 1.79 billion, followed by the United States, with sales worth US\$ 1.25 billion per year. Despite the similarity in Fair Trade market size, the penetration of certified goods in UK markets is far greater than in the United States. In the United Kingdom, FLO's 20 certified commodities are all widely available as are numerous composite goods, with consumer spending on these products averaging US\$ 16 per year (Krier, 2008). The US Fair Trade market is highly dominated by coffee, although 10 additional certified commodities and some composites are available, with per capita spending averaging US\$ 3 annually (Krier, 2008). Other European countries and Canada also have robust Fair Trade sales. While a market-driven approach focuses on the corporate basis of Fair Trade's growth (Nicholls and Opal, 2004), this analysis focuses on the importance of consumer engagement and social movement advocacy in constructing and maintaining Fair Trade markets.

To understand Fair Trade's social foundations, we must look beyond abstract conceptions of demand, as an aggregate of passive consumer choices, and consider the role of consumers as individual and potentially collective social actors. The case of Fair Trade supports Micheletti's (2003) contention that consumers use the market as an arena to voice their values. Research finds that a large and growing share of people identify themselves as ethical consumers who take social and environmental issues into account in food purchasing (Leatherhead, 2007). Food has been at the

forefront of values-based consumption due to the salience of social and ecological concerns in dietary choices and growing distrust of commodified foods. Like reflexive consumption in organic foods, Fair Trade consumption may be seen as a form of self expression and lifestyle creation counter posed to the commercial food system. While ethical consumers' mainstream market avoidance represents a form of re-active "everyday resistance" (Scott, 1985), in demanding products consistent with their values, Fair Trade consumers pro-actively create alternative markets.

Fair Trade consumption fuels a process of decommodification whereby, in keeping with Fair Trade's founding principles, products are valued not simply by price but by their human, ecological, and place-based attributes (Raynolds, 2002; Watson, 2006). From a Polanyian perspective, what is critical is not simply that the social dimensions of commodities are recognized, but that social groups actively challenge market rule. Certainly the ethical pioneers that shunned mass market products in favor of expensive and hard to find Fair Trade alternatives, volunteered in Fair Trade shops, and petitioned supermarkets to carry certified goods can be seen as being actively engaged in social regulation of the market. Although the expansion of Fair Trade markets has made participation easier, consumers continue to see their purchasing as a consequential form of social action. Making explicit the political nature of consumption, a recent US survey found that 37 percent of consumers see their purchasing decisions as "making a difference," only somewhat less than the 45 percent that see voting as "making a difference" (Hartman, 2009).

For consumers to foster a Polanyian countermovement, they must engage politically and in some sense collectively. While consumption is typically seen as a form of atomistic behavior, Fair Trade may promote a collective identity in two ways: in keeping with the Fair Trade narrative of North/South partnership, consumers may come to align themselves with producers creating an "imagined community" (Anderson, 1983) of "global citizens;" or in keeping with a political consumption perspective (Micheletti, 2003), they may align themselves with other ethical consumers, creating an imagined community of "citizen consumers" (Johnston, 2008). Fair Trade movement groups have played a central role in enrolling consumers as both global citizens and citizen consumers. When faith-based and solidarity groups founded Fair Trade handicraft organizations they sought to promote global understanding and responsibility through a collective commitment to disadvantaged Southern producers, creating an alternative "moral economy" (Goodman, 2004) which enmeshed consumers in the fates of distant people and places. Although Fair Trade markets have become more fractured, social movement campaigns continue to foster imagined communities of global responsibility and collective consumer voice. Fair Trade groups deploy information on ethical consumption to both mobilize supporters and justify their cause (Clarke et al., 2007). Revealing and reinforcing the power of consumption as a form of collective political action, FLO recently publicized a survey suggesting that over half of European and North American consumers agree that "shopping choices can make a positive difference for workers and farmers in poor countries" (FLO and Globespan, 2011).

Movement groups have bolstered Fair Trade through protests and institution building projects, forging countermovements with distinctly national characters as can be seen if we contrast the US and UK initiatives. In the United States, the first Fair Trade brand company, Equal Exchange, was founded in 1986 with support from global solidarity and faith-based communities. This and other US Fair Trade organizations have worked with social movement groups to heighten awareness of global inequalities and the importance of responsible consumption, merging citizen consumer and global citizen narratives. Equal Exchange helped launch the

**Table 2**  
Fair Trade Certified Sales Value in Lead Countries (US\$ 1,000,000).<sup>a</sup>

	2004	2006	2008	2010
<i>Europe</i>				
UK	256	514	1297	1787
France	87	209	376	403
Switzerland	169	179	248	292
Germany	71	138	313	452
Austria	20	52	96	116
Netherlands	43	51	90	158
<i>North America</i>				
USA	267	627	1116	1246
Canada	22	68	182	331
<i>Pacific</i>				
Australia/ NZ	1	8	27	167
Japan	3	5	14	19
Total <sup>b</sup>	\$ 1034	\$ 2039	\$ 4351	\$ 5800

Sources: Compiled by the author using data from FLO (2006, 2007, 2009, 2011b).

<sup>a</sup> Euros are converted to dollars using the US Federal Reserve average annual exchange rate (2004: US\$ 1.24 = 1 Euro; 2006 US\$ 1.26 = 1 Euro; 2008: US\$ 1.47 = 1 Euro; 2010: US\$ 1.33 = 1 Euro).

<sup>b</sup> Total includes countries not listed on the chart.

national labeling initiative, Fair Trade USA, in 1998. Once certification became available, activist groups took the lead in propelling US market adoption. Student groups led successful campaigns demanding that Fair Trade coffee be served on university campuses. In a key case of naming and shaming, US activist groups forced Starbucks to carry certified coffee by threatening mass demonstrations and consumer boycotts.

While US Fair Trade organizations and advocacy groups have fueled a countermovement of decommodification and corporate accountability, Fair Trade USA has pursued a market-based strategy of recommodification, promoting certified sales to bolster corporate profitability. Fair Trade USA has distanced itself from the collective citizen actions of movement groups, supporting instead the individualized consumer choice model enshrined in its logo “every purchase matters.” Although it is a non-profit entity its CEO, most of its staff, and the majority of its Board have business degrees and strong corporate ties (FT USA, 2011). Fair Trade USA has worked to maximize certified volumes through market mainstreaming, enticing major corporations with promises of an enhanced image and invigorated sales. Most US market growth has come from the launch of certified product lines by large corporations like Procter & Gamble, Safeway, McDonald’s, and even Walmart. Meanwhile Equal Exchange and most other Fair Trade organizations have dropped the Fair Trade USA label due to a lack of support for their 100 percent Fair Trade commitment.

Fair Trade’s institutionalization in the United Kingdom has maintained a more coherent countermovement thrust due to closer ties between advocacy groups, Fair Trade organizations, and the national certifier. Fair Trade’s development has occurred in waves which have largely incorporated, rather than alienated, prior advocates. The solidarity groups that started Fair Trade handicraft retailers also founded the UK’s first Fair Trade brand company, Cafédirect, in 1991. These and related civil society groups went on to launch the FLO national affiliate, the Fairtrade Foundation, in 1992. Unlike its business oriented US counterpart, the Fairtrade Foundation (2010) maintains strong movement ties, with 15 solidarity and faith-based shareholders and a Board comprised largely of social movement representatives. The labeling initiative’s social base has shaped its strategy for growing the certified market: securing the place of Fair Trade organizations, like Cafédirect, and creating alliances with allied businesses, like the consumer owned Cooperative Supermarket, as well as working with mainstream corporations.

The active engagement of organized consumers and citizens in the UK Fair Trade movement has helped maintain a focus on decommodification and social regulation. The Fairtrade Foundation has worked with advocacy groups to raise awareness about global social justice and engage people as citizens, as well as consumers, in

large scale public events like the annual “Fairtrade Fortnight.” Merging citizen consumer and global citizen identities, UK citizens have demanded a public commitment to Fair Trade, as well as individual access to certified products. The national government funds the Fairtrade Foundation and boosts sales through procurement contracts, while municipal governments provide support through Fairtrade School and Fairtrade Town programs.

While national labeling initiatives vary in their support of civil society engagement, Fair Trade organizations maintain this agenda. The Fair Trade brands that helped found the US and UK certified markets remain successful: Equal Exchange is a US market leader with annual revenues of US\$ 36 million (Equal Exchange, 2010); Cafédirect is the UK’s fourth largest coffee company with yearly sales of US\$ 43 million (Cafédirect, 2010). These pioneers remain deeply mission-driven and committed to Fair Trade principles of “equal” and “direct” trade as their names imply. Fair Trade organizations are non-profit entities or for-profit social economy enterprises that follow a worker cooperative (Equal Exchange) or producer shareholder model (Cafédirect). These businesses are active in advocacy and education. Cafédirect and Equal Exchange promote relational and civic values among consumers and citizens through informative websites, packaging, educational campaigns, speaker tours, and other outreach activities.

As outlined in Table 3, conventional corporations diverge sharply from these mission-driven enterprises in their Fair Trade involvement and remain firmly profit-driven. Since mainstream companies sell Fair Trade items to access lucrative product niches and burnish their brands, they limit their certified amounts to public relations defined minimums and their egalitarian relations to audited requirements. Transnational corporations like Procter & Gamble and Nestlé have less than one percent of their coffee Fair Trade certified. These profit-driven firms see Fair Trade as a new product variety, rather than an alternative business model, and while they may meet FLO standards in their labeled product lines, they largely pursue business as usual. By outsourcing licensed activities, dominant UK retailers avoid FLO oversight altogether (Raynolds et al., 2007). Conventional corporations typically limit their public discussion of Fair Trade for fear it may reflect poorly on their overall activities.

Socially responsible companies fall between Fair Trade organizations and conventional corporations in their normative and material engagement. These companies have an affinity with, but not a full commitment to, Fair Trade ideas and practices. They embody norms of corporate social responsibility within a mainstream for-profit business model. Fair Trade items represent an important, but not major, share of sales. For example, Starbucks’ certified coffee comprises 11 percent of sales (39 million pounds); Green Mountain Coffee Roasters has 28 percent (9 million pounds)

**Table 3**  
Characteristics of Fair Trade Marketing Enterprises.

	Fair Trade Organizations	Socially Responsible Companies	Conventional Corporations
Key Focus	Mission-driven	Quality-driven	Profit-driven
Business Model	Non-profit or Alternative For-profit (cooperative, etc.)	For-profit with Corporate Social Responsibility Mandate	For-profit
Product Mix	100% Fair Trade (not all FLO certified)	Significant Share FLO Certified	Minimal Share FLO Certified
Supply Strategy	Purchase from Producers	Purchase from Alternative Traders	Purchase from Conventional Traders
Producer Ties	Extensive Contact & Assistance (producer & buyer trips, ongoing communication, market & quality data, organizational, financial, & technical assistance)	Targeted Contact & Assistance (buyer trips, communication regarding market issues, market & quality data, credit, emergency assistance)	No Contact or Assistance
Sales Strategy	Direct Sales (own shops, online, catalog), Alternative Shops & some Mainstream	Alternative Shops (specialty stores, coops) & Mainstream	Mainstream (supermarket, box stores)
Consumer Ties	Outreach, Education, Advocacy (educational campaigns, media contacts, speaker tours, informative website, brochures, packaging)	Outreach & Education (CSR report, informative website, brochures, packaging)	Public Relations & Advertisements (often CSR report, vague statements)

Source: Author’s research.

of its coffee certified (GMCR, 2010; Starbucks, 2010). Beyond validating their ethical commitments, these firms use certification to advance their key concern: accessing excellent coffee. Quality-driven companies use Fair Trade rules regarding producer ties, network transparency, and advance payments to strengthen their supply chains, merging Fair Trade and gourmet qualifications in their producer relations.

In sum this analysis finds that ethically conscious consumers and citizens, business enterprises, national labeling initiatives, and an array of civil society groups are actively involved in socially regulating market activities. These groups may together foster a Polanyian countermovement grounded in Fair Trade's civic and relational principles and advanced via a collective agenda of decommodification and corporate accountability. Yet as Fair Trade markets have grown they have become more contested. Mainstream corporations have sought to capture Fair Trade's gains, using certification and their market power to advance industrial and commercial conventions, fueling recommodification and corporate profitability (Guthman, 2007). A market capture narrative reveals the rising power of corporations in Fair Trade (Jaffee and Howard, 2010), but understates the continued efforts, and partial successes, of multiple groups to socially regulate market arenas. Large numbers of people resist being identified as atomized apolitical consumers (Clarke et al., 2007) and join imagined communities of citizen consumers and global citizens to shape markets informally and sometimes formally via government support for Fair Trade. Movement groups fuel social regulation through protests, alliances, and institution building efforts supporting Fair Trade organizations and allied social enterprises (Gendron et al., 2009). Despite market mainstreaming, we see a persistence of mission-driven pioneers and a rise of socially responsible companies which selectively adopt Fair Trade expectations. The fact that major corporations submit even a part of their activities to external Fair Trade review speaks to the power of social groups to engage in market regulation.

## 5. Social regulation in production arenas

Fair Trade production has grown dramatically across the Global South over recent years. Bourgeoning Northern demand has generated lucrative markets for an increased volume and variety of certified food exports. Producers' interest in these new markets has been fueled by neo-liberal policies, which undercut domestic prices and reoriented agro-exports toward specialty markets, and by a range of social movement efforts, which have sought to create market alternatives. Envisioned as a Polanyian countermovement, Fair Trade challenges the relations of commodity exchange that underpin the global economy, subverting the colonial-based flow of products from South to North. As outlined in Table 4, major tropical exports—coffee, tea, cocoa, sugar, and bananas—form the core of the Fair Trade system and bulk of certified exports. Coffee, the first and still the most valuable certified product, illuminates Fair Trade's countermovement history. In the early 1980s, international solidarity groups established direct trade links with Nicaraguan coffee producers to counteract trade embargoes imposed after the Sandinista Revolution and support the peasant cooperatives at the vanguard of the new economy. When certification was launched, international solidarity groups again aligned with peasant cooperatives, this time from Mexico, to secure favorable markets for small-scale coffee farmers threatened by world price declines (Renard, 2003, 2005). Transnational alliances between solidarity groups, Fair Trade organizations, producer associations, development NGOs, social economy groups, and community activists have played a similarly central role in forging Fair Trade networks in other production arenas.

**Table 4**  
Top Fair Trade Labeled Commodities by Volume (metric tons).

	2002	2004	2006	2008	2010
Coffee	15,779	24,222	52,064	65,808	87,576
Tea	1266	1965	3883	11,467	12,356
Cocoa	1656	4201	7913	10,299	35,179
Sugar	650	1960	7159	56,990	126,810
Bananas (fresh)	36,641	80,640	135,763	299,205	286,598
Other Fresh Fruit/Juices	1387	9699	6309	54,643	42,419
Total <sup>a</sup>	58,809	126,160	217,628	505,152	601,244

Sources: Compiled by the author using data from FLO (2004, 2005, 2007, 2009, 2011b).

<sup>a</sup> Includes other labeled commodities measured by weight (e.g. rice and honey), but not those measured by item or volume (e.g. flowers, cotton, sports balls, wine and beer).

Over recent years, Fair Trade certification has been extended to cover 20 commodities. The most rapidly growing new products are fresh fruits—like apples, grapes, pineapples, and citrus—and processed fruit juices. FLO certification is now also available for honey, rice, quinoa, nuts, oil seeds, herbs, spices, plants, flowers, beer, wine, cotton and even non agro-food products like gold, soccer balls, and garments (FLO, 2011a). While social movement groups took the lead in creating earlier Fair Trade networks, FLO and its national labeling affiliates (particularly the UK Fairtrade Foundation and Fair Trade USA) have driven the growth of new product labeling, responding to requests from Northern supermarkets and corporations seeking to broaden their Fair Trade offer (Nicholls and Opal, 2004). Certification's rapid growth has transformed the organizational foundations of Fair Trade production. The number of FLO affiliated producer enterprises more than doubled between 2004 and 2009, rising from 433 to 942, and there are now 1.5 million farmers and workers in 58 countries producing certified items (FLO, 2005, 2010a, 2010b).

Latin America is the traditional hub of production and continues to supply most of the world's Fair Trade certified coffee, bananas, and sugar and much of its cocoa (FLO, 2010b). As outlined in Table 5, over half of FLO affiliated producers, 536 enterprises, are located in Latin American and the Caribbean. There are now 268 FLO certified coffee cooperatives located across the region, as well as numerous cocoa and sugar cooperatives. There are also a large number of certified banana and other fresh fruit and juice enterprises, including both small farmer cooperatives and large producers.

**Table 5**  
Characteristics of Fair Trade Certified Production by Region.

	Latin America & the Caribbean	Africa	Asia
Producer Countries	20	28	12
Total Certified Producer Enterprises	536	259	147
Coffee enterprises <sup>a</sup>	268	32	27
Tea enterprises <sup>a</sup>	2	45	42
Cocoa enterprises <sup>a</sup>	34	12	6
Sugar enterprises <sup>a</sup>	18	7	1
Banana enterprises <sup>a</sup>	80	1	1
Other fresh fruit/juice enterprises <sup>a,b</sup>	75	79	7
Small Farmer Coop Enterprises <sup>c</sup>	330	96	75
Small Farmer Coop Members <sup>c</sup>	220,000	515,640	110,800
Hired Labor Enterprises <sup>c</sup>	63	93	29
Hired Laborers <sup>c</sup>	8960	72,900	46,000

Sources: Compiled by author using data from FLO (2010a, 2010b) and FLO-Cert (2010).

<sup>a</sup> Numbers do not add up to the regional totals because some groups produce other commodities.

<sup>b</sup> Includes fresh fruits (other than bananas) as well as wine grapes, fresh vegetables, dried fruit, and fruit juices.

<sup>c</sup> These data are only available for 686 enterprises audited by 2008.



Africa's role in Fair Trade has increased dramatically in recent years, with the number of FLO affiliates rising from 78 to 259 between 2004 and 2009 (FLO, 2005, 2010a). Africa is responsible for much of the growth in new labeled products, with 79 large enterprises supplying certified fruits and juices. The region also has a large number of certified coffee cooperatives and tea enterprises, including both large and small producers. Asia has the fewest FLO affiliated producers, with most producing tea and coffee.

The peasant cooperatives that allied with social movement groups in founding Fair Trade still comprise the backbone of production and vanguard of producer politics. There are 500 FLO certified small farmer cooperatives: Latin America has 330 coops with 200,000 members; Africa has 96 coops which are far bigger with over 500,000 members. Producer cooperatives represent a key form of social economy (Wright, 2010) which combines collective social representation and services with economic arrangements to finance, process, transport, and market products. Paralleling other peasant initiatives (McMichael, 2009b), Latin American coffee cooperatives have remained at the forefront of the Fair Trade movement by linking the classic agrarian question—regarding the future of peasants in a capitalist economy—to the current socio-ecological crisis of neo-liberalism. The Latin American and Caribbean Network of Small Fair Trade Producers (CLAC), one of the three regional producer networks affiliated with FLO, most clearly embodies the political voice of peasant coops. CLAC (2011) promotes grassroots social economy groups and decries the commodification of labor, advancing a key facet of a Polanyian countermovement agenda within Fair Trade.

FLO certification standards configure the participation of small-scale producers in Fair Trade and the distribution of benefits. Fair Trade's principles of fairness are translated most directly into farmer benefits through required price guarantees and social premiums. In the face of volatile world prices, FLO's guaranteed prices help ensure the survival of marginal producers. In coffee, price floors have been critical since the world price has rarely surpassed the FLO minimum. While producers and their associations are governed by FLO rules (Mutersbaugh, 2002), they have some power to shape those rules as evidenced by CLAC's recent successful push to increase the guaranteed coffee price (Bacon, 2010). Buyers of certified products are required to pay a social premium to support producer capacity building and community development. This social premium, which totaled US\$ 44.7 million in 2008, is invested about equally in economic activities, at the coop and farmer levels, and in social activities, primarily in education, health, environment, and women's programs (FLO, 2010b: 44). Cooperatives are charged with democratically determining premium fund allocation and managing resulting programs, activities which can strengthen the social foundations of cohesive producer associations (Bacon, 2005; Jaffee, 2007; Reynolds et al., 2004). In more fragmented cooperatives, producers benefit from premium funded services but there is less evidence of empowerment or capacity building (Becchetti and Costantino, 2008; Dolan, 2008).

Although small farmers' integration in Fair Trade is founded on civic and relational values, the rising power of mainstream buyers and market orientation of Fair Trade USA is reasserting industrial and commercial conventions in production (Reynolds, 2002, 2009). FLO standards and audit procedures effectively identify and oversee payments of minimum prices and social premiums. But rules that buyers provide credit "upon request" and pursue "long-term" contracts are malleable and hard to police. For example, while mission-driven coffee buyers (e.g. Equal Exchange and Cafédirect) provide significant financing, contract for as much coffee as possible, and purchase from the same cooperatives for years, mainstream buyers (e.g. Procter & Gamble and Nestlé) typically

leave coops to negotiate financing, contract for minimum volumes (and at times require that coops match their Fair Trade sales with sales at conventional prices), and drop suppliers once annual contracts are up. Buyer/supplier relations vary the most in non-market areas. Producer coops have developed partnerships with mission-driven buyers that foster relational values through extensive personal contact, information sharing, and technical support (Bacon, 2005; Renard, 2005). Where producer/consumer ties are deepened via speaking and study tours, producers may come to join consumers in imagined communities of "global citizens" with a collective identity and common social movement agenda. Producer relations with mainstream buyers in contrast are guided by industrial and market conventions, with buyers using certification as a supply management tool and their buying power to enforce cost-cutting and favor big producers able to guarantee large consistent supplies (Reynolds, 2009; Velly, 2007). Under these conditions the distance between producers and consumers is reinforced and social movement collaborations are rendered more difficult.

The integration and growing prominence of large enterprises in certified exports has altered the nature of Fair Trade production and politics. As noted in Table 5, there are 185 large FLO certified enterprises employing 128,000 workers. Half of these plantations are in Africa. Although Fair Trade was originally envisioned as bettering conditions for small producers, FLO incorporated hired labor enterprises to increase certified volumes, expand the product offer, and extend benefits to hired workers. In coffee, cocoa, and sugar, FLO certification excludes plantation enterprises. In tea, bananas, fruits, flowers, and juices, FLO certifies large and small enterprises, and plantations have come to outnumber and far out produce farmer cooperatives, due to their greater capital assets. CLAC and allies like Equal Exchange criticize plantation certification, arguing that it is peasants (not large producers) that need fairer market access. Escalating disagreement over plantation certification, Fair Trade USA (2011) is moving to certify large enterprises across all commodities.

FLO has specific criteria for hired labor enterprises which shape firm participation and worker benefits (FLO, 2010a). FLO certification standards affirm International Labor Organization guidelines related to freedom of association, freedom from discrimination, forced and child labor prohibitions, occupational health and safety, wages, and overtime. Certification guarantees that workers receive legally mandated benefits (which may be important given frequent labor law violations) and raises standards in key areas like time off, wages, overtime, worker health and safety rules, and benefits (Reynolds, forthcoming; Ruben and Schendel, 2008). The Fair Trade social premium channels funds to workers (as it does to peasants) to support development and capacity building. This premium, which totaled US\$ 17.6 million in 2008, is spent largely on education and health programs for workers and their families and community projects (FLO, 2010b: 44). A joint body comprised of workers and managers oversees the premium, with the entire workforce voting on the allocation of funds. Premium programs benefit workers and may foster empowerment as for example when funds are used to purchase company shares (Ruben and Schendel, 2008).

Fair Trade's egalitarian principles may transform the situation of workers most fundamentally through labor representation requirements. Certified enterprises must have a workers' committee or union to defend labor and negotiate with management. In situations where unions are absent, the workers committee mandated by FLO may offer important opportunities for workers to build a collective identity and advance labor rights (Reynolds, forthcoming). Where unions exist, certification may generate tensions between enterprise based Fair Trade politics and

### Social Regulation in Action: Fair Trade USA's Departure from Fairtrade International

Fair Trade USA (FT USA) announced in September 2011 that it was parting ways with the umbrella organization Fairtrade International (FLO). This decision and the responses it has generated offers an instructive example of social regulation in action, where Fair Trade emerges not as a static product label or market niche, but as an arena of institutional coordination and social contestation involving labeling agencies, Fair Trade organizations, mainstream corporations, mission-driven companies, movement groups, activist producers, and politicized consumers.

FT USA's decision reveals longstanding differences between the market-oriented US certification agency on the one hand and its more movement-oriented European counterparts and FLO on the other. These groups had managed to work together and FT USA had been granted a seat on FLO's board for most of the organization's history. But this strategic divide has been noted in my interviews with Fair Trade representatives on both sides of the Atlantic for at least a decade. In case anyone failed to see the divergence, they need only have looked at FT USA's noncompliance with FLO policies that labeling agencies be membership organizations and use the common international certification label.

Why is Fair Trade USA leaving the FLO system? FT USA answers this question on its website by championing its new *Fair Trade for All* effort: "Fair Trade USA will introduce innovations that will extend the benefits of Fair Trade to millions more farmers and workers, and U.S. businesses will have more supply options, offering them more opportunities to do more good for more people" (FT USA, 2012). In addition to consolidating its control, FT USA wants to expand supply by certifying farmers who are not members of cooperatives, plantations in sectors like coffee which is restricted by FLO to small producers, and US producers. The labeling agency believes that by growing the market and increasing mainstream corporate participation, more producers will benefit from Fair Trade prices and premiums. From this market vantage point, sales volumes define Fair Trade success.

FLO is understandably dismayed to see an affiliate leave the international Fair Trade system, particularly one that built on Europe's efforts to forge the world's second largest market. Myriad questions remain regarding how standards, producer relations, and labeling arrangements will be affected. But what is clear is that FLO is not ceding Fair Trade principles or markets to its former US affiliate. Instead FLO plans to promote the international label in the United States. As the FLO Board Chair states, "Fair Trade is about more than premium or prices, it's philosophical. It's about making a difference in producers' lives... Volume of product sold does not necessarily equal producer impact and we will work to ensure that growth of the system is consistent with greater producer impact and involvement" (FLO, 2012).

A number of US Fair Trade organizations, movement groups, and mission-driven companies are entering the fray, reaffirming their movement vision of Fair Trade. The World Fair Trade Organization (WFTO) and activist groups like the United Students for Fair Trade have publicly condemned FT USA's action. Numerous US groups have formed the North American Fair Trade Stakeholder Council to clarify the movement's position and promote its social justice goals. *Equal Exchange* (2012) has launched an online campaign, stating "It is time to reaffirm our commitment to the authentic Fair Trade movement that we have collectively built for 25 years in which small farmer co-operatives

play a central and vital role. The corporate, plantation model put forth by TransFair/Fair Trade USA is not Fair Trade." The *Authentic Fair Trade* campaign acquired close to 4,000 signatures in two months, primarily from politicized consumers.

Fair Trade producer groups, which are organized as FLO members via regional associations—the Network of Asian Producers, Latin American and Caribbean Network of Small Fair Trade Producers, and Fairtrade Africa—have voiced concerns over FT USA's unilateral decision and its implications for certification standards and market access. Pointing to the divergent interests of Fair Trade certified plantations, a handful of flower estate owners have joined about 100 others (including the CEOs of Whole Foods and Green Mountain Coffee Roasters) in signing on as supporters of the FT USA's *Fair Trade for All* initiative.

While the future parameters of Fair Trade certification are unclear, this case illuminates the contested nature of Fair Trade as a site of social regulation in action.

sector based union politics. Transnational labor rights groups have questioned the effectiveness of FLO certification, like corporate social responsibility programs, in overseeing work conditions and promoting labor rights (ILRF, 2010). FLO (2010c) is revising its hired labor standards to address these concerns, but there is no doubt that extending empowerment benefits designed for peasant producers to hired workers will remain challenging.

This analysis highlights the shifting nature of Fair Trade production in the Global South and the challenges inherent in transforming production relations for small farmers and workers. While Fair Trade's relational and civic practices were designed by social movement groups aligned with peasant cooperatives, FLO now governs certified networks based on formalized standards and the inclusion of small and large enterprises. Fair Trade's market mainstreaming is promoting the engagement of profit-driven companies and resurgence of industrial and commercial conventions (Thévenot, 1995), which threaten traditional partnerships with small farmer coops. Collaborative social movement endeavors that combine social economy organizations, including mission-driven buyers and cooperative suppliers, and imagined communities of global citizen producers and consumers appear to be central in maintaining Fair Trade benefits for disadvantages peasant producers. The most fundamental shift in production organization and producer politics comes from the increasing dominance of plantations in Fair Trade. Using certification to benefit workers, rather than farmers, is far more difficult since benefit streams are mediated by firm owners. Research suggests that FLO premiums can benefit workers and can under some conditions increase individual and collective worker empowerment. While a Fair Trade countermovement could be broadened and strengthened by enrolling labor groups, since they represent a key organized fraction of global civil society (Evans, 2008), tensions between peasant producers and hired workers are not easily resolved and to date workers have little representation in the Fair Trade movement.

## 6. Conclusions

This study reveals the multifaceted and contested nature of social regulation in contemporary global food markets. Focusing on the case of Fair Trade, the analysis illuminates how diverse individual and collective actors have sought to define and defend alternative ideas and practices within the movement and growing certified market. My analysis follows Polanyi (1957a, 1957b) in recognizing the socially embedded nature of market relations and the role of

countermovements in challenging the destructive nature of the unfettered market. A Polanyian perspective promotes a dynamic view of the economy, understood as being simultaneously an arena of institutional coordination and social movement contestation. Most of the literature inspired by Polanyi's work has followed his lead in considering how pressures to re-embed markets in social relations generate new national policies and institutions (Block and Evans, 2005; Jessop and Sum, 2006) including in the agro-food sector (McMichael, 2009a). I argue that in the contemporary period, these pressures fuel a process of social regulation, where diverse social actors both challenge market rule and devise new institutional alternatives. In the case of Fair Trade, I find that NGOs, social movement groups, and allied individuals in the Global North and South have been at the forefront in both critiquing existing market relations and creating alternative economic networks.

This analysis seeks to empirically ground our understanding of social regulation through an analysis of the contemporary Fair Trade movement and market. An analysis of the organization of Fair Trade confirms the centrality of NGO certification systems in governing economic practices and enterprise participation (Gereffi et al., 2001) and the importance of civil society groups in promoting corporate accountability. While transnational corporations have adopted FLO labels to capture markets and control their supply chains, in doing so they submit their activities to at least partial external oversight. Countering a uniform view of market mainstreaming, I find that mission-driven buyers continue to play a key role in Fair Trade, promoting movement values via alliances with NGOs, civil society groups, producers, and consumers. An analysis of the normative underpinnings of Fair Trade reveals not a separate "world of qualification" (Thévenot, 1995), but ongoing contestations between competing values and exchange relations. Fair Trade movement groups and mission-driven organizations promote relational and civic values based on personal commitment and collective responsibility, embedding relations of partnership within commodity networks. But as I demonstrate certifiers may align with profit-driven corporations in reasserting industrial standards and commercial price competition, with Fair Trade principles converted into auditable attributes and certification practices enabling new forms of control at a distance.

This analysis reveals how transnational advocacy and commodity networks can be forcefully combined in articulating and advancing new forms of social regulation in global arenas. Keck and Sikkink (1998) argue that successful transnational advocacy networks are those that promote a compelling normative framework, link local groups to global initiatives, and provide a clear plan for furthering normative goals through strategic action. Fair Trade embodies these elements of success and points to the potential power of movements which extend into global social justice and labor rights arenas (Evans, 2008; Smith, 2008). What sets Fair Trade apart is its ability to combine visionary social justice goals with practical engagements in the global economy.

Under the Fair Trade banner, NGOs and social movement groups have moved from critique to the co-construction of alternative social economy networks. In production arenas, Fair Trade's roots in peasant cooperatives ally it with the food sovereignty and solidarity economy initiatives that form the core of the alternative globalization movement in the Global South (McMichael, 2009b). While Fair Trade's traditional peasant base must confront the challenges of certified market expansion, its traditional populist politics must negotiate labor unionist encounters. Fair Trade's engagement in the plantation sector is problematic, but possibilities remain for building peasant/worker and union/social movement alliances which could significantly expand Fair Trade's social foundations (Evans, 2008; Smith, 2008). In market arenas, Fair Trade's promise derives from its ability to re-embed relational and civic values in particular products and rally widespread

consumer support (Clarke et al., 2007). While translating individual consumer engagement in alternative markets into collective political action supporting Fair Trade principles remains a challenge, this analysis points to ways in which consumers are enrolling in imagined communities of common purpose as global citizens, extending the national imagined communities envisioned by Anderson (1983).

As Burawoy (2007) argues, it is society itself that organizes and potentially reorganizes global economic activity. Initiatives like Fair Trade represent experiments in fostering social economy (Wright, 2010). This effort harnesses widespread ethical, place-based, and ecological concerns and channels them in support of new commodity arrangements which are created and maintained by social movement groups, NGOs, producer and worker associations, alternative businesses, citizen consumers, and global citizens. The Fair Trade initiative merges private and public domains and individual and collective actors and actions in socially regulating the economy. While the enactment of Fair Trade's vision is far from complete, the challenges that emerge can inform a range of progressive civil society movements that seek to go beyond critique to promoting new social economy arenas.

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