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Alternative Trade Organisations: A Feasible Solution for Africa?

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Asmita Parshotam

0600583F

Department of International Relations

School of Social Sciences

Faculty of Humanities

Supervisor: Dr. David J. Hornsby

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Abstract

This paper provides a study of Alternative Trade Organisations (ATOs) as a medium for incorporating "fair trade" values into the lives of rural African farmers. In ascertaining the contributions that ATOs have made towards the socio-economic development of these communities, an analysis of Fairtrade, in particular, is undertaken and where appropriate, references to other prominent ATOs such as Rainforest Alliance and UTZ Certified is made. In comparison to its competitors, Fairtrade has a documented history as a system dedicated to providing fairer trading terms for small-holding farmers.

Despite widespread belief that these ATO's uplift farmers in developing countries from impoverishment, an analysis of Fairtrade's activities leave serious questions regarding the effectiveness of its practices in making a comprehensive contribution to improving the lives of rural farmers in Africa. By undertaking an analysis of the modes of production as well as the challenges faced by small, rural African farmers in accessing the world markets, this thesis analyses Fairtrade's contribution, through the use of trade, towards the socio-economic development of African farmers.

Table of Contents

Abbreviations

ABBREVIATION	MEANING
ACPs	African and Caribbean producers
ATOs	Alternative Trade Organisations
CG	comparison group
COCOBOD	Ghana Cocoa Board
CSR	corporate social responsibility
EFTA	European Fair Trade Association
EPAs	Economic-Partnership Agreements
EU	European Union
FAO	Food and Agricultural Organisation
FLO	Fairtrade Labelling International
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GPGs	global public goods
ICAs	International Cocoa Agreements
ICCO	International Cocoa Organisation
IDS	Institute of Development Studies
IFAT	International Federation for Alternative Trade
IFIs	International Financial Institutions
ILO	International Labour Organisation
IMF	International Monetary Fund
LDCs	least developed countries
LIFFE	London Stock Exchange
MFN	Most Favoured Nation principle
MNCs	multinational corporations
MDGs	Millennium Development Goals
NEWS!	Network of European World Shops
NGOs	non-government organisations
NRI	Natural Resources Institute
NYBOT	New York Board of Trade
NYSE	New York Stock Exchange
SAPs	Structural Adjustment Programmes
SPOs	small producer organisations
TG	treatment group
TNCs	transnational companies
UK	United Kingdom
UN	United Nations
VREL	Volta River Estates Limited
WFTO	World Fair Trade Organisation
WTO	World Trade Organisation

Introduction

The problem

ATOs reflect a recent phenomenon in the growth of ethical trading; displaying a global demand amongst consumers that their favourite products be produced under sustainable and fair conditions, with special attention paid to the human rights and development of farmers, and ensuring their equitable access to the international market. This concern has arisen as a result of free trade's failure to encourage and facilitate the socio-economic development of farmers in developing and least-developed countries (LDCs). Instead, small-scale, rural farmers (particularly African farmers cultivating cash crops) have found themselves lagging in trade liberalization, constrained by the power of the market, facing increasing threats to their food security, and lacking the technical skills and modes of production to improve and develop their farming methods, so as to ensure better profits and, in turn, development for themselves.

The problems currently experienced by African farmers is somewhat attributed to the practices associated with free trade and an open market system. Although free trade is not all-together evil, the system reinforces global inequalities between the North and South- it is simply a fact that in the development of a sophisticated food production system, African farmers have been left by the wayside. Indeed, advantages of globalization include the removal of labor-intensive farming; increases in crop yields; and efficient methods of production (O'Hara & Stagl 2001, 539). However, these benefits have been not extended to African farmers for a number of reasons that will be discussed in detail below. As a result, many African farmers endure socio-economic repression and remain poverty-stricken.

<u>Neoliberalism and international trade</u>

Free trade stems from a neoliberal approach towards economic development, and encompasses free trade, deregulation and privatization (Wilkin 2002, 635). The World Bank, International Monetary Fund (IMF) and the World Trade Organisation (WTO) were created with these principles in mind. In presenting a set of Western norms as universal, and supporting global economic integration as the most natural path towards economic growth and societal development, the neoliberal model for development requires high and sustained growth in order to achieve poverty reduction; places its faith in the market rather than the state; and focuses on export-led growth based on free capital mobility (Thomas 2001, 160; 167).

Promoted by the International Financial Institutions (IFIs) as the most efficient model for economic development, the crux of free trade lies in comparative advantage theory, which proposes that countries export "what they are relatively good at producing and they import what they cannot produce sufficiently" (Dine 2008, 201). However, free trade is rooted in macroeconomics, which fails to account for pre-existing conditions within rural agricultural communities preventing the effective implementation of this economic model, *inter alia*, impeded access to (i) foreign markets; (ii) credit and financial institutions; (iii) knowledge of the system, and (iv) the ability to switch to other sources of income generation (Dine 2008, 201). It is for these reasons that primary commodities producers are particularly vulnerable to price shocks and market volatility.

Similarly, international trade is also characterized by a focus on a neoliberal governance order. The WTO is built on two fundamental pillars: the most favoured nation principle (best trade conditions be extended to every member state) and the national treatment principle (member states extend the same treatment to both foreign firms and local industries (Aaronson & Zimmerman 2006, 1003). However, the WTO's trading rules do not reflect the *realpolitik* underpinning current trading relationships: powerful nations are able to dictate terms and conditions to many developing countries, and trading relations still remain unequal and skewed in favour of developed nations. This imbalance is pervasive within the agricultural sector because (i) wealthier nations impose protectionist measures on their local industries and heavy taxes and duties on the produce exported by poorer nations to these Northern consumers (Dine 2008, 200), and (ii) developed countries have offered few concessions towards improving market access for developing countries, despite knowledge of these nations' comparative advantage in agricultural products (Brown & Stern 2012, 691). Thus, the current trade regime does not acknowledge existing inequalities in development levels amongst countries: forcing countries to act as equals, despite their differences, can only result in growing inequity and poverty.

Food insecurity: the plague of African farmers

One of the problems associated with food insecurity is the manner in which modes of production have changed. Although African governments understand the severity of food insecurity and its impact on their citizens, for many African farmers their lives are constrained by their inability to access global markets and earn a fair price for their commodities. As most food-insecure people reside in rural areas of the developing world, food production (availability) is also buying power (accessibility) for many people (Tweeten 1999, 475). The Food and Agricultural Organisation (FAO) is a branch of the United Nations, and is responsible for detecting and preventing global food insecurities and assisting countries in developing agricultural technology and managing their resources (www.fao.org). The FAO defines food security as a situation in which "all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for a healthy life." (FAO, 2008). Consequently, a lack of food security has a ripple effect on development, health, education, and the quality of life for an individual.

Traditionally, seasonal, subsistence farming and a reliance on domestic producers have characterized the food production process. However, with the commercialization of food production, multinational corporations (MNCs) now control an extensive value chain, and the industry has changed to reflect a system of large-scale production centered on intensive machinery, efficiency and technological superiority (Zerbe 2010, 8). Although these changes have resulted in a highly efficient system of agricultural production it is, unfortunately, a system that is also heavily dependent on chemical outputs (Zerbe 2010, 8), and requires constant technological advances to ensure that the maximum output is always achieved.

For Sub-Saharan farmers, agricultural production is characterized by a number of difficulties. Firstly, a lack of property rights means that many spend their daily lives tilling land they do not own and, consequently, cannot secure their own survival in times of famine or drought. Secondly, their access to markets and utilities are constrained by (i) a lack of infrastructure and high transport costs; (ii) price instabilities; (iii) an inability to ensure competitive prices for their produce; and (iii) a lack of appropriate storage facilities (Haile 2005, 2170). Compounding these problems is climate change. In Sub-Saharan Africa, erratic weather patterns and natural disasters are a major risk affecting agricultural produce and rural household food security: delayed rains (or simply a failure of the rainy season altogether) is intimately connected to agricultural failure, thereby reducing food availability at a household level, as well as limiting rural employment opportunities (Haile 2005, 2170).

The various, compounding causes of food insecurity paints a dismal picture for the safety and welfare of agricultural farmers and labourers in developing countries. Succumbing to the needs of the market, and subject to various external factors that farmers have little control over (or perhaps do not even fully comprehend), farmers and agricultural labourers face an uncertain future. As Thomas (2001, 167) argues, there is a false legitimacy present between current neoliberal trade practices and its practical outcomes, and the modern world has witnessed a growth of existing inequalities between and within states. In its current structure, international trade and the neoliberal foundation of the agricultural production sector is failing both developing countries and the poorest members of society.

ATOs: a viable alternative?

In criticizing the global market as disembedded, exclusionary towards small-scale markets, and demanding compliance with their own norms of time-saving behavior and efficiency (O'Hara & Stagl 2001, 540-541), ATOs began to garner support for a more fair and ethically-informed approach to trade relations between the global South and North. ATOs strive to reconnect social relations between producers and consumers by creating a "social economy value chain" that emphasizes values of social justice and solidarity (Reed 2009, 9), focusing on local markets embedded in networks of social relations and standards of trade.

Fairtrade, Rainforest Alliance, and UTZ Certified are amongst the principal ATOs in international trade. Although Fairtrade's structure will be discussed in more detail in later chapters, a brief introduction of how it attempts to address the difficulties faced by African farmers is necessary for the sake of a comprehensive understanding. Fairtrade assists marginalized farmers by providing access to foreign markets, ensuring a stable price for their crops, and investing profits back into their communities (Zerbe 2010, 6). In practice, this entails: (i) selling niche products that appeal to a select group of high-end consumers willing to pay a premium for a product produced under ethical conditions (Reed 2009, 12) at established minimum prices which, Fairtrade argues, removes the risk element plaguing poorer farmers once their produce is presented for sale on the open market (Dine 2008, 178), and (ii) providing a premium for use in communal socio-economic development projects (Ruben et al 2009, 778). Fairtrade views consumers as highly responsible and active within the political and economic institutions that define international trade (Gendron et al 2009, 73).

In order to achieve its goals, Fairtrade's strategy comprises, *inter alia*, of the following:

(i) empowering producers and workers as stakeholders in their own organisations;

(ii) raising awareness and providing information to consumers of the negative effects that conventional trade has on rural farmers; and

(iii) playing a wider, active role in the global arena in order to achieve greater equity in international trade and campaigning for practical changes in conventional trade (Moore 2004, 74).

Contribution

Fairtrade is one of the oldest and most successful ATOs; accordingly, much of the existing literature centres upon the "alternative trade model" that Fairtrade represents, and attempts to measure its successes in using trade as a tool for development. Of course, for any organisation to present itself as an "alternative" to the current trading regime is a loaded claim, and must be carefully scrutinized.

Fairtrade traces its origins to political solidarity movements emerging in 1950s Britain, Netherlands and the United States (Gendron et al 2009, 65). In spite of its historical involvement in the trade industry, Fairtrade has not, until recently, made efforts to collate data about its projects and to make its standards requirements and commodities pricing publically available. Moreover, Fairtrade has experienced substantial success from its comprehensive and long-term involvement with coffee cooperatives in Latin America, (Nelson & Pound 2009, 6), and the existing literature emerging from American scholars are particularly exhaustive of both successes and criticisms in this regard.

What is of particular interest, however, is Fairtrade's impact on African farmers, which remains an under-researched area within existing ATO literature. Africa is a vast and diverse continent and, in addition to cultivating coffee, African farmers are also responsible for harvesting Fairtrade certified cotton, flowers, herbs and spices, teas, groundnuts, fresh fruits, sugar and cocoa- the premium crop of West Africa. Not only have African farmers' crops provided Fairtrade with the potential to greatly expand their sales market for certified produce but, in addition, African farmers also present a different encounter from their Latin American counterparts: the climate changes acutely experienced by rural African farmers, the lack of education amongst this group of individuals, the minimal support received from state enterprises and the non-availability of advanced agricultural technology presents challenges to Fairtrade successfully operating within African farming communities.

Accordingly, how effective is Fairtrade in providing fairer trading conditions to African farmers and assisting in their socio-economic development? If Fairtrade and other ATOs are comfortable with profit maximization and mainstreaming their products through simultaneously operating "inside and outside" of the traditional market (Moore 2004, 76), as we have witnessed an increasing trend in this regard, then this raises further questions about the level of commitment that these ATOs display towards "fair" trade and development (Dine 2008, 189). The paper answers these questions with reference to the theoretical framework of fairness and distributive justice that is discussed in further detail in chapter one.

Hypotheses

There are three main hypotheses for this paper:

H_1: *Although it does make some contributions towards development, Fairtrade is not as effective as it claims to be in contributing to the socio-economic development those farmers affiliated with its movement because it is unable to pay labourers and farmers a living wage.*

H_2: *Fairtrade does not necessarily challenge or change the conventional trade structures of the value chains that farmers participate in, and this is one of the reasons why it is not as effective as it claims to be.*

H_3: *Payment of the much-hyped Fairtrade premium is an insufficient reason by itself to warrant Fairtrade membership for farmers. Instead, it is suggested that in times of hardship, premium payments are inadequate in cushioning the economic strangle experienced by African farmers, resulting in (i) Fairtrade's failure to discharge its responsibility towards its farmer cooperatives and (ii) their inability to significantly impact existing trade patterns.*

Methodology

Comparative case analysis

This paper uses qualitative research comprising case study methodology. Within the social sciences discipline, qualitative research is understood as providing the perfect lens to "seeing the social world from the view of the actor" (Bryman 1984, 77); regarded as the premium choice for research conducted within the social sciences field (Gerring & McDermott 2007, 688). Additionally, qualitative research is also more fluid than quantitative research because it involves the detection of novel findings; flexible, because it provides for the possibility of altering research in accordance with findings (Bryman 1984, 78); and displays sensitivity towards the social complexities and realities present within social sciences (Bryman 1984, 82), unlike quantitative research, which focuses on larger N-studies.

In particular, this paper uses non-competitive, comparative case methodology, which involves the use of non-statistical analysis of a small number of cases (George & Bennet 2005, 151), and is useful in testing variables and establishing causality between the independent and dependent variables (George & Bennet 2005, 21). Selection bias (i.e. the selection of cases that only supports the researcher's views and hypotheses) (George & Bennet 2005, 23) is also avoided as the chosen case studies discuss different cash crops and demonstrate variance in their analysis and outcomes.

Similarly, a case studies approach is best suited for this paper because it permits an assessment of Fairtrade's impact on African rural farmers across a variety of crops, grown in different parts of Africa, with each farming community possessing its own strengths but also facing its own specific challenges. Through the use of fairness as the theoretical lens, this paper will compare cases to each other in order to (i) examine Fairtrade's successes on the continent; (ii) detect the pre-existing difficulties that may hamper Fairtrade from being completely effective; and (ii) identify the problem areas in Fairtrade's own approach towards African farmers that may hamper their effectiveness on the continent.

Nevertheless, a case studies approach to research is not without its limitations. Not only is choosing suitable cases for a small study extremely challenging, but chosen cases must also display variance (Seawright & Gerring 2008, 294). Furthermore, this approach can also be quite confrontational as analysing a few cases presents the possibility for excluding a variable that can be necessary or sufficient when combined with other variables (George & Bennet 2005, 157). Nevertheless, despite the study being confined to a selection of African cash crops, the structure of each crop's value chain, the differing locations within Africa, as well as each farming community's respective socio-economic development will provide critical distinction in understanding the impact and effectiveness (or lack thereof) of Fairtrade's involvement in African agricultural communities.

<u>Parameters of research and difficulties experienced in obtaining empirical data</u>

Although much has been written about Fairtrade, in researching for this paper numerous difficulties were experienced. At the outset, empirical evidence about Fairtrade's socio-economic development projects within Africa was extremely difficult to procure. Unfortunately, undertaking fieldwork was not possible owing to the short time available to conduct such research. A quick glance at Fairtrade's website depicts success stories pertaining to specific farmers alone, or containing excerpts similar to: "Y says that Fairtrade has helped his children attend school by paying premiums that the community decided to invest in constructing a high school in their village in Ghana." Whilst personal accounts such as these are useful in supplementing the impact Fairtrade may have on the quality of life for African farmers, actual assessment of Fairtrade's endeavours requires more factual and concrete evidence. Some authors have raised objections to the absence of critical empirical analysis in relation to Fairtrade's socio-economic development projects, and have voiced calls for further studies to be undertaken in this regard (Nelson & Pound 2009, 36), with some academics highlighting that "regular, accurate and in-depth data are rare for the regions in which Fairtrade operates" (Stoddart 2011, 132).

Furthermore, Africa has only recently become an integral part of the Fairtrade movement. Fairtrade has well-established relations with Latin American producers and farmers going back to its formative years as an organisation; in particular, Latin America's coffee industry has been very successful and represents the centre of Fairtrade's food production (Mohan 2010, 28). In comparison, Fairtrade's involvement in Africa commenced with establishing Ghana's Kuapa Kokoo cocoa farmers' cooperative and the Divine Chocolate factory based in the United Kingdom in 2002, with South Africa becoming the first Fairtrade market initiative in 2009 (Fairtrade Labelling International History, 2005). Accordingly, Fairtrade's scarce involvement within Africa from its inception may also provide explanations as to the slow start its African farmers cooperatives have experienced to date.

Another limitation pertains to the commissioned studies and time frames. Of course, it would be illogical and expensive for researchers to visit the same plantations and cooperatives on an annual basis to measure progress. As a result, field work and research is undertaken every few years only, and not always by the same persons or research teams. Similarly, from the writer's personal experience, Fairtrade has been inconsistent in tracking its own progress with small producer organisations (SPOs), and has only recently begun to undertake progress reports on its affiliated cooperatives that are available to the public. This problem appears to affect cooperatives irrespective of their global location. Whilst such reports may have been undertaken in the past, it is only possible for the public to recently access such reports via Fairtrade's online database. Data used in this particular paper is drawn predominantly from reports released by the Institute of Development Studies (IDS) based at the University of Sussex and the Natural Resources Institute (NRI) at the University of Greenwich, and involve Fairtrade's cooperation. Part of the limitations involved in writing this paper, therefore, is the use of singular, authoritative reports on a particular cash crop, instead of a wide array of authoritative and official publications.

Fairtrade cooperatives are required to undertake third-party audits of their plantations. As the writer discovered through requests for information, audits are not necessarily available to the public unless specifically released by Fairtrade, thereby exacerbating the problems associated with access to data. Furthermore, although the reports appear to fulfil transparency and accuracy requirements, African cooperatives are not necessarily rigorous in maintaining their own records, which results in patchy data and difficulties in drawing conclusions. For example, Fairtrade reported difficulties in collating reports during the 2009-2011 Ivorian civil unrest: cataclysmic in its effects, cocoa sales plummeted; famers were unable to ensure the safe and prompt transportation of their cocoa beans destined for foreign markets, and much of Cote d'Ivoire's cocoa produce was held at the country's ports for an indefinite period of time (Fairtrade and Cocoa: Commodity Briefing 2011, 5). This brief description of one crisis depicts the kinds of difficulties experienced by Fairtrade in fulfilling its mandate towards consumers and rural farmers, and for monitoring and overseeing data collection on behalf of its affiliated cooperatives.

Moreover, whilst the Fairtrade annual reports detail the number of cooperatives reviewed in a country or in relation to a specific cash crop, they are also limited in their exposure of information. Therefore, whilst reports may contain criticisms or dissatisfaction voiced by farmers towards Fairtrade, reports are not permitted to identify these cooperatives or their members directly (Monitoring Reports, 2011; 2012). Although non-disclosure and protection of identities is understandable in the circumstances, it does limit the impact of the annual reports insofar as identifying the number of members and the sizes of the cooperatives that voice their unhappiness with certain Fairtrade practises.

Compounding this problem are the difficulties experienced in liaising directly with Fairtrade and other ATOs. Although Fairtrade is the focus ATO for this paper, attempts were also made to contact Rainforest Alliance (a serious competitor to Fairtrade in the alternative cocoa and coffee industries) in procuring official publications and data in specific relation to cash crops cultivated by African farmers and sold under these ATOs labels respectively. Despite several affirmations of the academic nature of this paper, the writer was met with little assistance in her requests for documentation from Fairtrade; accordingly, relevant information and publication generally unavailable within the public domain was not provided, and this dissertation is circumscribed by the information and publications already existing within the public domain.

Cognisance of the aforementioned limitations is necessary for understanding the limitations and the scope of this paper. Primary data for this paper is sourced through aforementioned reports as well as the annual reports and discussion papers published by Fairtrade. Other information is procured from secondary sources such as journal articles and case studies undertaken by various academics.

Chapter outline

This dissertation is subdivided into four chapters. Chapter 1 provides the theoretical lens for this paper, and details existing literature discussions concerning the role of distributive justice and fairness in creating equitable trade relations. It also identifies some of the criticisms directed at distributive justice as a model for socio-economic development in developing countries.

Chapter 2 provides an overview of the historical origins of Fairtrade, and the current discussion within academic circles that Fairtrade is no longer "alternative" but, instead, is moving towards being a mainstream trade player. In addition, chapter two outlines the structure and functioning of Fairtrade, taking into account the producer standards, certification and labeling requirements farmers are required to adhere to as members of the Fairtrade movement.

Chapter 3 examines the effectiveness of Fairtrade's use of trade for poverty alleviation in relation to African banana and cocoa farmers. In this chapter, a review of the effectiveness of Fairtrade policies is undertaken by identifying differences amongst the two farming communities in order to ascertain the conditions that may enable or hinder Fairtrade's involvement in the socio-economic development of these farming communities. Similarly, value chains are analyzed in order to comprehend whether Fairtrade has indeed made trade "fairer" for rural farmers. Where necessary, comparisons will be drawn between Fairtrade and other ATOs present on the African continent, to highlight the strengths and/or weaknesses of Fairtrade's operations within the African farming communities.

Lastly, chapter 4 is the concluding chapter in this paper. In summarizing this paper, chapter four reports on the main findings of the paper, and links the main research question and argument to the necessary findings. This chapter will also provide recommendations as to the ways in which Fairtrade could improve on their involvement with African farmers.

Chapter 1: the importance of "fairness" and distributive justice in international trade

Introduction

This chapter discusses the existing trade literature in relation to the concepts that fairness and distributive justice play in informing our understanding of international trade. In recent years, academics have increased their calls for the international trade regime to make trade "fair" by cultivating relations between states and private actors that display accountability towards producers and disadvantaged members of the trade system, thereby embodying the principles of distributive justice.

In ascertaining the success of Fairtrade's interaction with African farmers, a theoretical framework informed by the principles of fairness and distributive justice is helpful. As underscored earlier, Fairtrade has a number of goals and mission-statements informing their interaction with farmers and cooperatives, much of which hinges on its mission to make trade fairer for the least privileged members of society, and to facilitate a more equitable distribution of resources through the use of trade. Working with small-scale producers presents a number of challenges, including structural difficulties such as inadequate infrastructure, access to training and credit; an inability to combat severe and fluctuating weather patterns; and technological deficiencies in enhancing productivity (Seville et al 2011, 2). Nevertheless, if Fairtrade proposes "fairness" as the foremost criteria for encouraging farmers to participate within global markets, then fairness is the theoretical lens through which its endeavours should be judged.

The meaning of Fairness and Justice

Development economics has traditionally been characterised by two schools: free trade advocators and developmental protectionists. However, recent developments have witnessed the emergence of a third position that suggests international trade can be beneficial to developing countries provided it is undertaken in a just manner (Maseland & de Vaal 2002, 251). The idea of fair and just trade can be conceptualized in different ways, but for the purposes of this research report it is helpful to consider such an idea as embodying a moral obligation to pay fair and decent prices for products produced under decent conditions (Maseland & de Vaal 2002, 251). Recognising it is not trade itself that is corrupt but rather the institutions advocating certain trade practises, part of a "fair" approach to trade involves redressing unequal income distributions and paying a higher-than market related price for such goods, thereby freeing it from control by the market forces (Maseland & de Vaal 2002, 252; 254). Therefore, intrinsic to the newly emerged third position is the role of justice and fairness in informing new conceptions of trade.

Fairness

As discussed in further detail below, existing literature accepts that legitimacy and justice together constitute fairness (Franck 2001, 167), and that fairness is fundamental if ATOs' efforts are to be corrective of the existing inequalities pervasive within international trade. The idea of fairness embodied by ATOs differs from that of traditional institutions, which has been criticized for (i) their emphasis on voice and vote as reserved for governments; (ii) the concurrent exclusion of a variety of voices; and (iii) the ability for powerful, wealthier nations to capitalize on the inequalities of representation and numbers present at multilateral negotiations (Franck 2001, 169).

Larr (2006, 1) suggests that "a distribution of some good is just if it accords people that which is their due". Also known as global public goods (GPGs), goods refer to the socio-economic benefits (access to education, training, and medical facilities) that Fairtrade strives to make available to rural African farmers via trade relations. The importance of fairness in relation to GPGs is three-fold: (i) they present a global significance that everyone has a right of access to or ownership over fundamental GPGs; (ii) they entail interdependence and a need for voluntary cooperation amongst all parties in order to ensure their adequate supply, management and distribution; and (iii) negotiations over GPGs must be both procedurally and substantively fair (Albin 2003, 368-369).

Reitberger (2012, 116) discusses the three levels at which fairness can be addressed: fairness as domestic distributive justice, fairness within society of states and, lastly, a cosmopolitan-based understanding of fairness. At a domestic level, focus centres on the impact of trade, investments and financial transactions as the foremost contributories for changes within income distribution and economic power. From this perspective, fairness is about equity and priority amongst unequal groups within a country. At the second level, fairness is situated within rules of global governance and interactions amongst states. Procedural fairness demands impartiality in state interactions within multilateral organisations and is at the heart of ensuring a leveled playing field for all nations. Lastly, cosmopolitanism examines the negative effects of globalization and economic relations on the development of the poorest members of society. To this end, therefore, global economic arrangements, policies, institutional arrangements and patterns of trade must be modified in order to promote development strategies and those that fail to do so should be regarded as unjust and unfair (Kapstein 2004, 82). Moreover, fairness in trade requires greater equity in trade relations and trade opportunity (especially North-South trade relations); coordination between a variety of actors in encouraging local participation in the global market; creating opportunities for social and economic development in African agricultural communities (Narlikar 2005, 25-26); as well as deconstructing tariff and non-tariff barriers to trade.

What is Justice?

A comprehensive understanding of fairness requires reference to distributive justice literature. Central to many contemporary theories on justice is the idea of equitable distribution of resources (Fabre 2002, 249). Justice can also be understood as the relations between various classes of people and the causes of inequality between them and, in an increasingly globalized world, it is cosmopolitanism that underscores a concern or duty of fairness that we owe to each other (Nagel 119, 2005).

Justice is a two-prong approach encompassing a substantive understanding of development and procedural methodology. Substantive justice is two-fold, encompassing the principle of sufficiency (every individual has a right to all material resources necessary for a decent life), and the principle of autonomy, whereby individuals have the required freedoms permitting them to pursue their individual ambitions and to earn a livelihood that would help them accomplish their goals (Fabre 2002, 251). Procedural justice, termed fairness by Ronald Dworkin, necessitates the involvement of multilateral institutions in order to achieve substantive justice and fairness (Fabre 2002, 251). Therefore, both fairness and distributive justice is necessary for socio-economic development; justice is both the means and the ends to development (Dower 2004, 403), and a just society is one where sufficiency and autonomy is fulfilled (Fabre 2002, 254). In addition, principles of justice also include respect for basic liberties and government's responsibility in ensuring equal opportunities of access for all citizens (Kurjanska & Risse 2008, 35).

Furthermore, justice underscores fairness in processes and in minimizing the domination characterizing international trade networks and organisations (Lovett 2009, 817). For the most underprivileged members of society, attaining a basis standard of living is only possible by sacrificing many freedoms and often involves subjugation and domination through inescapable social arrangements (Lovett 209, 824; 820). For African farmers, these social arrangements may include dependency on government regulatory boards or unscrupulous middlemen responsible for negotiating with exporters on their behalf. Middlemen are cash crop purchasers vested with significant market power who exploit ill-educated farmers by concluding business transactions at prices that are significantly lower than the actual value of the produce being sold by farmers

(Becchetti & Rosati 2005, 5). In this way, their poverty and inequitable social relationships exposes farmers to domination from various outside forces, compelling them to sacrifice different aspects of their access to socio-economic development. Accordingly, it is then the role of social institutions and practices to progressively minimize this domination, and a free market system that does not take into consideration inequitable trade relations or a lack of fairness amongst its participants cannot achieve any kind of distributive justice (Lovett 209, 823-824).

Distributive justice is concerned with (i) the manner in which a society allocates goods, services and incomes, and the ensuing results from these allocations and (ii) what should be distributed, who the recipients should be, and how the allocations should be made (Kapstein 2004, 81). Distributive justice aims to reduce poverty by rearranging resources that are efficiency neutral or designed to correct "the market's failure to achieve efficient allocation" (Ronchi 2006, 13), whereas the difference principle proposing that social and economic distributions should favour the least privileged members of society (Conybeare 2007, 396; 398). Thus, fairness is understood as a form of distributive justice, focusing on individual participation and a more equitable approach to trade that involves transparency at every level of the production chain, providing for ethically sourced products and the protection of the environment, and consumer awareness regarding manufacturing of the said products.

Similarly, Amartya Sen's conception of justice is closely linked to fairness, and recognises that global justice can only be promoted through our shared humanity, and that our understanding of justice is continuously changing to address the challenges that prevent developing countries from attaining equality and development (Stenn 2013, 490; 493). In addition, Sen also denies a tension between development and moral goals. He argues that achieving development is only possible through enhancing both freedom and free agency (Kurjanska & Risse 2008, 47), in affording individuals the opportunity to participate in their own development and to become self-sufficient individuals. In this way, Sen argues that freedom is quintessential for development because people must be afforded the freedom to pursue lives that have value; conversely, development is also important in removing barriers to freedoms themselves (Smith 2013, 54). Accordingly, development and freedom are mutually reinforcing because society cannot attain one in the absence of the other. As Sen notes, whilst development may focus on instrumental factors insofar as it provides the means towards achieving other freedoms, freedom is valuable in its own right (Smith 2013, 55).

This paper argues that Rawl's initial theory of fairness informs distributive justice, and comprises two factors: (i) "a veil of ignorance" separating individuals from knowledge of their social positions and (ii) consent of all persons to a basic set of principles in terms of which people cannot withdraw and therefore, Rawls argues, they would choose principles satisfying certain levels of fairness for all individuals (Sherman 2001, 297). Importantly, distributive justice does not simply mean using the system to effect transfers of resources from rich to poor countries but, rather, it is a system favouring the economic growth of developing and LDCs through promoting their access to foreign markets and implementing protection measures for the poorest members of society (Brown & Stern 2012, 683). In deciding how distributive justice and fairness ought to be implemented, negotiations over distributing GPGs requires that parties respective circumstances be accounted for; that all undertakings should be reciprocal, voluntary and coercion-free (Albin 2003, 373-374).

Rawls initially chose to limit his definition of distributive justice to members belonging to a "cooperative for mutual advantage", arguing that the international system could not qualify because it is inherently anarchic and selfish, and there exists no unifying distributive justice principles binding nations together (Conybeare 2007, 398-399). Consequently, the notion of "international distributive justice" was nonsensical, as states are not obligated to achieve and maintain global distributions of wealth (Beitz 2005, 20), nor can egalitarian justice be inferred to different states or between citizens of different states, because justice is a requirement pertaining only to the internal social, political and economic structures within a country (Nagel 2005, 114-115; 123). Instead, Rawls argues, international trade comprises purely voluntary contracts entered into between states for mutual advantage, with no concern for redistribution (Reitberger 2012, 113). In this way, utilitarianism is advocated: if no country suffers a net loss, there exist no justifiable grounds for resisting trade liberalisation (Brown & Stern 2012, 679).

However, this paper argues differently, suggesting that when applied to international trade, distributive justice is borderless and unconstrained by differences amongst states. Whilst economic growth remains an important means of alleviating poverty, there is also a growing acknowledgement amongst global actors that economic growth cannot be sustained in high levels of inequality and poverty (Diedhiou 2007, 30; 32), and that distributive justice is necessary for achieving progress in the global South. Socio-economic justice is different because it relies on positive rights arising from a centralised system with institutions that are responsible for ensuring the fair distribution of GPGs for its citizens (Nagel 2005, 127). Furthermore, utilitarianism fails to account for already-existing inequalities; for the original positions of inequality and unfairness that some countries would find themselves in, further exacerbated by policies and organisational structures (Brown & Stern 2012, 679).

In disputing Rawls' views, cosmopolitans believe that it is possible to provide for distributive justice and fairness without regard for national differences (Conybeare 2007, 400). This is because distributive justice is about the realisation of rights (Dower 2004, 399) that, together with fairness, is necessary in order to achieve sustainable development. Similar to the position advance by Kant, the universality of distributive justice applies to all members of society, and does not exclude any individual in our collective advancement, for all should be regarded as morally equal (Nagel 2005, 133). The UN Development Reports of 1990 and 1997 authoritatively acknowledge that economic development is insufficient by itself as a national goal; instead, socio-economic development should be emphasised, whereby development is people-centred (Busumtwi-Sam 2002, 258) and includes providing for basic material needs and emancipation from oppressive power structures (Thomas 2001, 162). Therefore, a focus on human rights and development reflects a change in focus directed towards the need for greater equity in access to and distribution of resources, as well as reducing the vulnerabilities of those affected by the development process (Busumtwi-Sam 2002, 258).

In this way, the progressive realisation of rights and sustainable development is inextricably tied to fairness and justice, both of which are key ingredients in ensuring socio-economic development across developing countries. It is in light of the existing global order exacerbating global poverty that Fairtrade and other ATOs have formulated mission statements similar to that of the UN's Millennium Development Goals (MDGs), with a key focus redressing the social and development inequalities advanced by trade (Beitz 2005, 22).

International Trade, Fairness and Distributive Justice

Structural Adjustment Programmes

As part of instilling a neoliberal agenda throughout the world developing countries were encouraged to adopt the Structural Adjustment Programmes (SAPs) developed by the IMF and World Bank, which were imposed on debtor countries as a precondition for debt relief and acquiring foreign direct investments (Konadu-Agyemang 2001, 1). Implemented in Africa during the 1980s and 1990s, they were "medium to long-term (3-5 years) economic restructuring devices aimed at improving a country's performance and balance of trade situation" (Logan & Mengisteab 1993, 4).

According to the IFIs, problems of inefficiencies, under-development, and weak economies were viewed as being primarily generated and sustained by internal factors within developing countries (Konadu-Agyemang 2001, 2). In the eyes of these institutions, therefore, SAPs would lead to poverty reduction and reforming countries would, in the long run, be better off than non-adjusting ones (Konadu-Agyemang 2001, 2). Owing to internal financial mismanagement, overwhelming debts, and a lack of technical expertise, African states were forced to seek financial assistance from the IFIs, and had little choice but to accept the terms and conditions contained in the SAPs agreements (Ryan 2011, 28). SAPs were characterised by currency devaluation (Williams 1994, 221), trade liberalisation, reductions in government expenditure, raising prices for education, health and other services traditionally catered for by government, and reducing subsidies on food and fuel (Herbst 1993, 103).

These policies had a devastating impact on the socio-economic development of Africans. When combined with the debt repayments and the interest thereon that countries were expected to honour (Parfitt 1990, 136), SAPs simply could not succeed in an environment plagued by shrinking economies. Implementing SAPs obliterated the possibility for socio-economic development for the poorest members of society because it resulted in the privatisation of all basic services. In removing the welfare functions of the state SAPs also crippled the possibility for institutional frameworks and national policies to cater for distributive justice because timeous repayment of the financial loans provided by the IMF became first priority for African states.

Therefore, while SAPs appeared to be the solution to Africa's economic woes, it failed spectacularly in practise. In pursuing liberalization policies of their economies, African countries were forced to remove protections over their infantile local industries (Riddell 1992, 58), which lacked the required expertise and technology to be equal participants within the global trade forum. Furthermore, it was impossible to indefinitely sustain the expansion of agricultural exports: the volatility of supply and demand in agricultural products resulted in severe price-dampening of these commodities, which negatively affected African farmers and their countries' GDP (Logan & Mengisteab 1993, 12), and African countries faced increasing competition from established producers and new entrants in the form of Latin American and Asian producers (Williams 1994, 217). Moreover, during the immediate post-colonial period, small farmers were forced to export their produce through state-controlled commodity boards, rife with corruption and notorious for paying African farmers far less than existing market prices, thereby entrenching a cycle of poverty for these individuals (Bienen 1990, 718). Ultimately, SAPs failed to prove itself as a model for economic growth within Africa, and its people bore the brunt of harsh repercussions as a result thereof.

More recent undertakings by the IMF such as the Heavily Indebted Poor Countries Initiative of 1996 has also failed to stimulate growth and development on the African continent because (i) IFIs continue to wield a hegemonic top-down control over African states' domestic policies; (ii) the debt relief on offer is simply too small to have any meaningful change for affected African states (The HIPC Initiative: Background and Critique, 33); and (iii) IFIs fail to realize the importance of human development (Shah, 2001).

In recognising the fundamental problems with the IFIs' approach towards development, ATOs have adopted justice and fairness as their founding ideological tenets, recognising that collective efforts are necessary to mitigate current trade practises, and that sustainable development requires access to goods and the extension of justice beyond one generation (Dower 2004, 401-402). In particular, Fairtrade supporters argue that efficiency alone is an insufficient justification for considerations of equality and, in applying Rawls' veil of ignorance theory, they propose conducting trade in such a manner so as to ensure that no individual is rendered worse-off or harmed by existing inequalities present in their original position (Maseland & de Vaal 2002, 255).

Consequently, in examining fairness within the market place, authors suggest that institutions allocating benefits equally amongst individuals will be fair, and they become progressively unfair depending on the unequal allocation of benefits amongst the said individuals (Sherman 2001, 298). Accordingly, fairness within a liberal society is circumscribed by the allocation of benefits in terms of constitutional principles. This means that only a nominal percentage of benefits may be determined in accordance with constitutional principles and fairness, whereas the majority of this allocation occurs in the market place (Sherman 2001, 299). Characterised by hegemonic power alliances, the market place is grossly unequal and, vested with the power to allocate benefits, resources and opportunities, has caused an increased disparity between rich and poor.

Concerns with fairness in trade arose as a result of the production of goods being removed, or disembedded, from the system of social and moral fabrics in which they had been grounded (Jaffee 2012, 96). This gave rise to the concept of the "disembedded market" as a system of trade failing to account for the social and economic consequences arising thereon, and a market-based economy concerned with profits above that of equal distribution of benefits (Jaffee 2012, 96). Part of the problems associated with a disembedded market includes the excessive length of the value chains that favour the buyer and permit retailers to control producers (Jaffee 2012, 99). In retaliating against the current system, a fair trade system is one that actively seeks to shorten the value chain by removing as many intermediaries as possible (Jaffee 2012, 99), involving the creation of relational value chain governance between producers and consumers (Smith &Barrientos 2005, 193). This requires ATOs to understand existing problems encompassing the lack of fairness within conventional trade structures, and effect change to these structures and institutions. As a result, Fairtrade products are rendered fair not because of their physical appearance, but because of the "invisible characteristics linked to the conditions under which the good has been produced and traded" (Becchetti & Huybrechts 2008, 734).

Hence, in furtherance of fairness, decisions arrived at by international organisations must provide for stakeholder participation and representation, underscoring the tension between a community's desire for order (legitimacy) and change (justice), as well as the varying degrees of good change and good order (Narlikar 2005, 4-5). Franck identifies two preconditions for a fairness discourse: modern scarcity (where resource allocations are made in a zero-sum setting), and the shared values and principles found within a community that would facilitate fairness in the system (Narlikar 2005, 5). As established earlier, the current trade regime reflects power struggles between the North and South, whereby more powerful states exert their power through capitalising on existing inequalities, thereby excluding the voices and concerns of those in the global South and undermining the global fairness discourse (Franck 2001, 169). Similarly, in an increasingly globalised world, this paper argues that the international trade regime does bear an onus of creating fairness within trade, to ensure that producers are either afforded a certain proportion of gains (a relative standard) or that the value chain and the standards of living for producers are progressive (an absolute standard) and, in this way, participating in trade activities creates associated duties and responsibilities for all participants (Kurjanska & Risse 2008, 44)- particularly where trade has been responsible for creating harmful and unequal patterns of development.

Fighting for fairness within the trade discourse has been a long struggle for developing countries. Contrasting levels of development and unequal domestic policies enacted by nations have had compounding and differing effects on the progress of development experienced by countries (Stenn 2013, 491). Poverty reduction in and of itself has not been a primary goal of trade, and disparate trade relations means that the benefits of access to markets and the accompanying burdens of vulnerability (in exposing their markets), has not been equally shared amongst the North and South (James 2005, 14).

As the precursor to the WTO, the GATT (General Agreement on Tariffs and Trade) embodied a formal commitment to procedural equality as fairness, but precluded the priority of substantive equality and fairness in actual outcomes and proceedings amongst member states (Narlikar 2005, 12). As a result of its voluntary membership and decision-making by mutual consent, many argue that the WTO is governed by a principle of fairness, and that fairness should be viewed as integral to its functioning (Reitberger 2012, 115). However, measures such as the Graduation Principle (developing countries would gradually be removed from the Generalised System of Preferences as their levels of development improved) and the Enabling Clause (which afforded developing countries a relaxation of the MFN principle) were short lived, constituting mere waivers to the founding tenets of the GATT, were not universal obligations for developed countries (Narlikar 2005, 16), and failed to account for existing power plays amongst states.

Despite voting rights being afforded equally to all member states, it was not until the WTO succeeded the GATT did glimpses of fairness in relation to developing countries' duties of reciprocity and decision-making begin to emerge between the two blocs (Narlikar 2005, 22). Although an improvement to its predecessor, the WTO continues to garner criticisms because its existing exceptions and waivers granted to developing countries remain inadequate and do not always yield development results. In its current composition, many argue that the WTO is simply not positioned to make trade fairer for the poor or to ensure genuine market access for developing countries, and even with the end of subsidies, small-scale farmers are unable to benefit from trade liberalisation as they may not be able to produce large quantities at the quality levels required by Europe and the United States' the highly regulated markets (Aaronson & Zimmerman 2006, 1007; 1010; 1019). Furthermore, wealthier nations continue to attract criticisms for (i) confining their efforts at distributive justice to preferential trade agreements in relation to industrial products, as opposed to displaying sincere commitment towards addressing the agricultural and labour issues of primary concern to developing and LDCs (Brown & Stern 2012, 684) and (ii) imposing higher tariffs on processed goods from developing countries, thereby preventing them from developing technological infrastructure or meeting the social needs of their peoples (WTO Statistics, 2001). Consequently, the current trade regime continues to favour first-world development at the expense those living in developing countries.

Operationalizing Fairness and Justice

In applying the theories of fairness and justice to the case studies discussed in chapter 3, fairness and justice are operationalized and measured via the application of specific variables. These variables measure the extent to which Fairtrade has been successful in making trade fairer for the poorest of African farmers and contributing towards their socio-economic development, and will also help in determining flaws present in Fairtrade's engagement with these farmers. In particular, three variables are identified:

(i) Fairtrade's goal of a living wage to their affiliated SPOs and labourers;

(ii) the length of the value chains and certification costs, as Fairtrade consistently reaffirms shortening the value chain as one of its primary methods of making trade fair for their farmers; and

(iii) measuring their socio-economic development through the construction of communal infrastructure and the distribution of premiums intended for development projects.

Taken together, these three variables will provide a holistic understanding of Fairtrade's application of fairness and distributive justice in their endeavours to make trade fair. A living wage, a more relational value chain, minimal certification costs and access to foreign markets, as well as socio-economic development projects provide the ideal foundation for ascertaining whether fairness, development and justice, as embodied within the principles of distributive justice, are extended to rural African farmers.

Criticisms

Distributive justice is not without its criticisms. Free trade advocates also argue that (i) distributive justice focuses too heavily on distributing global resources instead of focusing on their modes of production which, they argue, would actually encourage development growth, and (ii) in spite of its altruistic concerns for the poor, fairness via distributive justice inevitably causes unfairness through its unintended creation of winners and losers in its attempts to level the playing field (Teson 2004, 193; 197). Similarly, as Nagel (2005, 117) identifies, in the absence of a collective global sovereignty, how is society supposed to give effect to distributive justice when there is no oversight from a comprehensive global order designed to ensure the fair distribution of goods?

Another difficulty is gauging the effects of distributive justice between generations. Socio-economic redistribution is premised upon the agreement to live under agreed-upon political and social institutions, but this becomes difficult when having to measure the future impact of our decisions (Lovett 2009, 819). Therefore, questions have been raised concerning the point at which fairness and justice ought to cease, especially where individuals have voluntarily made decisions to their own detriment. Similarly, James (2005, 15) argues that fair distribution supports comparisons between societies as a whole, but fails to consider comparisons between classes across different societies. This raises questions on how fairness ought to be measured, especially when drawing parallels between differing classes within a society.

No theoretical framework is without its flaws. As an organisation reaffirming its dedication to poverty reduction and "trade not aid", Fairtrade has made fairness and distributive justice fundamental in reaching their goals, and the use of trade as the mechanism in facilitating the attainment sustainable development. It is on this basis that fairness and distributive justice remains the most suitable lens through which to analyse Fairtrade's endeavours within Africa and informs this paper's analysis of Fairtrade's impact in using trade to alleviate poverty and contribute to the socio-economic development of rural farmer through the use of trade.

Chapter 2: What does Fairtrade really mean? Historical overview and structural organisation of Fairtrade

This chapter provides a historical overview of ATOs and offers reasons for their growing membership, as well as underscoring Fairtrade's historical origins and organisational structure. It is important to understand the historical origins and current structure of Fairtrade in order to appreciate and ascertain the extent of its impact within African agricultural communities. Knowledge of the means by which its internal coordination is developed to assist (or hinder) its effectiveness amongst rural farming communities is thus imperative. This facilitates an understanding not only of the administrative responsibilities that Fairtrade members are required to undertake but, also, identify some of the criticisms currently levied at Fairtrade, which will then be taken into consideration when discussing the African case studies in chapter 3.

What are ATOs?

<u>The rise of ATOs</u>

ATOs began as solidarity development trade movements in the 1950s as a reaction against the food chain models created and controlled by transnational food corporations, and were inextricably connected with the growing influence and prominence of non-government organisations (NGOs) in campaigning for the protection and rights of marginalised and impoverished peoples throughout the world (Leclair 2002, 950). ATOs recognised the imperative importance of altering trade relations in a manner that would increase access to income generating opportunities (von Braun & Brown 2006, 1040), improve market access and promote socio-economic development amongst farming communities (Walton 2010, 433). As detailed by the International Federation for Alternative Trade (IFAT), ATOs initially focused on helping producers from marginalised countries excluded from mainstream trade for political reasons in finding markets for their products (Renard 2003, 89).

Eventually, many ATOs began to broaden the scope of their activities by addressing the socio-economic injustice endured by small-holding farmers and craftsmen. Assisting farmers with production, importing produce from economically marginalised Southern farmers (Gendron et al 2009, 65) and prioritising sustainable development before the pursuit of profit culminated in the philosophy of "trade not aid" (Renard 2003, 89). In targeting specific groups in need of assistance (as opposed to broader aid distribution), ATOs have been able to positively and significantly impact the living standards of those receiving assistance (Leclair 2002, 955).

As ATOs began to expand, they faced two significant challenges: selling products of an inferior quality as a result of extending protection to producers (Redfern & Snedker 2002, 6), and the vertical integration of many supply chains within ATOs. A plethora of different products being sold into multiple channels resulted in few economies of scale, and increased the difficulties experienced in tracking supply chains and the quality of products (Redfern & Snedker 2002, 10). These problems were exacerbated as a result of ATOs' failure to engage with each other. Accordingly, ATOs realised that even though they may have had significant experience in interacting with producers, greater cooperation- including commercial logistics- was necessary for participating in the market and enhancing consumer accessibility of their products (Redfern & Snedker 2002, 10).

Thus, ATOs grew to define their function with two-fold objectives: (i) improving the living conditions of marginalised communities in developing and LDCs and (ii) altering the embedded and unfair structures of international trade (Renard 2003, 89). ATOs are driven by ethical consumerism and ethical sourcing and, in the absence of these two fundamental principles, it may be argued that they cannot present themselves as unconventional to normative trade practises. Ethical sourcing requires the assumption of responsibility for producers and farmers within the supply chain, whereas ethical consumerism concerns buyer behaviour and providing detailed information to the consumer in relation to the impact of production processes and methods of production (Witkowski 2005, 25).

Differences between Ethical Trade and Fairtrade

Authors have provided a number of characteristics differentiating Fairtrade from ethical trade. In particular, ethical trade is traditionally characterised by industrial market coordination involving the participation of larger-scale producers, whereas Fairtrade traditionally focuses on small-scale producers and facilitating international market access for these producers (Smith & Barrientos 2005, 193). Additionally, ethical trade only regulates the criterion for producers participating within the chain, and not for trade relations or governance of the chain- unlike Fairtrade, which establishes the acceptable boundaries for fairness within trade relations (Smith & Barrientos 2005, 192-193).

Some authors have argued that Fairtrade, in particular, has changed its discourse through representing itself as "fair" and not "alternative"- a subtle move reflecting Fairtrade's shift from the alternative niche market it began in, to its convergence with mainstream trade (Low & Davenport 2005, 144). In particular, Low and Davenport (2005, 147) argue that "alternative trade" has granted Southern producers access to Northern markets, without having to navigate through various stages in the value chain, or negotiate with middlemen and brokers. They identify this access as occurring through "alternative chains" such as health stores, church organisations, and NGOs. Essentially, value chain analysis involves understanding both the input-output and geographical structure pertaining to a specific agricultural commodity, as well as the institutional and governance context within which the value chain operates (Ronchi 2006, 9).

Similarly, Walton (2010, 441) suggests that changes in Fairtrade's ideology are noticeable in its approach towards "seeking greater equity in the international trade" and "better [not alternative] trading conditions". This phraseology therefore reflects Fairtrade's move towards a more mainstream outlet for their products, scaling down on the radical ideology that was once affiliated with alternative trade bodies, and their ideology of being "against the market" in a literal manner (Walton 2010, 440). Accordingly, Fairtrade proposes a new form of commerce aimed at reserving fair and equitable prices for consumers (Gendron et al 2009, 67) and focusing on the holistic development of producers in developing countries. Moreover, the movement into mainstream channels and supermarket-owned brands, combined with the use of standards for labour practices, has shifted Fairtrade into the ethical trade landscape, renouncing its more radical, alternative image (Smith & Barrientos 2005, 194). Chapter 3 discusses Fairtrade's standards in further detail.

This paper suggests that although Fairtrade may have changed its approach since its inception, a distinction between "alternative" and "fair" remains a matter of semantics. From its inception as a global social movement, Fairtrade has maintained its solidarity with Southern producers, helping them to access Northern markets and to contributing towards their self-determination and development. Existing literature still regards Fairtrade as an ATO, and insofar as Fairtrade continues to emphasize ethical trading and ethical sourcing as part of its mandate, this paper argues that Fairtrade can be regarded as an organisation that differentiates itself from conventional trade practices. Thus, for the purposes of this paper, Fairtrade will be regarded as an ATO in the pursuit of equitable trade and social relations between the global North and South.

Who is Fairtrade?

Historical overview

As mentioned in the introduction, Fairtrade is an ATO dedicated, through its use of trade, to alleviating the plight of small-holding farmers throughout the world. FINE (2001) defines Fairtrade as:

> *"…a trading partnership based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to the sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers- especially in the South. Fair Trade organisations (backed by consumers) are actively engaged in supporting producers, in raising awareness and in campaigning for changes in the rules and practises of conventional international trade"* (Utting-Chamorro 2005, 585).

Fairtrade was formed in the 1950s with Oxfam UK selling handicrafts made by Chinese refugees (Archer & Fritsch 2010, 107), and during the 1970s it expanded to sell artefacts and handcrafts through "World Shops" (Ruben et al 2009, 779). "World Shops" tried to remedy the inequitable wealth distributions between the North and South and guaranteed customers that a portion of the profits generated from sales would be reinvested in Southern producers (Stenzel 2012, 574). Thus, from the 1960s, Fairtrade was primarily associated with development trade, responding to poverty-related problems in the South through the promotion and participation of South-based artists and craftsmen within the world market.

In 1973, Fairtrade in the Netherlands imported its first non-handicraft product to be sold under the Fairtrade label in the form of Guatemalan coffee (Kochen 2005, 2). In recognising the importance of organising small-scale farmers and facilitating their market access, the Max Havelaar label was established in the Netherlands in 1988, with the goal of collating a register of democratically organised coffee cooperatives in African and Latin America and selling these farmers' produce to German and Dutch outlets (Brown 2007, 270). Additionally, the Max Havelaar label represented a significant and fundamental change in Fairtrade's strategy: labelling effectively opened the doors to large-scale distribution (Gendron et al 2009, 66), gaining Fairtrade entry into the mainstream market and affording its products the benefit of identification and distinction from other ethically sourced and traded products already available on the market. Since 1988, Fairtrade has further expanded to include a variety of fresh produce, ranging from coffee and cocoa to tea, nuts, spices, sugar, fresh fruits and wine (Ruben et al 2009, 778).

Following its success in the coffee market, the World Shops became more professionalised, emphasising commercial activities and improving the quality and diversification of their products, giving rise to a number of Fairtrade networks such as IFAT and the European Fair Trade Association (EFTA) (Gendron et al 2009, 66). IFAT is a federation mandated to promote Fairtrade and to provide a forum for knowledge sharing amongst its members (Redfern & Snedker 2002, 18). The establishment of several bodies within the Fairtrade umbrella required greater cohesion and discussion between these principle bodies beyond their characteristic informal congregations of the mid-1970s. Facing a mounting need to address the demands of Northern Fairtrade distributers and consumers for higher quality products, Northern FTOs struggled to address the necessary marketing requirements (Low & Davenport 2005, 146). Accordingly, as of 1998, all advocacy, campaigning and monitoring undertaken by FLO, IFAT, NEWS! and EFTA has been performed under their acronym FINE (Kochen 2005, 5), which is responsible for establishing common Fairtrade strategies and policies (Witkowski 2005, 29).

In catering for a standardised labelling procedure, Fairtrade Labelling International (FLO) was created in 1997. FLO is an umbrella organisation consisting of independent fair trade organisations (Archer & Fritsch 2010, 107), and is responsible for international standards setting, certification production and auditing farmers according to established practises and standards (Kochen 2005, 3). In furthering transparency and unbiased standards, product certification is undertaken by an autonomous unit within the FLO, which operates independently from any Fairtrade interests (Moore 2004, 79). The second certification body is the WFTO (World Fair Trade Organisation), which establishes principles and standards for Fairtrade operations and evaluates the practises undertaken by Fairtrade groups (Stenzel 2012, 562).

Currently, Fairtrade is understood as a "hybrid model of business and long-term development assistance"; a global social movement with explicit guidelines and requirements for trade and conduct that extend beyond the current trade regime's *modus operandi* (Low & Davenport 2005, 144), assisting farmers in becoming economically self-sufficient and reducing the negative side effects of globalisation; as well as reconnecting producers and consumers in an increasingly decentralised world characterised by transnational modes of production and distribution (Archer & Fritsch 2010, 106 & 111). Many supporters view Fairtrrade as a response to state failure in adequately providing for basic social development and as a market substitute for the non-existent global governance (Becchetti & Huybrechts 2008, 744).

What is Fairtrade?

Structure and Functioning

Fairtrade specifically targets small-scale farmers and producers who often form larger farmer cooperatives that interact directly with FLO. Organisation into groups provides smallholders with collective bargaining access to information, social inclusion, and encourages the accumulation of social capital (Sethboonsarng 2008, 15). The Fairtrade movement is comprised of four main groups: producer organisations, buyer organisations, the umbrella bodies, and conventional supermarkets.

Producer organisations are South-based cooperatives, whereas buyer organisations are North-based importers responsible for purchasing products from Southern farmers' cooperatives and retailing the products to Northern consumers (Moore 2004, 75). Six organisations constitute the umbrella bodies: (i) IFAT (a producer and buyer organisation); (ii) the Network of European World Shops (NEWS!), established in 1994 as the coordinator for European campaigning activities (Kochen 2005, 4); (iii) EFTA, which represents twelve importing organisations across nine European countries; (iv) Fair Trade Federation, an association of Fairtrade retailers and producers based in North America; (v) the FLO; and (vi) Shared Interest, an entity responsible for providing finance to the Fairtrade movement itself, as well as those Southern producers belonging to the Fairtrade organisation (Moore 2004, 76).

A core part of any ATO's work involves consumer education. Because ATOs originated as an alternative to mainstream trade practises, they are heavily reliant on consumer awareness of their products, and a buy-in from consumers (Kurjanska & Risse 2008, 46). Some Fairtrade operators conduct education campaigns directed at consumers, which are intended to promote Fairtrade and to educate consumers about ethical trade, environment, labour, and living standards for producers in the South (Becchetti & Huybrechts 2008, 735). In this way, Fairtrade products constitute a "trust good", because consumers rely on Fairtrade to fulfil their undertakings towards Southern producers, and often because consumers are not in a position to personally verify such undertakings (Becchetti & Huybrechts 2008, 735). Therefore, Fairtrade and its ATO counterparts owe responsibilities to both consumers and producers in the South to ensure that they fulfil their mandate in facilitating the socio-economic development of farmers.

Standards

As the foremost standards-setting body, the FLO has two sets of generic producer standards. In addition, the FLO also sets standards regulating specific crops. The two sets of generic producer standards regulate:

(i) small-holdings organised in cooperatives or similarly structured democratic organisations; and
(ii) labourers in plantations, factories and farms (Moore 2004, 75). In terms of this standard, farmers are required to pay decent salaries, guarantee employees' right to unionise, and adhere to internationally regulated health, workplace and environmental safety standards duly established by the International Labour Organisation (ILO). Furthermore, forced labour and child labour are strictly prohibited (Renard 2003, 90). In this way we can see that, broadly speaking, Fairtrade producers are required to adhere to the accepted standards of human rights necessary for individual development and those embodied in the MDGs as detailed in the UN Development Reports.

As a result of these all-encompassing standards, poor households can also benefit from participating in supply chains as both producers and wage labourers (Seville et al 2011, 1). Whilst the FLO standards initially did not account for hired labour related considerations (Smith & Barrientos 2005, 191) and may have circumvented being held accountable to higher standards, this has since changed with the introduction of labour standards for seasonal, migrant, hired and temporary labourers (Smith 2009a, 30). It is imperative to note, however, that FLO hired labour standards only governs small farmer cooperatives that are "structurally dependent" on permanent hired labour (Smith 2009a, 30). Whilst farmer cooperatives reliant on hired labour are permitted to register under alternative certification or to form trade unions for the protection of these labourers' rights, these labour standards are not minimum benchmarks, but rather progressive standards that farmers should strive to attain over a set three-year period (Smith 2009a, 30). Nevertheless, as a result of its expansion into the mainstream market, Fairtrade is increasingly becoming affiliated with larger-scaled commercial plantations, which do not fit the traditional model of marginalised workers organised into small-holding cooperatives (Smith & Barrientos 2005, 194).

In addition to producer standards, Fairtrade has also established minimum standards that must be fulfilled in order to obtain certification, and progressive standards outlining working conditions and produce quality that Fairtrade producers are required to adopt over a designated period of time (Gendron et al 2009, 68). In pursuing their objective of encouraging fair and equitable market access for farmers, buyers in the North are required to (Gendron et al 2009, 68):
(i) provide direct access to producers' products, eliminating as many middlemen as possible, so ask to limit the expenditure incurred throughout the value chain;

(ii) provide a “fair” price for products, covering both the basic needs of producers and providing a profit for reinvestment into the community;

(iii) establish long-term working relations with producers; and

(iv) advance a proportion of the purchase price in order to assist farmers in purchasing the necessary raw materials required to complete an order without incurring any debts thereon.

Certification

As the principal labelling body, FLO has introduced common benchmark requirements for all Fairtrade packaging and products (Moore 2004, 75). Labelling initiatives and certification authenticate the contents of the packet (Renard 2003, 94) and verify that supply chains conform to Fairtrade principles. Moreover, it affords Fairtrade the opportunity to retail and distinguish its products within mainstream markets (Witkowski 2005, 28). Whilst FLO certification could be criticised as representing a form of control, it is important to realise that producer involvement within certification and inspection mitigates the level of control FLO exerts over this process (Moore 2004, 79). Many authors argue that branding is necessary for preserving the uniqueness of Fairtrade and facilitating consumer awareness, thereby highlighting the benefits of Fairtrade products (Moore 2004, 83).

There are three forms of certification available:

(i) first-party certification emphasises direct relationships and are self-policing systems (Jaffee 2012, 98);

(ii) second-party certification, which involves an arrangement between trading agents, farmers and consumers, whereby the trading agents guarantees the quality products and accompanying classifications (Sethboonsarng 2008, 2-3); and

(iii) third-party certification, used by Fairtrade and other ATOs. This involves an impartial third-party certifier to guarantee and verify the certification process and claims made by the party that they certify (Jaffee 2012, 98).

This is not to suggest that certification and labelling requirements are undisputed. Some SPOs have criticised FLO for subjecting their internal operations to certification and reviews, whilst the equivalent treatment is not meted out to their Northern counterparts (Renard 2003, 95). Questions also surround which parties should bear the costs. Prior to 2004, importers covered Fairtrade certification costs; however, since then the FLO has introduced a certification fee for producers (Sethboonsarng 15, 2008).

Although producers can apply for financial assistance from the FLO or from its national FLO member, acquiring certification remains an expensive undertaking. It is worth noting that in 2005 Fairtrade introduced a Contract Standard, which is cheaper than the normal FLO standards, in order to make certification more accessible for poorer members (with low levels of access to finances and business skills) of the Fairtrade movement (Smith 2009a, 31). Nevertheless, like organic certification, Fairtrade certification also requires third-party field inspections to verify compliance. For the vast majority of African countries, certified inspectors cannot be found locally and must be flown in from other countries (notably the Northern, importing countries), thereby contributing to already unrealistically high costs for farmers, which varies in accordance with the farmer's location, export destination requirements and the size of his farm (Sethboonsarng 14, 2008).

At the time of publication in 2010, Mohan (21-22) identified that the minimum charges for certification for the smallest possible Fairtrade cooperative (50 members) was a shocking £1,570 in the first year, followed by an annual recertification fee of around £940. In addition, wholesalers that supply Fairtrade retailers are also required to pay a license-fee, which is calculated in accordance with the wholesale price of the product. For many African farmers who struggle to make ends-meet on an annual basis, this is a significantly large fee to pay to an organisation affirming the use of trade as a tool for poverty alleviation. Accordingly, such prices raise questions as to whether impoverished farmers should contribute to the costs of certification, or whether Fairtrade ought to be responsible for shouldering certification costs.

Although North-South interaction remains imperfect, it would most likely be unfeasible for Fairtrade, especially in light of its vast array of certified products, to simply abandon labelling and certification processes. Labelling and marketing remains the strongest option available to Fairtrade in distinguishing itself from its peers and competitors. However, that certification currently presents itself as the only viable option for ensuring transparency, brand quality and accountability to consumers does not mean that methods for improving certification and the costs thereon should not be explored.

Premiums and price payments

Rural farmers can be highly risk-averse to crop diversification because they lack the necessary security structures to counteract failed diversification attempts (Nicholls 2005, 6). Therefore, risk aversion is a problem generated by poverty, and Fairtrade attempts to address this by guaranteeing payment of above-market prices to farmers, and providing farmers with information and knowledge that would be useful in aiding them to make decisions to diversify (Nicholls 2005, 6). The FLO calculates the income benefit of Fairtrade according to the following formula (Nicholls 2005, 10):

Fairtrade floor price = cost of production + cost of living + cost of complying with Fairtrade standards (costs of certification/renewal costs)

This formula is designed to ensure that the price paid for produce provides a decent standard of living for rural farmers, taking into consideration inflation and minimum wage requirements; whereas, costs of production cater for labour, capital and machinery costs (Nicholls 2005, 10). Whilst many Southern farmers only sell a proportion of their produce on the Fairtrade market, some authors claim that Fairtrade prices also have an effect on increasing mainstream prices and providing farmers with access to stable financial revenues (Gendron et al 2009, 74). Moreover, Leclair (2002, 954) suggests that the premium received by farmers does not necessarily result in surplus production because, in theory, marketing undertaken by ATOs should result in an increase in demand amongst consumers, thereby ensuring that higher volumes of product are sold in proportion to demand.

Fairtrade's strongest allure possibly lies with its payment of minimum prices and the premium designated for community development purposes (Utting-Chamorro 2005, 585). Importantly, farmers are provided with the guarantee that the premium is paid irrespective of their crops' organic or non-organic status (Nicholls 2005, 11); consequently the Fairtrade stamp on a product is sufficient proof for obtaining the premium. Furthermore, Fairtrade reaffirms that, as a democratic organisation, it does not dictate to SPOs how best to use the premium; instead, premium usage is allocated in accordance with a vote taken by the cooperative's members themselves (Five Key Fairtrade Benefits 2008, 3). In this way, producer organisations are tasked with managing the premium for the direct benefit of its members and ensuring the sustainable development of its members' communities (Five Key Fairtrade Benefits 3, 2008).

Whilst the payment of a premium is, arguably, the foremost attraction for farmers to join Fairtrade, it must be remembered that Fairtrade acts as a cushioning, and is not a holistic solution to market-related problems. Therefore, when prices for cash crops plunge Fairtrade can only partially soften the effects of this crisis- even then this may be insufficient for farmers- especially if it results in the reduction of premium payments. In counteracting Fairtrade's stance, Setboonsarng (2008, 13) suggests that enduring supply contracts and diversification are better guarantees for sustainable development than fluctuating payments of premium monies constrained by supply and demand considerations on the international market.

In addition, some of the literature draws a distinction between the basic farmers cooperatives and exporting cooperatives. It is reasonable to presume that many SPOs are likely to sell their products to exporting cooperatives, who then on-sell to Northern retailers and importers. In this situation, the minimum price paid is only to the exporting cooperative and not to the primary cooperatives; nor does this price cover goods that are not sold under the Fairtrade label- a significant problem since, in times of economic downturn, the produce sold under the Fairtrade label is often in the minority (Griffiths 2011, 2). From the aforementioned points, it can be seen that both the minimum price and the premium have been the subjects of growing scrutiny over the last few years, especially in relation to transparency and the amount of money that farmers actually receive. These issues will be discussed in further detail in chapter 3.

Merging into the mainstream market

Today, Fairtrade's products are sold through three main channels: retail outlets, supermarkets and mail orders (Moore 2004, 75). Although Fairtrade has gained considerable ground within trade practises, its overall share of the world trade market remains nominal (Pirotte et al 2006, 442) when compared with large TNCs such as Nestlé, Cadbury and Starbucks. In an attempt to improve its market access, Fairtrade has entered into a number of agreements with these corporations whereby a certain percentage of their cocoa and coffee beans will be sourced from Fairtrade producers (Renard 2003, 93). Widespread access to Fairtrade products is an absolute necessity if Fairtrade wishes to compete with established players in the industry and increase consumers' accessibility to its products (Redfern & Snedker 2002, 12). Since establishing the FLO, Fairtrade products have increasingly begun to infiltrate conventional distribution channels in order to reach larger markets (Gendron et al 2009, 69), with many suggesting that farmers now reap the benefits of greater volumes in sales of Fairtrade products. As Stenzel suggests, and this appears to be the *modus operandi* adopted by the Fairtrade movement, Fairtrade principles and practises should be integrated with free trade, because "it is about harmonizing the two approaches to trade, not a rejection of one in favor of the other" (Stenzel 2012, 560).

Nevertheless, participation within the conventional trade channels has attracted strong disapproval. Although it is not the focus of this paper to address the convergence Fairtrade and other ATOs' products within mainstream trade avenues, it is noteworthy to undertake a brief exploration of these criticisms. Of course, the foremost criticism is that Fairtrade is simply a protectionist measure dressed as "ethical trade"; that Fairtrade is detrimental to producers in developed countries because they are unable to compete with producers in developing countries as a result of their differing economic circumstances (Moore 2004, 76). Similarly, in veering into the mainstream market, Fairtrade will either dilute or lose its legitimacy (Witkowski 2005, 30) and its identity (Reed 2009, 10); and as a trade and labelling model that operates simultaneously inside and outside of the market there is a growing tension between Fairtrade's image as an activist organisation, and the reality that, increasingly, it is growing to become a serious business venture above everything else (Renard 2003, 92).

Part of this concern lies with the corporate retailers becoming licensees themselves, as this allows them to influence and affect the governance of the value chain for Fairtrade products, especially in relation to switching between producers, minimising costs to the detriment of producers, and not abiding by all Fairtrade requirements- especially those standards that are fluid and not strictly enforced (Reed 2009, 11-12). Moreover, there is also the risk that selling products through Fairtrade channels can result in dependency amongst producers, encouraging specialisation in cash crops at the expense of diversification and the growth of food crops (Gendron et al 2009, 74). Tensions between actors focusing on producing volume and those wishing to maintain alternative distribution networks remain: the former, which perhaps pragmatically realises that voluminous insertion of products into the mainstream market will potentially impact the lifestyle choices of consumers, whereas the latter wishes to maintain the ideological mandate of challenging and modifying the dominant trade practises (Gendron et al 2009, 70).

Of course, what is ethical is a selling point within the current trade regime (Renard 2003, 92); accordingly, it worth questioning the impact of Fairtrade's participation within mainstream market: on the one hand, their involvement may serve as an impetus for many large corporations to improve their corporate social responsibility (CSR); however, participation herein also raises questions about profit margins and the dilution of Fairtrade's own ethical endeavours. Partnering with MNCs requires compromises between ethical principles and commercial considerations, and larger market shares could equate to sacrificing Fairtrade values as well as the creation of new "fair trade" products in the absence of strict market regulation and control (Gendron et al 2009, 71; 74). The large corporations who now participate in the fair trade network do so because it is both convenient and profitable to do so (Renard 2003, 92). For example, Starbucks provides only one Fairtrade coffee in its range, yet it is able to improve its image and benefit from being associated with Fairtrade's values- even if it makes no major contribution to facilitating and furthering Fairtrade's goals in uplifting rural producers (Renard 2003, 93).

Furthermore, mainstream retailing of Fairtrade products can also result in competition amongst producer cooperatives themselves (Smith 2009a, 32), which, whilst beneficial in ensuring high standards and quality of produce, can also result in a sliding scale weighted heavily in favour of more well-organised and efficient cooperatives as opposed to newer players in the market that do not have immediate access to technical knowledge and skills.

From the aforementioned discussion, it is clear that Fairtrade is not without its criticisms or problems. Whilst its efforts towards alleviating poverty for small-holding farmers in developing countries remain commendable, they are clearly not without controversy. Certification and other administrative responsibilities are steadily increasing as Fairtrade's stature grows. Moreover, a clear and growing point of contention for many academics is Fairtrade's increasing involvement in mainstream trade relations, which requires collaboration and compromise with many conglomerate food corporations. From here, chapter 3 examines the successes and failures of Fairtrade's involvement with African farmer.

Chapter 3: case studies analysis- the Banana and Cocoa Industries

Introduction

This chapter considers the empirical evidence available on Fairtrade's banana and cocoa crops, and critically analyses the successes and failures experienced by Fairtrade in fulfilling its mandate towards helping rural farmers access international markets for their products and contributing to their socio-economic development through constructing community development projects. Each case study constitutes a specific crop that may be cultivated in various parts of Africa, and is analysed according to its individual merits.

The usefulness of discussing banana and cocoa plantations illustrates the varying levels of Fairtrade's impact on different agricultural communities throughout Africa, and provides a comprehensive understanding of the kinds of institutional and foundational mechanisms that would enable Fairtrade to improve on its current interaction with African farmers. These cases have also been chosen to display variance on the hypotheses; to illustrate the ways in which FLO minimum pricing, premiums, as well as socio-economic development projects offered by Fairtrade may not necessarily be sufficient or adequate in contributing to poverty reduction within farming communities; alternatively to display and discuss the successes that Fairtrade has experienced in using trade as a tool for attaining fairness and distributive justice for rural farmers.

Fairtrade first established relations with West coast cocoa farmers; consequently, it was the first Fairtrade crop cultivated on the continent, as opposed to banana cultivation, which is only a recent endeavour amongst Fairtrade African farmers. The duration of these relationships, when combined with the size and organisational levels within the differing cooperatives displays the difficulties and successes Fairtrade has experienced within Africa. Moreover, they also illustrate the intricacies and difficulties that both Fairtrade and researchers may face in trying to understand what is increasingly becoming a complicated and nuanced situation involving a plethora of players, and in which distributions of benefits are spread thinly amongst those participating at a grass roots level.

Where appropriate, parallels between Fairtrade and other ATOs will also be highlighted, in order to understand (i) the nature of the competition Fairtrade faces in the alternative certification arena and (ii) the alternatives that these ATOs offer both exporting and producing cooperatives in capturing larger shares of the market and offering opportunities for sustainable development.

BANANAS: GHANA AND CENTRAL AFRICA

The Banana Industry and Fairtrade Farmers

The vast majority of Fairtrade's banana crops are cultivated in the Caribbean islands. Nevertheless, there are a number of banana farmers located along the African West coast, notably in Ghana (the largest producer), with smaller pockets situated in Cameroon and Cote d'Ivoire and, most recently, Mozambique (Smith 2009c). Banana is the second-most profitable Fairtrade commodity after coffee, despite banana certification commencing only in 1996 under the Max Havelaar Group (Mohan 2010, 31). Fairtrade characterises the average banana producer as small, economically disadvantaged farmers who often lack full legal rights to the land which they till (Smith 2010, 10). On average, mainstream banana prices have been quite volatile from the 1990s as a result of the East Asia financial crisis, reflecting the competitive market dynamics between producers and MNCs across the globe (Smith 2010, 22-23). Although banana sales have recovered since 2001 analysts do not expect this boom to last (Smith 2010, 25).

African and Caribbean banana producers (ACPs) enjoy privileged status within the EU and UK markets as a result of substantial tariff benefits and duty-free access (Smith 2009c). Part of this involves agreements signed under the WTO-complaint Economic-Partnership Agreements (EPAs) between the EU and the banana producing states. As a result of these agreements, many Latin American banana-exporting MNCs lodged challenges against the EU at the WTO, disputing the EU's favouritism towards ACPs (Smith 2010, 22). Although the EU has since ended this quota system it has consequently introduced a favourable tariff towards Latin American producers, and has also implemented a waiver to fulfil its existing commitments towards ACP countries (Smith 2010, 22).

Of course, this background reveals interesting disputes between low-income countries struggling for a lion's share in a particular cash crop market; displaying the dependency on cash crop exports that many developing countries continue to endure. It is as if the banana market is structured in such a way that there can be no winners- any concessions made for ACP producers will result in an adverse effect on Latin American producers and visa versa. Similarly, the EPAs are an example of how Fairtrade remains constrained by accepted market terms and conditions negotiated by foreign markets, and is not positioned in working outside the market or its existing multilateral institutions- in fact, in the case of banana producers, EPAs are particularly useful in promoting the apparent efforts of Fairtrade in accessing international markets, which seems ironic.

Like its coffee counterpart, the growth of the banana industry reflects an increase in the size of the farmer cooperative: more than 90% of the total African banana exports to Northern markets are accounted for by medium and large-scale producers linked to three of the largest fruit companies on the continent (Smith 2009c). It is important to realise that African Fairtrade banana exports reflect only a nominal percentage of banana exports to European markets (2%), with the largest exports emerging from the "dollar zone" of Latin America (Smith 2010, 17). Within the UK market, Fairtrade bananas are retailed by primarily large supermarkets such as Sainsbury's and Waitrose, thereby increasing the demand for produce, capital and technical requirements, and economies of scale but, conversely, also facilitating the involvement of larger cooperatives as opposed to small-scale farmers- deviating from the original Fairtrade model (Mohan 2010, 31).

The banana case study centres on two reports: a 2008 Banana Link publication detailing the findings of Rachel Smith who investigated the Volta River Estates Limited (VREL), a Fairtrade banana cooperative situated in Ghana's Volta region[i]. The second is a 2010 report released by the IDS[ii]. The results from these two case studies inform the findings discussed below.

Payment of a living wage

One of the key claims that Fairtrade uses to distinguish itself from conventional trade is its ability to pay a living wage to its producers. However, Rachel Smith and her team of researchers identified that Fairtrade made insignificant contributions to increasing the quality of life for banana farmers belonging to VREL. VREL currently exports its bananas to Europe via Agrofair, a Fairtrade-certified exporting cooperative, and has experienced severe financial constrains since its formation, ranging from natural disasters, the imposition of EU export licences, as well as the spread of viruses amongst its banana crops (Smith 2009b, 5).

Reports suggest that despite the growing size of the cooperatives and increasing market shares in the UK and Europe, these benefits have not trickled down to the farmers themselves: information from trade unions in Cameroon and interviews with workers in Ghana shows that wages for employees have actually decreased in relation to the cost of living (Smith 2009c). Compared to non-Fairtrade certified SPOs, workers employed at Fairtrade-certified farms receive an average of US$14.2 per week excluding legislated employee benefits, compared to their counterparts employed at conventional banana plantations, who receive an average of US$13.7 per week (Smith 2010, 64). From a wages perspective, therefore, Fairtrade employees are in a marginally better position than their counterparts employed on conventional banana plantations. VREL employees are part of a collective bargaining forum that had been able to successfully negotiate annual salary increases between 18-20% from 2006 to 2009 and, in adhering to Ghanaian labour laws, VREL ensures that all workers receive their employee benefits provided for by the national health insurance, pension fund and enjoy paid maternity, sick and annual leave (Smith 2009b, 6).

Although these sound like generous annual increases and employee benefits, at the time of research, however, they were insufficient in covering inflation costs, since national inflation rates in Ghana stood at 17.46% in 2009 (Smith 2009b, 6), resulting in only a nominal increase for workers' efforts in combating ever-increasing living costs. During interviews conducted by researchers, workers identified education, food, housing and transportation costs as constituting the bulk of their monthly expenses. On this basis, researchers identified that a VREL worker would only be able to cover all his or her expenses if they had only one school-attending child and if their spouse was also employed (Smith 2009b, 7).

Accordingly, the ensuing issue is the actual wages paid to VREL employees. Although Fairtrade may argue that these wages are above the stipulated national minimum, it important to remember that these workers often have large families and may only have one breadwinner. In fact, only 15% of interviewed plantation workers in Ghana confirmed the presence of a dual income in their house (Smith 2010, 52). Researchers calculated that VREL workers' monthly income would have to increase (on average) a staggering four-fold in order for them to afford their monthly expense and achieve an acceptable standard of living (Smith 2009b, 8). Accordingly, this translates into a cycle of continuous debt for workers, many of who continue to live from hand to mouth, and cannot afford to survive without relying on credit loans (Smith 2009b, 10). Such minimal requirements would be almost impossible to achieve in an African country, where many women face discrimination or lack the necessary education to facilitate a regular income, and where most families, on average, have more than one child.

The IDS Report corroborates the Banana Link findings, identifying that the weekly wages for Fairtrade workers across all reviewed countries (Ghana, Ecuador and the Dominican Republic) were insufficient in covering basic expenses in the absence of a secondary source of household income, and researchers projected that an increase to US$113 would be necessary in order to ensure that a fair standard of living was attained (Smith 2010, 67-68). Moreover, as the smallest and least-developed cooperative from the countries reviewed, Ghana displayed the highest gap between basic wages and living costs: many Fairtrade workers fail to attain even basic sanitary amenities and therefore experience similar levels of extreme poverty to workers employed on non-Fairtrade SPO farms (Smith 2010, 67). Workers in all three case studies reported that although the Fairtrade wages paid might have been above the national minimum wage, it still did not transcend the poverty line, which is contrary to Fairtrade's aims of poverty alleviation.

The Reports reveal that initial FLO inspection reports identified several health and safety risks in the working conditions at the Ghanaian plantations, specifically pertaining to inadequate health and safety management, risk management and the provision of protective equipment (Smith 2010, 75). In accordance with established Fairtrade standards, the health and safety conditions on the Ghanaian plantation had steadily improved over the years, with regular inspection playing a key role in ensuring the improvement of working conditions. However, is important to emphasise that whilst Fairtrade standards may have specific requirements in this regard, it has also collaborated with a number of trade unions, government and other certification and production schemes in order to raise the safety and health thresholds of working conditions for Ghanaian employees (Smith 2010, 75). Thus, it is suggested that perhaps Fairtrade would experience greater success in contributing to socio-economic development and fairer trade practises if it encourages and participates in greater collaborations with various stakeholders in the industry. These improvements have been witnessed in Ghana, which has a strong trade union culture in terms of which SPOs are already vested with good labour practises, and by which Fairtrade has provide valuable support in terms of technical training and education of the workers (Smith 2010, 90).

FLO Minimum Pricing and Economic Benefits

Providing economic benefits for farmers is hampered by the current market prices paid for VREL's bananas. At the date of Rachel Smith's research, Fairtrade priced US$8.00 for an 18.14kg box of conventional Fairtrade banana and $10.00 for Fairtrade organic bananas, which were approximately $2.00 less than VREL's cost prices for production per box (Smith 2009b, 15). These prices have since increased as per the following:

Product (specific product standard)	Product variety	Price applies to	Currency / Quantity x Unit	Price level / *special price conditions	Fairtrade minimum price	Fairtrade premium	Valid from
Bananas (Fresh Fruit)	Conventional, fresh	Ghana (SPO / HL)	EUR / 18.14 kg	EXW*	5.07	0.72	01. Jan 2012
Bananas (Fresh Fruit)	Conventional, fresh	Ghana (SPO / HL)	EUR / 18.14 kg	FOB	7.03	0.72	01. Jan 2012
Bananas (Fresh Fruit)	Organic, fresh	Ghana (SPO / HL)	EUR / 18.14 kg	EXW*	6.74	0.72	01. Jan 2012

Minimum Price and Premium Information (Source: www.fairtrade.net)

Across the board, the premium is valued at €0.87 per banana pack sold. Furthermore, there is a marked difference in minimum price depending on whether the product is already at the dock, ready for export (EXW) or whether it is still based at the farm, and requires transportation to the exporting site (FOB). Whether these payments suffice in covering current inflation costs and living costs remains questionable. At the time of research, Smith (2009b, 15) established that VREL was perpetually operating at a loss, and participating in the Fairtrade value chain has failed to yield any significant benefits in increasing the profit margins for this banana cooperative. In addition, the

IDS Report is cognisant that whilst participation in cooperatives does afford very small-scale farmers access to foreign markets, the economic benefits are insufficient in levelling the disparities between farmers themselves: (i) Fairtrade's economic benefits was hindered by farmers with low productivity, and only really benefited those with higher volumes of production, who earned enough profits to reinvest in production and improve their living circumstance and (ii) changes to the existing Producer Standards caused disagreement with workers and producing cooperatives, many of whom disagreed with the stricter enforcement of new Producer Standards (Smith 2010, 33; 45).

This problem is exacerbated by the structure of the banana value chain and the minimum price paid to producers. Sally Smith (2010, 33) identified that production costs had risen significantly during the 2007-2008 period but the FLO minimum prices failed to reflect this and had not increased since 2006. An anonymous survey of the reviewed countries published in IDS' Report shows that, at an export level, there is a consistent shortage between the minimum price paid for conventional Fairtrade bananas and the costs of production, and this shortfall increases for Fairtrade organic bananas. At the time of this study, the shortfall ranged from US$1.36 to US$3.73 per box (Smith 2010, 56). That there is a consistent failure to cover the bare minimum production costs not only confirms the position discovered in the Banana Link study but, also, points to either inadequacies in the modes of production, or simply that Fairtrade bananas are neither viable nor profitable agricultural commodities.

In 2008, Ghanaian SPOs sold a nominal 28% of its conventional Fairtrade bananas on the Fairtrade market and 55% of its organic Fairtrade bananas within the Fairtrade market itself (Smith 2010, 57). However, it is also important to examine the volume of bananas sold on the non-Fairtrade market in order to establish whether the non-Fairtrade market does offer protection for affiliated farmers during recession periods. Price data is commercially sensitive and difficult to obtain; nevertheless it appears that producers do receive higher prices for Fairtrade sales than non-Fairtrade sales during times of market downturn (Smith 2010, 57). As noted above, whilst conventional market rates for bananas appears to have increased over the course of the late 2000s, prices received for Fairtrade banana sales have stagnated since 2006 and, at the time of the IDS study, had not changed for a period of four years.

These reveal interesting findings. Firstly, minimum prices do not increase annually; secondly, that even when the market prices have increased FLO minimum prices have not. At the very least, Fairtrade buyers should pay a price equivalent to the conventional market value when the market is on an upturn; failure to do so is contrary to Fairtrade's stated aims and does not assist rural farmers in accessing the market at a fair value for their produce. Although FLO minimum pricings provides a useful cushioning against market fluctuations during off-peak periods (Smith 2010, 138), this does not justify the non-adjustment of the FLO minimum prices on an annual basis.

Similarly, the cost of production does not necessarily account for the use of family labour, which may be paid a cheaper rate than the designated costs used in cost of production analysis (Smith 2010, 56). These are significant considerations, as farmers clearly understand the importance of keeping their production costs at the absolute bare minimum; nevertheless, improvements to their living conditions is only possible if they are able to generate a viable profit from the banana sales. Whilst Fairtrade may provide a crucial cushioning during market recessions; nevertheless inflation is an annual occurrence, and the FLO minimum prices fails to account for the production costs incurred from inflation. In failing to cover the minimum production costs, the Fairtrade market appears inadequate in promoting fair trade as a tool for poverty alleviation. This raises questions as to the fairness of Fairtrade's business and minimum pricing structures.

Certification and value chains

Certification has enabled VREL to export bananas to Europe without incurring unnecessary license fees- particularly important as VREL was experiencing financial difficulties at the time the study was undertaken (Smith 2009b, 11). However, such assistance should not be contributed completely to Fairtrade because, as suggested earlier, it is the EPAs that have provided VREL with free entrance into the EU market, as opposed to Fairtrade directly changing the value chain for VREL. Initially, Northern importers paid the licence fees for the Ghanaian cooperatives; however, this is no longer the case, and significant increases in production costs, stricter enforcement of FLO standards as well as the additional costs of exporting bananas via an intermediary has caused significant financial constraints for these cooperatives, impinging on their ability to be financially and profitable (Smith 2010, 61). FLO standards and inspections have become increasingly complicated over the years; given the high levels of illiteracy amongst plantation and SPO workers, workers are not always positioned in understanding the complexities or actively participate in standards implementation (Smith 2010, 136). Understanding key Fairtrade concepts amongst workers remains limited, resulting in certification being a top-down imposition and not an equal and fair participatory process by all stakeholders (Smith 2010, 137).

Compounding these value chain problems is the inelastic demand for Fairtrade bananas in the European and British markets (Smith 2010, 112). Banana exports, like all the other Fairtrade products, are dependent on a very niche and selected market for their sales. A decrease or a change of preferences within this market has a direct knock-on effect on the profits generated by SPOs, and can negatively impact the market share held by any particular cooperative in their respective field. Whilst supermarkets offer a greater outlet for mainstream sales, they also have a preference for (i) working through third parties who are responsible for managing supplies at a ground level and (ii) a particular cosmetic appearance and product shelf life that West African bananas have not always been able to deliver on (Smith 2010, 116). Additionally, Fairtrade value chains are predominantly consumer driven and, accordingly, they can also be quite inflexible should consumers display an unwillingness to switch to other lines (Smith 2010, 112-113).

An anonymous survey conducted amongst importers alluded that some UK importers experience pressure from supermarkets to keep their costs as low as possible, despite paying more than the FLO minimum price in order to cover associated extra costs involved in the Fairtrade production chains (Smith 2010, 124-125). This leaves producers at the mercy of exporting cooperatives, Northern-based importers and consumers themselves, and results in a failure to short the value chain because the additional costs associated with growing intermediary parties effectively lengthens the value chain, thereby structuring the value chain to reflect a model similar to conventional markets (Smith 2010, 113). Lengthening the value chain is contrary to Fairtrade's stated goals and also reflects the way in which Fairtrade, as it seeks to increase its participation in mainstream trade, is increasingly constrained by the very conditions it is tasked with addressing by offering an alternative value chain to rural farmers; displaying its inadequacies as being neither large enough nor a significant player to effect changes to the existing value chain. This raises questions as to the full extent that African banana farmers actually benefit from participating in an alternative trade system that requires adherence to increasingly stringent standards, but does not necessarily offer opportunities for sustainable development or long-term market access.

The aforementioned issues clearly depict an array of complexities in the banana value chain. If importers pay exactly or above the FLO minimum price for bananas why are these benefits not trickling down to producers themselves? Furthermore, even though exporting banana producers were more likely to receive slightly higher prices than the FLO minimum price and SPOs were likely to receive farm-gate prices higher or on par with non-Fairtrade prices, these benefits were eroded as a result of the price increases in the conventional banana market (Smith 2010, 124-125). This again highlights the inadequacies present in the FLO minimum pricing, which is not always adaptable to changing market conditions, thereby impacting both the ability for farmers to earn a living wage, as well as deterring from an efficiently functioning value chain.

The Use of Premiums in Socio-Economic Development

Analysing the use of premiums paints a complicated and unclear picture. VREL does provide medical clinics and paid maternity leave, which many would argue would be a luxury for many workers in these circumstances (Smith 2009b, 8). However, of equal significance is the fact that these are legislated benefits, which means that VREL is simply adhering to legal norms and has not necessarily made individual contributions in this regard. Fairtrade has also made contributions via the construction of community projects such as school blocks, providing water and electricity to villages, and extending hospitals (Smith 2009b, 11); purchasing bicycles for Fairtrade workers (Smith 2010, 71); as well as an annual contribution of 60 *cedis* towards their employees' children's school fees (Smith 2009b, 12; Smith 2010, 70). These are all important contributions; in fact, the provision of education subsidies is arguably the most important use of the premium, as it is only through educating future generations that the cycle of poverty can be successfully eradicated.

The IDS Report affirms Fairtrade's role in supporting jobs for marginalised peoples such as women, widows and those with disabilities (Smith 2010, 49). Fairtrade has played an important role in lobbying for the formalisation of employment contracts, which has assisted many Ghanaian labourers in attaining government-related employment benefits (Smith 2010, 49). This has substantially increased their job security as all workers now have indefinite contracts, unlike many other non-Fairtrade certified farms, but this was attributed to an already-existing company policy that was supported by Fairtrade, as opposed to Fairtrade's the direct involvement with SPOs (Smith 2010, 62).

However, this paper suggests that whilst communal use of the premium towards social development is welcomed, perhaps it would be more useful for VREL to pay their employees a living wage, ensuring that they are able to cover their own expenses without having to rely on the premium payments. Workers appear to echo this sentiment saying, "the premium helps us a lot, but it's not enough" (Smith 2009b, 12); whilst the labourers welcomed the premium, they did not feel as though the premium empowered them or offered greater levels of development assistance (Smith 2010, 72). This problem is exacerbated because not all workers at the VREL plantation come from the same village, and may not benefit from premium-funded projects (Smith 2009b, 13). That some workers are part of the Fairtrade business plan but do not necessarily share the benefits of premium-funded communal development projects displays a further problem with the use of the premiums themselves. Moreover, in supporting, rather than creating jobs, it should be questioned why Fairtrade is not actively creating jobs that would facilitate individuals in achieving sustainable development. Whilst it is important to support job creation, Fairtrade's mandate also requires job creation for the most marginalised members of society (Smith 2010, 49), because long-term job prospects provide the foremost opportunity for farmers to improve their living conditions.

The Banana Link study identified only 35% of those interviewed claimed to have noticed community improvements since working at VREL, expressing discontent at working at a Fairtrade cooperative but not benefitting from the premium which, they understood, was a reward for their hard work and for being employees of VREL itself; viewing the partnership between themselves and Fairtrade as unequal, in which they would be rewarded only if they complied with Fairtrade's stringent standards (Smith 2009b, 13-14). Notwithstanding Fairtrade's affirmations that premium use is allocated to projects in accordance with a democratic undertaking amongst all members, Ghanaian workers expressed frustration at the fact that premium was not equally distributed as a bonus for all members as per the members request (Smith 2010, 96). Instead, the FLO overruled certain decisions regulating premium usage, creating the impression of power being vested in the FLO at the expense of the workers' wishes (Smith 2010, 96). Furthermore, lack of education and perceived misconceptions regarding the functioning and structure of Fairtrade's participation within Ghana had also given rise to the mistaken perception that Fairtrade is primarily concerned with developmental assistance as opposed to using fair trade or even the use of trade to contribute to poverty alleviation (Smith 2010, 101).

In addition, the premium was found to benefit those with children (as they received education grants) or long-serving members via the provision of housing subsidies (Smith 2010, 50). Ghanaian workers received the lowest wages compared to their Ecuadorian and Dominican Republic counterparts; however, Ghanaian plantations also employed more individuals than the other two countries, and its farmers also cultivated smaller pieces of land in comparison (Smith 2010, 53). This points to two problems: in an attempt to spread economic benefits as much as possible, the Ghanaian plantations employ more labourers without necessarily having the plot sizes to ensure an increase in harvests. This results in less bananas being sold, which generates less profits, thereby resulting in workers receiving lower wages. The cyclical nature can only be combatted through enhanced productivity and increasing quality levels.

These tensions illustrate Fairtrade's shifting emphasis from family-based cooperatives to larger-scale cooperatives using hired labour. Whilst hired labour is a necessity for the business functioning of larger cooperatives, this case study illustrates Fairtrade's oversight in considering the development of the hired labourers especially since Fairtrade traditionally engaged with small-holding farmers based in a cooperative, in terms of which community-based projects would generally serve to benefit all of its members. In 2011, Fairtrade published new hired labour standards underscoring the minimum and progressive standards cooperatives are required to adhere to. In sum, the principles underlying the hired labour standards pertain to the management of the Fairtrade premium, affording hired labourers the right to freedom of association and collective bargaining, and ensuring safe and healthy working conditions for all labourers (Fairtrade Standard for Hired Labour, 2011). However, whether these new standards result in beneficial changes for Fairtrade hired workers remains to be seen.

Ultimately, partnerships with local communities, civil society organisations and government bodies are necessary for maximising the utility of the Fairtrade premium (Smith 2010, 101). This is imperative for enhancing and supporting existing government infrastructure and social programmes, as opposed to competing with them, in providing socio-economic development opportunities to rural farmers and workers. Recognising the existing difficulties in Ghana has given rise to positive developments in terms of which there is clear collaboration on social projects, with community input regarded as vital in deciding which social community projects to undertake (Smith 2010, 101).

What does this case study mean for the hypotheses?

Notwithstanding the examples illustrating the benefits in participating in the Fairtrade market, fairness does not necessarily inform all aspects of Fairtrade's business model or the FLO pricing, wages and minimum payments for produce. In terms of H_1, the Reports reveal that, across the board, Fairtrade banana farmers do not receive a minimum wage and are unable to contribute to their own sustainable development. Despite growing access to international markets, many Fairtrade banana farmers do not receive prices that justify their involvement in the banana industry. This has profound implications for their long-term growth, as they are unable to generate the profits and savings necessary for re-investment into community development projects. Moreover, there is a clear discrepancy between Fairtrade's stated aims and what its Ghanaian members think it constitutes or ought to be doing. Accordingly, providing training programmes and basic workshops to farmers in order to educate them about the movement would go a long way in enhancing the working relationship between SPOs and the FLO, and could improve business practises.

Moreover, there are clear discrepancies between Fairtrade's provision of a premium and its actual use thereof (H_3). Although the premium monies fund certain development projects, many farmers (and especially hired labourers) remain unable to access tangible benefits as members of Fairtrade. This problem requires urgent attention from Fairtrade, as it cannot fulfil its own goals if it is unable to remedy inequitable relations amongst its affiliated farmers and labourers. The findings from this case study suggest that collaboration with NGOs and development agencies would provide Fairtrade with the expertise and know-how to be more effective within these farming communities, especially since these organisations have years of training and expertise with development projects. Involving national governments could also reap benefits because governments generally have access to infrastructural plans that Fairtrade would struggle to fund of its own accord. Therefore, collaborating with a variety of stakeholders could be for the ultimate benefit of the farmers themselves, instead of simply relying on internal resources in facilitating socio-economic development of Ghanaian banana cultivating communities.

Although the banana case study shows promise for expansion and a solid and stable market in sales to European and British supermarkets, these are not without their difficulties and their hurdles. As proposed by H_2, the banana case study exemplifies the constraints endured by Fairtrade in its position within mainstream trade. In its desire to access larger markets for Fairtrade bananas, smaller producers are being left by the wayside, and the banana value chain does not appear to offer any support or integration for its most marginalised and impoverished members. Moreover, exporting cooperatives and SPOs are increasingly being coerced into following the dictates of the larger supermarkets purchasing their produce; in the absence of Fairtrade taking appropriate steps to mediate the relationships between the various parties, farmers could find themselves facing the exact market constraints that they joined Fairtrade in order to avoid. Fairtrade cannot provide its members with fair prices for their products unless it finds a way to shorten the value chain and balance the juxtaposing relationships and interests between SPOs and Northern importers.

As the second most profitable Fairtrade commodity, banana farmers and labourers face considerably more favourable circumstances than some of their peers. Nevertheless, these benefits must translate into something more substantial with long-term benefits and development especially if farmers are to achieve poverty alleviation and development through trade.

COCOA: GHANA AND COTE D'IVOIRE

Historical and existing difficulties for cocoa farmers

Together with bananas and coffee, cocoa is another vital cash crop. Ghana and Cote d'Ivoire are Africa's two largest cocoa producing countries, producing up to 70% of the world's cocoa supplies (Barrientos 2011, 4). Cote d'Ivoire has a liberalised trade market (Basso et al 2012, 11), whereas Ghana's cocoa production and trade is regulated by the Ghana Cocoa Board (COCOBOD) which, until 1992, was the only authorised buyer and exporter of Ghanaian cocoa beans (Klier & Possinger 2012, 15). Nevertheless, COCOBOD remains a powerful entity because it is responsible for setting the cocoa floor prices (Nelson et al 2013, 21).

Initially, cocoa sales experienced severe price fluctuations owing to an expanding cocoa economy, liberalisation and SAPs. Although the International Cocoa Agreements (ICAs) of the 1970s and 1980s were implemented to address these problems, they failed to act as a mechanism for short-term stabilisation and price control (Jones, et al 2000, 4/5-4/6). Similarly, the GATT effected slight reductions in cocoa-related tariff prices, but there remains a need for the WTO to implement stronger action in order to combat market fluctuations and speculations (Jones, et al 2000, 4/14-15). Moreover, unfair trade is compounded by control vested in a few multinationals (Nelson et al 2013, 17), many of whom now engage in direct trade relations with cocoa plantations in order to improve their own CSR and market their own "fairly traded" chocolate, thereby presenting new challenges for Fairtrade which, until recently, exercised comprehensive propriety rights over fairly traded and produced chocolate. Although West African cocoa farmers cultivate crops on land that are, on average, larger than South American farmers- 4.2ha versus 1.7 ha (van Hout 2007, 24), aging cocoa trees, an inability to combat climate change and geographical isolation has compounded farmers' difficulties in supplying sufficient volumes of high quality cocoa to industry players (Basso et al 2012, 11; 41).

These problems are intensified by the socio-economic difficulties experienced by cocoa farmers. A lack of education is a persistent social ill: up to 95% of cocoa farmers in Cote d'Ivoire are illiterate (Fairtrade and Cocoa Commodity Briefing 2011, 9), and the CEVal Report identifies only a 44.5% literacy rates amongst Ghanaian cocoa farmers (Klier & Possinger 2012, 24). Child labour is another pervasive evil plaguing the cocoa industry: whilst many farmers acknowledge the devastating impact of child labour on their children's education, they reaffirm their need for their children's assistance during harvest seasons (Klier & Possinger 2012, 27). Nevertheless, researchers identified that Fairtrade is aware of this problem and has allocated a proportion of the premium money towards educating farmers about the negative side effects of child labours which includes infringing Fairtrade producer standards (Klier & Possinger 2012, 27). Like many other African farmers, cocoa farmers also lack access to infrastructure, agricultural technology and sanitation within their villages, and face food insecurities. It is in light of these impediments to development that Fairtrade's Kuapa Kokoo and Kavokiva cooperatives have undertaken to implement poverty alleviation and fairer trade for African cocoa farmers. Owing to the plethora of empirical evidence available on Ghanaian cocoa plantations, Kuapa Kokoo will form the core analysis for Fairtrade's involvement in the African cocoa industry.

Kuapa Kokoo: Fairtrade's claim to fame?

Ghana has experienced considerable success as a Fairtrade member through its Kuapa Kokoo cooperative. Kuapa Kokoo was established in 1992, and is one of the few farmer-owned organisations permitted to trade cocoa (Kuapa Kokoo Cooperative, 2010). The farmers' cooperative was founded in 1993 by a number of Fairtrade partners, including Twin Trading, the Netherlands Development Organisation and SNV (Tiffen 2002, 386). Kuapa Kokoo represents up to 63 000 small-holding cocoa farmers residing in fifty-seven cocoa districts across five cocoa producing regions in Ghana (Nelson et al 2013, 6). In order to ensure the cooperative's profitability and viability, advisers provide expert advice pertaining to export marketing and the cocoa agronomy (Tiffen 2002, 387).

In counteracting the notorious cocoa value chains plagued with unscrupulous middlemen, the Day Chocolate Company (the Company), which purchases Kuapa Kokoo's cocoa beans, aims to shorten the value chain by making farmers equity owners in the brand- 33% of its shares are owned by Kuapa Kokoo (Doherty & Tranchell 2005, 168). The Company's governance structure permits the election of two directors from Kuapa Kokoo to its executive board, thereby ensuring that the cooperative has representation at the highest level (Doherty & Tranchell 2005, 168). Accordingly, Kuapa Kokoo members are provided with exposure to pertinent knowledge regarding the cocoa trading chain and its production, and are poised to influence and play a participatory role within the Company (Doherty & Tranchell 2005, 173).

Kuapa Kokoo is interesting and presents a key alternative to the other SPOs present in the chosen African case studies. Firstly it appears to be highly organised and structured, having received substantial assistance from Twin Trading and other European NGOs during the course of its establishment. This established the necessary foundation enabling the cooperative to function to its full potential, and the partnership between itself and its Northern affiliates provides an important link to foreign markets. The Company provides Kuapa Kokoo's members the opportunity to participate in (i) producing Fairtrade chocolate under the Divine chocolate brand retailed throughout the UK (Brown 2007, 271) and (ii) receiving a share of the Company's profits (Kuapa Kokoo cooperative, March 2010). Kuapa Kokoo is also one of the oldest Fairtrade cooperatives on the continent, with a very large membership, and has grown in capacity to encompass a number of services developed for its members' benefits. These include a Farmers' Trust to oversee the use of the premiums; a Credit Union that provides access to credit and loans for farmers (Tiffen 2002, 386); and the trading company KKL, tasked with marketing and purchasing cocoa beans (Nelson et al 2013, 28).

Sales and foreign market access elucidates the differences between the cocoa and banana case studies. Kuapa Kokoo appears to offer cocoa farmers and workers a comprehensive and well developed organisation which, compared to the banana case study, appears to be lacking. Furthermore, market security and income should be guaranteed via the Company's use of 100% Kuapa Kokoo cocoa beans and the direct participation and growth of farmers. A guaranteed foreign market should provide help Fairtrade in making trade fairer for cocoa farmers and contributing towards long-term poverty alleviation projects. This differs from banana farmers, who are simply reliant on exporting cooperatives or North-based importers and remain marginalised, living beneath the poverty line.

Therefore, a significant difference between these two case studies is the supposed levels of representation, voting rights and participation provided to cocoa farmers or their representatives within these companies which, arguably, ought to ensure that cocoa farmers' are directly represented at a management level and their concerns are adequately addressed through their representative. From Fairtrade's own account, Kuapa Kokoo represents a success story, and many members affirm this viewpoint, showing appreciation for increased producer ownership and control within the cooperative's value chain, as well as expressing confidence in their own future and improvement for their children (Nelson & Pound 2009, 23; 65-66).

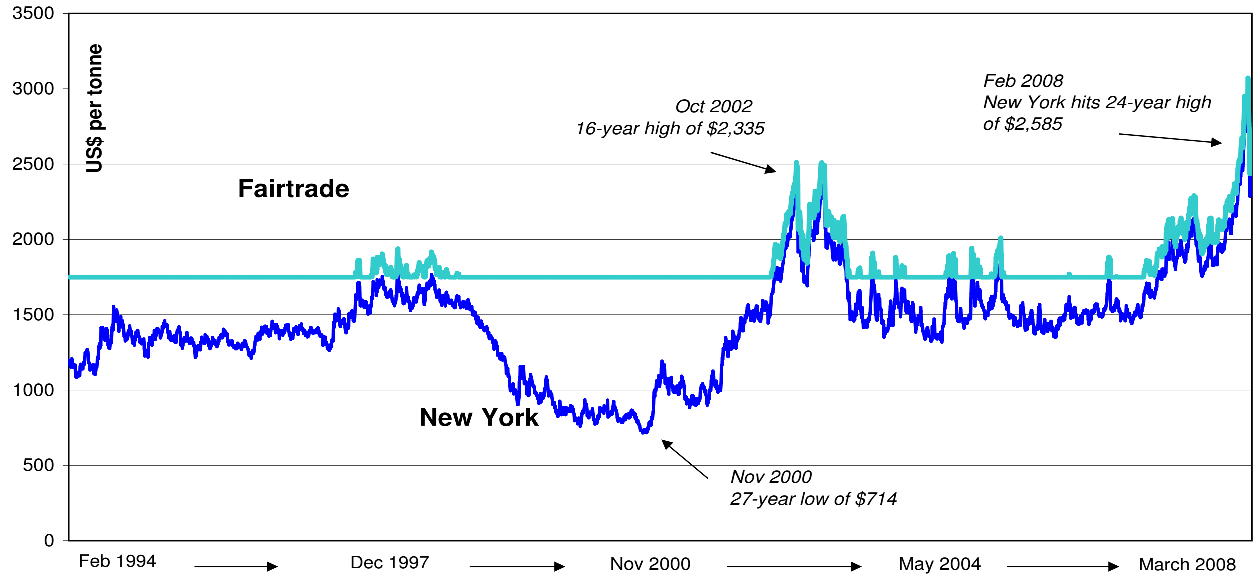
Nevertheless, there remains associated difficulties with large cooperatives, which tend to garner criticisms pertaining to (i) an absence of democratic governance owing to non-participation from the majority of members and (ii) complex administration procedures that ordinary member many not understand (Basso et al 2012, 37). Wealth and power differences within Kuapa Kokoo continue to play out between executive members and farmers at a grass-roots level (Nelson &Pound 2009, 31), thereby reflecting a similar problem to the one identified in the banana case study, which can often result in a hegemonic top-down imposition of power. Illiteracy further detracts from the effectiveness of Fairtrade's training programmes designed to help farmers improve their agricultural knowledge and skills and contribute towards their own development (Klier & Possinger 2012, 47) as well as generating awareness amongst farmers about Fairtrade and its goals. This paper suggests that Fairtrade should also focus on redressing the already-existing education deficits within these communities and also identifies that Kuapa Kokoo is not a problem-free solution for farmers either.

Is FLO Minimum Pricing a "Fair" Price for Cocoa?

A number of factors have contributed to the price fluctuations experienced in the cocoa industry. Current high prices are attributable to production deficits and the 2010 post-electoral civil violence experienced in Cote d'Ivoire; whereas long-term price trends are usually affected by changes in supply and demand, the ratio between stocks and grindings, and short-term influences also include weather conditions, maintenance, and speculative trading (Fairtrade and Cocoa Commodity Briefing 2011, 5). Cocoa is either physically bought directly from producers or exporting cooperatives, or traded on the markets based in London (LIFFE) and New York Stock Exchange (NYSE) Board of Trade (NYBOT) (Fairtrade and Cocoa Commodity Briefing 2011, 6).

As of January 2011, the Fairtrade premium for cocoa beans is valued at US$200 per metric ton, whereas the minimum price for cocoa beans is valued at US$2000 per metric ton (Fairtrade Standard for Cocoa Factsheet, 2010). At the time of raising the FLO minimum price in 2006, Fairtrade acknowledged that the new minimum price was lower than current market prices, but justified the lower rate based on the crop's notorious volatility, with no foreseeable guarantee that the cocoa prices would remain high into the future (Fairtrade Standard for Cocoa Factsheet, 2010). Moreover, in recent years the COCOBOD's prices have been higher than FLO minimum prices. This means that Fairtrade farmers are currently disadvantaged, and experience no price premium as a result (Nelson et al 2013, 20). At the date of this paper, the International Cocoa Organisation (ICCO) placed the daily price for cocoa beans at US$2815.27 per ton, whereby the ICCO daily price is an average of the "nearest three active futures trading months on NYSE LIFFE Futures and Options and ICE Futures US at the time of London close" (www.icco.org).

In times of economic booms, lower prices can be justified as farmers receive market-related prices with the added benefit of US$200 in premiums. However, the FLO minimum price is of pivotal importance during times of recession. From the graph below, it is clear that the FLO minimum price was generous and a much-needed cushioning for farmers during times of recession and market collapse. However, minimum pricing is also only useful insofar as farmers *actually sell* all of their produce on the Fairtrade market. Furthermore, in light of the COCOBOD's current above average pricing, it is questionable what price benefits, if any, farmers stand to by selling their crops to KKL. Therefore, in order to understand if Fairtrade membership provides profits and economic benefits for farmers and plantation owners, the key question centres on the quantity of certified cocoa actually sold on the Fairtrade market.



Cocoa Market 1994-2008: Comparison of Fairtrade and New York Exchange Prices (Source: www.fairtrade.net)

CEVal undertook an impact study commissioned by TransFair Germany and the Max Havelaar Foundation Switzerland, focusing on Fairtrade's contribution to poverty reduction and rural development across a variety of Fairtrade products[iii]. Results for this study pertain to the developmental impact of Fairtrade on the broader community, and are not necessarily limited to its effect on one specific product or its producers and labourers[iv] (Klier & Possinger 2012, 2).

The CEVal Report notes that over a 15 year period, the TG producer cooperative only sold approximately 7% of its cocoa beans on the Fairtrade market and received only US$375 000 by way of premiums (Klier & Possinger 2012, 10). That this premium is intended for distribution amongst least 45 000 members is disturbing because such a small amount equates to an average of US$8.33 in premiums per cooperative member- a nominal financial return in lieu of the effort and input changes farmers must make to their plantations in order to receive Fairtrade certification. Furthermore, the CEVal Report indicates that Fairtrade market sales only increased to 30% as a result of a recently established partnership with a "larger buyer", thereby increasing the premium to US$3 million (Klier & Possinger 2012, 10). Although reflecting a more generous amount in premiums, 30% remains insufficient in providing economic benefits for cocoa farmers, who endure price limitations similar to their banana-producing counterparts.

The NRI's 2013 study on the Kuapa Kokoo cooperative and cocoa production is the most recent impact analysis report available on cocoa production. The Report's objective included "systematically examining the impact of voluntary social and environmental standards on poverty and livelihoods"[v] (Nelson et al 2013, 1). The NRI's Report confirms that the "large buyer" referred to in the CEVal Report is none other than Cadbury, a mega player in the chocolate industry. Cadbury's interaction with Kuapa Kokoo presents an interesting new dynamic to African cocoa trade, and is particularly representative of the minimal impact an ATO such as Fairtrade can have in the absence of support from a multinational entity of Cadbury's stature. Like its banana counterpart, the Fairtrade cocoa industry is small and, prior to Cadbury's undertaking to buy Fairtrade-certified cocoa, was unable to effect meaningful change in the profits and premiums earned by certified farmers. This is not simply a bald statement but one justified in light of the amounts reflected in the table below. It should also be remembered that many reports identify only a proportion of the guaranteed Fairtrade price may be paid to individual farmers, as there can be many deductions ranging from debt repayment, organisational costs, as well as money that may be set aside for social and environment-related development programmes (Nelson & Pound 2009, 9-10).

Although ATOs have traditionally opposed mainstream trade this paper suggests that mediated interaction with mainstream markets is the necessary ingredient in increasing Fairtrade sales and generating larger profits for its members. Accordingly, it is only through Cadbury's commitment in purchasing Fairtrade cocoa that both volume of sales and the premium generate hereon increased (Nelson et al 2013, 90).

Kuapa Kokoo Fairtrade Sales Volumes and Values in USD

Year	**FT Sales- Volume per metric ton**	**FT Premium in US Dollars**
2008/2009	6,750	1,012,500
2009/2010	21,800	3,270,000
2010/2011	23,850	4,555,000
2011/2012	29,175	5,802,500

(Source: Nelson et al 2013, 90)

Does Fairtrade prices provide for a living wage?

Nelson and her research team (2013, 33) established marginal differences in the household incomes between Fairtrade and non-certified farmers that, in the 2010 baseline survey, was quoted as US$3160 for non-certified farmers and US$2891 for Fairtrade farmers. These are statistically insignificant in their differences but does allude to two developments: firstly, that an average increase in cocoa prices on the world market has probably played a contributory role in increasing farmers' income (Nelson et al 2013, 33) and secondly, Fairtrade farmers might experience lower household income because they are required to sell their produce to Fairtrade-affiliated exporting cooperatives, and the FLO minimum price is lower than the COCOBOD's prices.

Similar to the banana industry, the entire cocoa industry does not suffice in covering basic needs and providing a living wage for its farmers. Nelson and her team established that the vast majority of cocoa farmers are unable to earn a living wage from cocoa sales, and face difficulties in catering for basic expenses (Nelson et al 2013, 40). Both groups of farmers prioritise food, healthcare and education of children as the primary investments of household income, and it appears that participation in Fairtrade has neither influenced the manner in which cocoa income is invested (Nelson et al 2013, 42), nor provided its farmers with growing savings, thereby failing to contribute towards long-term poverty alleviation.

However, these differences soon became inflation-based. Between 2010 and 2012, non-certified farmers reported a larger decrease in their household income compared to Fairtrade-certified farmers (Nelson et al 2013, 36). Although these differences are attributable to the rising costs of basic essentials such as food, healthcare and education, it would appear that Fairtrade farmers had reaped some kinds of benefits against inflation compared to non-certified farmers, with the possibility that Fairtrade support of some kind has provided cushioning against rising inflation. Cognisance of Cadbury's increased purchases certified cocoa over this time period offers a potential explanation for the support experienced by certified farmers against inflation.

The cocoa study reaffirms the disadvantageous position endured by hired labourers in the banana case study. A large portion of land-owning farmers do not till their own land, and have caretaker farmers who provide their labour to these farmers on a continuous basis (Nelson et al 2013, 33). These caretaker farmers reap only a nominal reward (33-50% of farm produce) for their hard work and are not eligible for Fairtrade membership (Nelson et al 2013, 33). As such, they experience no real benefits from Fairtrade affiliation, and are unable to participate in any decision-making, nor benefit from community projects unless they reside in the same villages as the property owners for whom they work. Consequently, Fairtrade has therefore failed to offer any real financial benefits or socio-economic development opportunities for hired labourers.

Generating Profits: Are There Any Financial Benefits for Kuapa Kokoo members?

In furthering the identifiable parallels in management methods between the Ghanaian banana and cocoa cooperatives, Kuapa Kokoo has recently begun to display strong links to partners with technical knowledge and expertise that offer the cooperative's members the opportunities to improve their internal management and agricultural knowledge. An example of this is its 2002-2003 collaboration with Conservation International, an American NGO that assisted Kuapa Kokoo with rehabilitating cocoa farms and introducing new farming techniques (Nelson et al 2013, 29). Although not as prevalent as before, the cooperative has also begun to improve transparency in its relations with its members, and certified members have reported significant increases in the training programmes and events when compared to the training opportunities afforded to non-certified members, as well as improvements in market access, transportation of produce and the use of environmentally safe inputs (Nelson et al 2013, 39; 45-46).

Kuapa Kokoo's recent increase in farmer training programmes is welcomed as it provides farmers with crucial knowledge for cultivating the high quality produce required for accessing foreign markets. However, it is also questionable whether its renewed dedication to farmer training is also a result of competition posed by other parties, particularly MNCs who have begun to liaise directly with other cooperatives in the area, and the growing presence of Rainforest Alliance and UTZ Certified in their quest for a sustainable and regular supply of high quality cocoa (Nelson et al 2013, 22). This paper proposes that whilst members currently experience real benefits relating to training and market access, they would potentially have not experienced such benefits in the absence of some kind of competition to Fairtrade's hegemony in the cocoa industry and, in the absence of these conditions, cocoa farmers may have had a similar fate to banana farmers.

Economic benefits for cocoa farmers were also hampered by credit access. Fairtrade's manifesto includes credit and financing facilities for farmers, but the CEVal Report contradicts Fairtrade's claims, instead concluding that Fairtrade appears to have no positive impact on facilitating farmers' access to credits and loans (Klier & Possinger 2012, 42). In comparison, non-certified farmers reported significantly higher amounts of credit and cash savings (Nelson et al 2013, 39). Furthermore, the Report notes that whilst, in general, farmers from both groups (about 80%) did not report facing any difficulties in obtaining loans, 40.6% of the TG experienced difficulties in procuring loans as opposed to 22.8% of the CG members, with the Report suggesting that it is most probably non-Fairtrade buyers who offer loans to the CG farmers (Klier & Possinger 2012, 42). Another possible explanation is that the TG farmers' access to credit and loans is reliant on

Fairtrade certified exporting cooperatives or buyers, and in the event that crops have not been sold or that buyers cannot purchase Fairtrade certified cocoa beans, loans to farmers cannot be advanced.

Moreover, as identified by the CEVal Report, the economic benefits of Fairtrade for cocoa farmers are not easily resolvable. Although low productivity is an established problem with Ghanaian farmers, productivity is steadily on the increase amongst the CG farmers (Klier & Possinger 2012, 38)- most probably as a result of financial incentives offered by private sector actors or COCOBOD. It is therefore suggested that these increases in productivity are independent of Fairtrade's involvement in these cocoa-producing communities (Klier & Possinger 2012, 38). Nevertheless, despite having slightly lower levels of productivity compared to the CG, the TG cooperatives reflect a higher income than the CG: conversely, Fairtrade has had a positive impact on the income received by farmers (Klier & Possinger 2012, 38). There could be a number of reasons for this, including (i) Fairtrade exporting cooperatives or buyers are willing to pay extra for Fairtrade certified cocoa in order to assist farmers in covering baseline costs (something observed in the banana case study); (ii) the TG cooperative is supplying a specialised chocolate producing store/ industry in the North on a regular basis, thereby ensuring a consistent income for the TG cooperative; or (iii) Cadbury's engagement with Kuapa Kokoo has provided the farmers with higher sale volumes and greater profits. The CEVal Report itself does not offer any reasons for why the TG cooperative earns more money compared to the CG cooperative, but the reasons offered above provides possible explanations.

Certification and value chains in the cocoa industry

In 2012 the ICCO commissioned KPMG to undertake a comprehensive study pertaining to the costs, advantages and disadvantages of cocoa certification, and details an analysis of the foremost ATOs in the cocoa industry (Basso et al 2012, 8). It is interesting to note that unlike the banana sector (which is negatively affected by a lengthening value chain), the cocoa industry encourages participation from an increasing number of private actors whose consumers' demands for certified/ethical cocoa have forced MNCs to source sustainable cocoa; with some even claiming to convert their entire supply chain to sustainable cocoa by 2020 (Basso et al 2012, 13). This has given rise to a plethora of certification schemes and the involvement of new ATO players alongside Fairtrade in this industry, notably UTZ Certified and Rainforest Alliance. The cocoa value chain is fairly conventional, and can be depicted as (Basso et al 20212, 13):

farmer→ cooperative/local buyer→ trader/exporting cooperative→ processor/manufacturer→ retailer/wholesaler→ consumer.

Although the cocoa value chain involves a multitude of players (including development agencies and NGOs), there is a fundamental role for each actor. Moreover, all have established strategic partnerships in order to ensure both a continuous supply of cocoa and to contribute to the socio-economic development of cocoa farmers. Therefore, a longer value chain affords corporate entities the change to fulfil their CSR requirements by actively participating in the development of cocoa farmers and their communities; presents an opportunity for socio-economic sustainability, as well as satisfying their own business needs through ensuring a constant supply of ethically-sourced cocoa for chocolate production (Barrientos 2011, 3). In this way, the value chain differs from Fairtrade bananas because the cocoa industry is large enough to accommodate the participation and demands of MNCs, unlike the banana farmers who, lacking resources and finances, are stifled by the dictates of the mainstream market.

That cocoa farmers are able to survive in a lengthy value chain does not necessarily mean they do not suffer financial constraints. All three ATOs confirm their commitment to improving famers' livelihoods and agricultural practises. Fairtrade aims to fulfil this through achieving more fair and just trade relations on a global platform, whereas UTZ Certified and Rainforest Alliance show favour towards increasing farmers' crop yields in order to bring about socio-economic development for farmers (Basso et al 2012, 16). However, the costs involved in participating in this value chain are extensive. Like banana farmers, cocoa farmers are required to make certification payments to FLO ranging from US$1859 for groups smaller than fifty members to US$4511 for cooperatives with more than a thousand members; additionally, an annual fee ranging from US$ 1521-3601 must be paid by all cooperatives (irrespective of member size), and a fixed audit fee is paid each year by cooperatives irrespective of whether the farm is actually audited or not (Basso et al 2012, 20). These are incredibly hefty fees for rural farmers to afford, especially when compared to Rainforest Alliance's US$15 per ton of cocoa, and its commensurable payment of premiums to the value of US$150 for Ghanaian cocoa beans and US$200 for Ivorian cocoa beans (Basso et al 2012, 21).

It is questionable why farmers are required to pay such exorbitant licensing fees; moreover whether, in light of the continuous payments made to FLO, the benefits and premium received from membership is substantially beneficial in justifying such licensing and certification costs. This paints a juxtaposed picture similar to the banana case study, whereby Fairtrade encourages global increases in Fairtrade certification of farmer cooperatives but is unable to ensure the sale of all stocks on the Fairtrade market, thereby decreasing potential profits for farmers, who are forced to sell certified produce on conventional markets. Consequently, the structure of the value chain, whilst affording farmers access to training and networking may be deficient in its ability to provide farmers with a living wage needed for long-term sustainable development.

Socio-economic development and the use of premiums

Fairtrade's internal publications (Fairtrade and Cocoa Commodity Briefing 2011, 14) provides a positive outlook on the contributions made by the African cooperative towards the socio-economic development of their members, *inter alia*, providing:

(i) free medical services and mobile clinics to more than 100 000 members and non-members in Kuapa Kokoo communities, only costing 2% of the total Fairtrade premiums earned from Divine Chocolate Sales (Basso et al 2012, 42);

(ii) scholarships for its members' children;

(iii) fresh-water wells, schools and latrines (Tiffen 2002, 387); and

(iv) forty-one development projects using premium funding (Nelson & Pound 2009, 15).

Furthermore, the ICCO Report details Ghanaian premium allocation as (i) 75% cash payments (bonuses to farmers); (ii) 14% equipment and training as well as investments in agricultural inputs; and (iii) 9% on business development (Basso et al 2012, 66). Corroborating these statistics are a number of secondary academic articles identifying the overall success of cocoa cooperatives in Western Africa.

Consequently, the cocoa case study appears to somewhat disprove hypothesis three, and reasons for this should be explored. Measuring the socio-economic benefits of Fairtrade is an intricate task with no simple answers. It cannot be unequivocally stated that Fairtrade has received completely favourable reviews or experienced resounding success in contributing to the sustainable development of West African cocoa farmers. In fact, the NRI Report confirms that Nelson and her team (2013, 87) "did not find strong evidence from individual farmer interviews that they and their communities are benefitting extensively from Fairtrade premium investments." Therefore, even subsequent to Cadbury's high-volume purchasing of Fairtrade cocoa, there still appears to be no provisions made for significant investment in community related projects and long-term sustainable development of members' villages.

Accordingly, the various Reports identify the following shortcomings in socio-economic community development that stifles cocoa farmers' full enjoyment of these benefits:

(i) only a small proportion of premiums received is paid directly to farmers, whilst the remainder is either stored in the Farmers' Trust, supposedly for use in funding community-related development projects (Jones et al 2000, 29), or stash-piled to cover certification expenses (Basson et al 2012, 66);

(ii) the mobile clinic is not always able to offer healthcare to all its members because they are spread across many villages (Klier & Possinger 2012, 21);

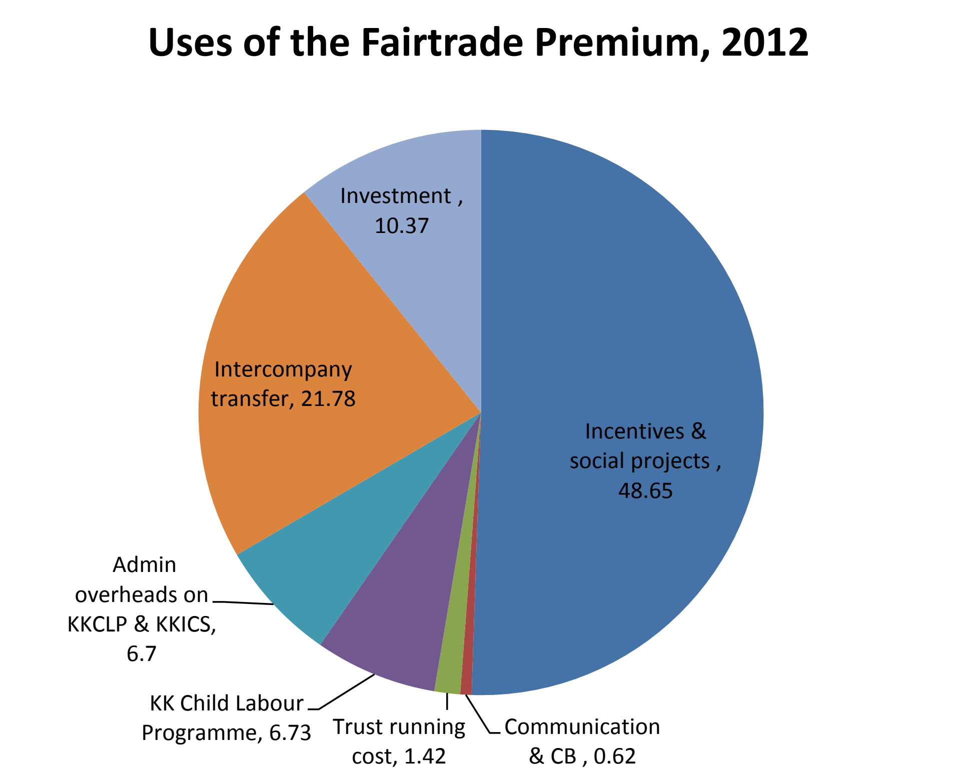
(iii) certified farmers did not identify premium use for pressing community requirements such as school and education (Nelson et al 2013, 87);

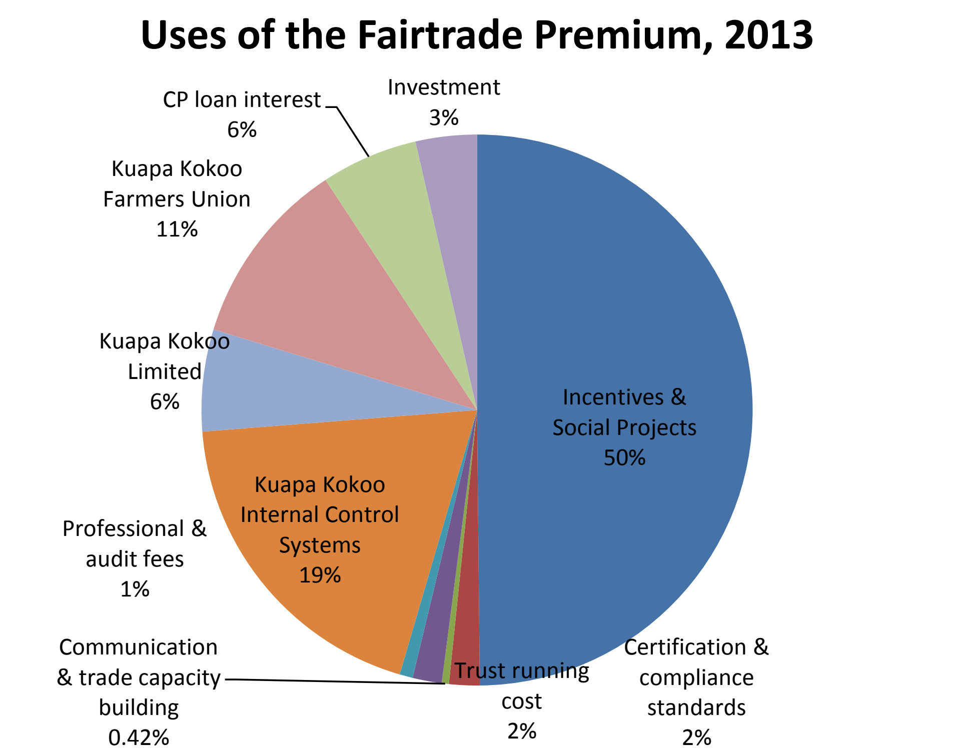
(iv) some of the boreholes and corn mills constructed with premium monies are no longer in working condition and have not been maintained for many years;

(v) owing to the high illiteracy levels, many farmers are unable to exercise their voting rights on matters pertaining to premium expenditure and usage; and

(vi) funds are widely dispersed because of Kuapa Kokoo's large membership, and are therefore insufficient in making a real difference to the socio-economic living standards of cocoa farmers (Klier & Possinger 2012, 53).

The resulting question centres on the allocation of premium usage within Kuapa Kokoo. As evidenced from the diagrams, the Fairtrade premium is distributed amongst a variety of projects including the Internal Control System accounts for a staggering 19.22% in 2013, and Intercompany Transfers that amount to 21.78% for 2012. This system is responsible for compliance monitoring of Fairtrade standards, produce quality and cocoa training (Nelson et al 2013, 76), and it remains questionable as to why these costs are being financed with premium monies. Although these are important administrative functions that necessitate financial investments in ensuring the cooperative is successfully managed, a balance must be struck between premium monies financing management functions and those investment in actual development projects. The findings from the data below suggests that the Farmers Trust should allocate a far greater proportion of the premium towards community-related projects and investments especially because by Fairtrade's own standards, premium use is supposed to be primarily used for socio-economic development and community-related projects.





(Source: Nelson et al 2013, 84-85)

Likewise, although Kuapa Kokoo provides incentives and premiums to their members for use in their personal development, this has become a trend with all exporting cooperatives, including the Ghanaian government: COCOBOD pays bonuses to farmers and offers a scholarship scheme for their children attend school which, although not always efficient, is still in existence (Nelson et al

2013, 28). Similar measures have also been implemented by other MNCs within Ghana: the CEVal Report highlights the construction of a high school, with books, computers and sports equipment completely sponsored by a European chocolate manufacturer (Klier & Possinger 2012, 59), with no mention of Fairtrade having facilitated this interaction at any stage. It would appear, therefore, that development does not always necessitate Fairtrade's presence or the provision of a premium- what may be of greater importance is the establishment of long-lasting working relationships between farming communities and North-based chocolate manufacturers or buyers.

Many farmers do not see tangible investments in their community and this dis-incentivises its members. As a result of growing competition from other players in the arena (notably Cadbury's Investment Programme aimed at establishing smaller cooperatives with many development plans), there is also potential for farmers to now join other cooperatives established by larger companies, which often have the economies of scale and resources able to absorb the administrative costs associated with running farmers cooperatives (Nelson et al 2013, 105; 122) unlike Kuapa Kokoo, which allocates portions of the premium towards administrative costs. Based on the aforementioned analysis, whilst there may be more socio-economic benefits experienced by Fairtrade cocoa farmers compared to banana farmers, these benefits are not as extensive as they should be, and the Fairtrade premium fails to provide comprehensive socio-economic benefits for cocoa farmers.

What does this case study mean for the hypotheses?

In conclusion, Kuapa Kokoo is a complex case study and conclusions are not easily procured. As an advantage, it has established solid relations with funders and development agencies overseas, and this provides the cooperative with a measure of security, technical assistance and long-term access to foreign markets (Nelson et al 2013). These are essential ingredients in providing their members with sustained growth opportunities, and appear to be a primary motivator for its success in a highly competitive industry dominated by a few conglomerates. It also may explain why, even though Fairtrade does not challenge or change conventional trade structures (H_2), Fairtrade cocoa farmers still appear to be financially more secure than banana farmers.

However, increasing corporate relations with MNCs should be managed appropriately, because commercially driven value chains follow market dictates and are not necessarily as committed to community development as development agencies and other players might be. Consequently, although Kuapa Kokoo's stability and long-term success depends on its ability to improve its administration, marketing and securing larger shares of an ever-more competitive foreign market, these operations should not detract from a fundamentally primary goal of ensuring that its members earn a sustainable living wage and are afforded the necessary infrastructure for their socio-economic development and poverty alleviation (H_1). The ability to effect changes or impact the cocoa value chain is extremely difficult for any single player without the stature or financial backing that many MNCs have at their disposal, and Kuapa Kokoo's single efforts prior to its involvement with large multinationals is testimony to this.

Moreover, contributing towards socio-economic development (H_3) is also difficult for Fairtrade because its successes are also hampered by institutional deficiencies, in terms of which it can only work around and not necessarily combat alone. Examples of these would include high illiteracy rates amongst farmers and government's failure to provide infrastructure for rural agricultural communities pertaining to running water and electricity, health clinics and the like. In the absence of basic infrastructure (which arguably is government's responsibly to construct), Fairtrade's endeavours are also limited. It may be able to construct schools, but it also cannot be realistically responsible for employing teachers for those schools, for building roads, installing electricity cables other basic necessities. The case study also alludes to establishing long-term relationships with overseas players as perhaps being more beneficial for African cocoa farmer than relying on investing premiums for community development, because premium payments accompany FLO minimum prices, and in the absence of farmers selling all their cocoa beans on the Fairtrade market, the premiums are likely to be a nominal amount too meagre to make a difference for famers.

This case study shows that FLO minimum prices are unable to afford Fairtrade farmers a living wage, and both cocoa and banana farmers are unable to afford a standard of living that provides for the sustainable development for future generations (H_3). A substantial part of Fairtrade's marketing involves telling the consumer that its producers receive a fair price for their crops, and that farmers earn living wages. Unfortunately, neither of the case studies reviewed confirm this in its entirety. Although cocoa farmers are in a better position than banana farmers, they do not earn a living wage. Moreover, increases in profits and wages paid to Fairtrade farmers has been made possible largely by Cadbury's undertaking to purchase certified cocoa beans. Again, this display a trend confirming that Kuapa Kokoo and its members would benefit more from engaging in transactions and development projects with a variety of actors.

This paper acknowledges and affirms that it not possible for Fairtrade to change the entire system completely. Nevertheless, it should at least be able to support its own claims towards making trade fair for rural farmers and providing opportunities for their socio-economic development. As it stands, Kuapa Kokoo has experienced mixed successes in providing a living wage for farmers, ensuring sustainable value chains, and using the Fairtrade premium for community-related development projects.

Chapter 4: The effectiveness of Fairtrade and Conclusion

Although Fairtrade and ATOs present a self-proclaimed challenge to conventional trade, the case studies display that they are not problem-free responses. Fairtrade appears to be a story of mixed success, whereby it offers some opportunities to farmers but remains unable to combat all pervasive market difficulties facing rural farmers. In etching an understanding of the case studies, it is important to remember that these findings are drawn from existing studies, and are limited by what extent that Fairtrade is able to effect changes to farmers' levels of development through their own resources and without necessarily seeking financial assistance from funders or government departments in the countries they operate within.

Results from the case studies

Although there exists conflicting interpretations of what exactly constitutes a living wage, the ILO defines it as a "standard of living by which workers and their families are able to afford a basic, but decent lifestyle considered acceptable by society at its current levels of economic development" (Anker 2011, 5). Moreover, workers should live above the poverty line and participate in cultural and social life (Anker 2011, 5). These are important indicators for judging Fairtrade's levels of success in paying farmers a sustainable wage for their cash crops. Of primary concern, therefore, is Fairtrade's failure to afford a living wage to African cocoa and banana producers. Moreover, as identified by the banana case study, this is a problem plaguing both African and Latin American farmers. As reiterated throughout this paper, payment of a living wage is fundamental towards improving living standards and providing savings necessary for a sustainable future. It is also important to remember that a living wage does not equate to existing national minimum wages; in fact, more often than not, minimum wages are insufficient in catering for a livelihood above poverty levels: whilst Fairtrade banana farmers earned more than the minimum wage, this income was insufficient to cover incurred expenses in light of rising inflation.

Therefore, irrespective of the successes and plethora of developmental projects that Fairtrade and other ATOs implement in the villages within which they operate, these projects may not be as important as ensuring that farmers are paid salaries to cover living expenses. When farmers are paid a living wage, they are able to provide for and plan their own futures, instead of always relying on the generosity of donor agencies, in terms of which allocation of funding can be circumscribed by politics, government policies and wavering funds. Of course, this is not to say that development projects are useless; rather to suggest that development projects can only be put to effective use if farmers are paid a living wage that affords them the monetary opportunity to make use of hospitals and clinics constructed from donor funds, and to send their children to schools built from premium monies.

Therefore, in terms of H_1, Fairtrade has not been successful in paying a living wage to either its banana or cocoa farmers despite high consumer demands for these products. In part, some may argue that Fairtrade's ability to pay a living wage is circumscribed by market dictates; the size of a cooperative; the productivity levels amongst members; and the price that exporting or importing cooperatives are willing to pay for a product. All of these factors impact the profits earned by SPOs, and the subsequent distribution of benefits amongst their members.

Furthermore, insofar as wholesalers and retailers may collect portions of the profit for themselves, Fairtrade has no way of controlling the final profit amount (or premium) that reaches Fairtrade farmers. This problem is compounded by the fact that both EU and American competition laws prohibit interventions by third parties in price-fixing discussion between retailers and importers (Mohan 2010, 54). As such, Fairtrade is legally circumscribed in its ability to meaningfully exercise a measure of control, or at least some kind of discretion or influence, over the percentage of profits raked in by exporting cooperatives and retailers/wholesalers in the North. These difficulties impinge Fairtrade's ability towards improving fairness within the market and in ensuring that the profits distributed amongst farmers are fair and contribute towards their sustainable development.

Moreover, paying a living wage to farmers would impact the overall price for goods, as the costs of raising extra income for farmers would undoubtedly have to be borne by consumers directly, or by exporting and importing cooperatives. Accordingly, based on the literature review in chapter 2, this paper argues that farmers earn an unfair wage, which impinges their sustainable development and detracts distributive justices efforts towards ensuring an equitable transfer of GPGs amongst all citizens. If we accept that farmers currently earn an unfair wage, this raises questions as to whether raising the prices for goods would be justified in order to achieve a fair price for goods, and fair wages for farmers. A fair price for goods requires consideration of certification and value chains for the cocoa and banana industries.

A complicated arena of the global food industry is its modes of production. In terms of H_2, and from the case studies discussed above, we can see that Fairtrade needs to improve their efforts at changing the value chain and modes of production. It appears that whilst FLO has strict requirements in terms of certification, these requirements are not always adhered to at a ground level. Both the banana and cocoa case studies identify discrepancies in the value chain that are contrary to Fairtrade's stated goals: (i) value chains have lengthened to the detriment of participating farmers, who face increasingly stringent requirements on their produce and (ii) farmers are not necessarily afforded the training and capacity-building infrastructure required to conform to these standards.

Experience shows that in order for value chains to have full benefits for farmers, certification chains require both vertical investments in the commercial chain and horizontal investments that provide the enabling conditions necessary for farmers to enjoy a level of development through participating in the Fairtrade value chain (Seville et al 2011, 5). This means that goods must be processed and transported at a cost proportionate to the value of the product; investments in ensuring the value chain meets production and processing requirements must be undertaken; and development requires that tangible benefits be returned to the producer communities in order to ensure their socio-economic development (Seville et al 2011, 5).

The increased participation of supermarkets in the value chain has also changed the channels by which African farmers produce reaches foreign markets. Although many UK supermarkets display commitment in dedicating their banana sales to Fairtrade products, inclusion of supermarkets and large corporations has increased competition amongst producers, and the expansion of Fairtrade products means that supermarkets are no longer tied to purchase or source products from a particular producer group (Smith 2008, 7-8). Instead, they are more likely to source the cheapest suppliers, which means that (i) only truly cost-effective producers are likely to find their products on the shelf of Northern markets; (ii) suppliers often have no guarantee that Fairtrade products will actually be sold on the Fairtrade market; and (iii) supermarkets prefer to work with smaller number of larger suppliers capable of ensuring sizable volumes of homogenous stock, as opposed to small-scale farmers who cannot guarantee that their produce will look identical (Smith 2008, 8-9). Furthermore, Fairtrade cannot sanction or force importers to buy from one particular producer as opposed to another, or even prevent them from switching between producers (Mohan 2010, 57). This could result in Fairtrade conforming to the needs of the market in its desire to expand into conventional trade arenas, which could be to the detriment of its producers, who may lack the skills and expertise necessary for profitable participation in mainstream trade.

The majority of African farmers are grouped into small-scale cooperatives as opposed to large-scale cooperatives; thereby disadvantaged in actively and competitively participating for a stronghold in

Northern markets. In this way, African farmers represent marginalised populations with an inherent disadvantage in applying for and procuring certification as a result of the adverse socio-economic circumstances they find themselves in (Stoddart 2011, 132). The changing value chain of certified products is one of the major difficulties hampering Fairtrade's effectiveness because it replicates the conventional free trade system, in that it merely guarantees a fair price to the producer, but has no measures in place to control the supply chain (Mohan 2010, 54). In replicating and conforming to conventional market dictates, Fairtrade cannot make trade fair for the its poorest members because it does not shorten the value chain nor can it offer advantageous and perhaps protective partnerships that would foster growth and long-lasting relationships with Northern importers for Fairtrade products.

However, the chosen case studies also reflect a growth in cooperative sizes, and the increased involvement of conventional trade actors have brought to light Fairtrade's inability to comprehensively control its own value chain and to implement measures that adequately protect farmers. Kuapa Kokoo is a particularly interesting case study because it displays great variances on its own successes, and has a number of benefits distinguishing it from its African peers, *inter alia*, (i) direct foreign market access via Day Chocolate Company; (ii) members potentially participating in decision-making; and (iii) access to training and knowledge development. These factors should be significant advantages in promoting their farmers to a higher standard of living and achieving sustainable market access for their products. Nevertheless, despite its size and apparent benefits attached to membership, Kuapa Kokoo has not necessarily succeeded in shortening the value chain or offering substantial benefits to its members until recently and the change in practices, as suggested in chapter 3, may be as result of growing competition in the African cocoa industry.

Moreover, Paola Ghillani, former chief executive of the Max Havelaar Foundation in Switzerland, has also voiced concerns about FLO and the certification and inspection processes. When commenting on the increased income that Fairtrade is now generating from licensing requirements she said, *"[t]he Fairtrade Foundation at that time, and maybe now, has got too much at stake. They were living from funding, but also from licence fees [they received] each time they gave the label to a licensee. The inspection and certification system is not independent enough"* (Miarkowska, 2009). The case studies illustrate that both banana and cocoa farmers endure exhorbitant licensing fees, and in generating internal income from over-charging farmers for licensing and certification Fairtrade distances itself from its moral stance as a fair alternative to the conventional trade regime. In fact, in its desire to expand into the conventional market, Fairtrade appears to have adopted some of the unsavoury practices associated with conglomerates in the food industry.

For as long as African farmers are minions in the global food industry they will always endure unfair trade relations with other countries and will be subjected to unfair trade practices. As illustrated throughout this paper, unfair trade is fundamentally detrimental to growth and prosperity as well as sustainable development for these farmers. A shorter and more relational value chain is absolutely important if farmers are to reap any benefits and experience growth within the global food industry. Thus, in satisfying H_2, whilst Fairtrade shows promise in the cocoa case for potentially changing the value chain and affording greater access to its Ghanaian famers, banana farmers remain constrained by market dictates and a lengthening value chain.

In terms of H_3, measuring the socio-economic impact and use of premiums for community development presented the most difficulty and reflects fluctuating results. As H_3 suggests, premium payments are inadequate by themselves in counteracting the economic difficulties farmers may experience during market downturns, and premiums are no substitute for a continuous living wage. Nevertheless, there are some clear examples of community development projects constructed from premium monies to counteract H_3. This means that Fairtrade is, on some level, achieving its goal of poverty eradication and thereby contributing to our understanding of distributive justice as discussed in chapter 2. It is important to remember that, particularly in relation to developmental projects, Fairtrade can only fulfil projects insofar as its own resources allow it to. Therefore, this paper suggests that in order to enhance their contribution towards the socio-economic development of rural farming communities Fairtrade should seriously consider collaborating with government entities, donor agencies and civil society organisations when implementing development projects. Moreover, what farmers require and want is equally important; both case studies affirm that member involvement and voting on premium usage is stagnated owing to illiteracy levels amongst farmers and a lack of knowledge and understanding as to premium usages. Failure to consult with relevant community members also detracts from successfully implementing distributive justice: development projects cannot be undertaken in the absence of community input and discussion, and this vital component appears to be absent across the case studies.

In addition, distributive justice is only attainable if socio-economic development is holistic and has a broad impact across several communities. For example, Fairtrade has correctly identified the construction of schools and providing of scholarships and healthcare as paramount for development; however, distribution of benefits remains uneven. The case studies indicate the potential impact of developmental projects remain unaccounted for by Fairtrade as hired labourers in both the African cocoa and banana industries fail to reap any benefits from being part of the

Fairtrade movement. Moreover, many SPOs do not have the funds to maintain implemented projects, and this detracts from their effective functioning. There is also the additional problem of infrastructure servicing too many communities and members- in the Kuapa Kokoo case study mobile clinics were unable to reach all members, who live scattered amongst a variety of villages. Both case studies affirm that community members notice premium use for development projects reflect only marginal changes to the existing *status quo*; this means that Fairtrade's efforts could be enhanced with participation and interaction with other organisations.

Which way forward?

Although Fairtrade and ATOs are not without their problems, there are ways in which they can improve their *modus operandi* within Africa. In concluding this paper, ATOs need to realise and accept the difficulties of the climate within which it finds itself, especially because structural difficulties such as a lack of technical infrastructure, roads, and widespread poverty deter from its effectiveness. If Fairtrade wishes to successfully contribute towards poverty alleviation it must address structural difficulties, for example, providing adult education classes or properly training members about Fairtrade. Moreover, whilst Fairtrade continues to exert desires for a greater share of the mainstream market, only larger, more successful cooperatives stand to benefit from such a goal and African SPOs are likely to remain marginalised throughout this process. Fairtrade cannot justify extending its certification and providing membership to farmers without the due processes in place to oversee and monitor production; nor can it continue to venture into developing and LDC without a proper plan of action that assesses existing challenges and offers concrete rewards for farmers. Fairtrade will not be able to achieve its aims of making trade fairer if it does not find a way to balance mainstream trade participation and providing opportunities and foreign market access to rural farmers.

Moreover, at the most fundamental level, payment of a living wage is essential. For as long as Fairtrade or any other ATO fails to afford farmers to opportunity to escape an enduring cycle of poverty they will be regarded as only marginally effective. The inability to provide their farmers with a living wage displays the might of the market, in terms of which Fairtrade is an actor that is unable to significantly influence outcomes beyond its own value chain. Providing farmers with a living wage is an intricate task involving improved and sustained access to foreign markets, producing goods in demand, ensuring profitability amongst farmers and providing enough cushioning to withstand market downturns. In order to achieve this, Fairtrade has to collaborate with third parties and potentially operate within and outside of the existing international trade arena: in an increasingly globalised world, the only way in which Fairtrade can influence consumer behaviour and even pressurise MNCs into adopting more sustainable farming and producing methods is by actively participating in the conventional trade, whilst maintaining its support of, and dedication to making trade fairer for rural farmers.

Whilst Fairtrade can provide positive returns for rural farmers, it requires resources and funds to do so. Honesty about its own shortcomings as a challenge to the conventional trade regime will provide Fairtrade the opportunity to remedy deficiencies in its current operations and to acknowledge that its current *modus operandi* is not flawless. Critically analysing its current projects is vital for implementing plans that ensures it continues to strive for affording rural and impoverished farmers throughout the developing world with an opportunity for survival and sustainable development through farming.

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ENDNOTES

[i] VREL was established in 1988 as the first commercial banana certification plant in Ghana and, at the date of the study, was the only Fairtrade certified plantation in Africa, having obtained its certification credentials in 1996 (Smith 2009b, 5).

[ii] In the IDS Report, Sally Smith and her team of researchers undertook an empirical analysis to ascertain (i) Fairtrade's impact on the socio-economic development of ACP and Latin American banana producers and (i) the business benefits that should accrue from Fairtrade membership (Smith 2010, 25). Interviews and documentary evidence were conducted across all levels of employees and management, and the Ghanaian interviews comprised forty-eight interviews in total (Smith 2010, 31).

[iii] Fieldwork was undertaken during the course of October 2011 to January 2012, and the entire project lasted from June 2011 to June 2012. Researchers used both qualitative and quantitative methodology by conducting interviews at individual, community and organisational levels, undertaking fieldwork and performing data analysis. Fairtrade's impact was analysed through the use of a treatment group (TG) in terms of which a Fairtrade certified producer is present, and a comparison group (CG), which reflects the absence of a certified producer, or showing the participation of only an newly-certified producer. Furthermore, the CEVal Report does not designate its results to specific TG and CG Ghanaian producer cooperatives; accordingly, there is a measure of anonymity that serves as a limitation to the study (Klier & Possinger 2012, 1; 11; 3)

[iv] There were a number of limitations and criteria for selecting TGs and CGs, *inter alia*, (i) that the TG producer cooperative which should number between 500 to 5000 members has been certified for at least a continuous five-year period sells on the German and/or Swiss market and sells at least 1/3 of its produce on the Fairtrade market; producer

cooperatives should not have any other certification present, affiliating them to other ATOs such as UTZ Certified or Rainforest Alliance (with the exception of organic certification); and (iii) the TG producer cooperative should not have received any significant financial or developmental support from any NGO or rural development programmes. In choosing a TG producer organisation, the CEVal Report identified a 45000 membered cocoa cooperative in Ghana (most likely Kuapa Kokoo), which receives support from various NGOs, spanning 1300 village cooperative societies. This study was limited, therefore, by the researchers' inability to identify nearby communities that did not have the TG producer workers inhabiting their villages and to measure the impact that Fairtrade may have had on the CG producer cooperatives. Nevertheless, the study is still useful in ascertaining the impact that Fairtrade has made towards the development of the TG cooperative (Klier & Possinger 2012, 9).

[v] The research began in 2009, and was completed in 2012, and used a mix methods approach towards collecting both qualitative and quantitative data. Baseline surveys in 2010 and the final survey in 2012 totalled 1440 interviews and, in order to cater for variance in the outcomes, included interviews with non-certified farmers living within the same locations as certified farmers, and who sell their produce to non-certified cocoa purchasing companies. Interviews were also conducted with many other key players in the industry, including representatives of COCOBOD, the FLO liaison office and the FLO global product manager in Bonn. In addition, interviews were also conducted with executive members of the Farmers Union, KKL staff members and managers and shareholders. Anonymity has been maintained insofar as opinions and findings at the village and individual levels are concerned (Nelson et al 2013, 3; 6; 8; 10; 12).