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A History of Fair Trade

An Introduction to Fair Trade and Equal Exchange

From Boston's busy South Station, I take a commuter train southwards, out of the city. It is morning, and most passengers are traveling in the other direction, so the train is almost empty. After about twenty minutes, I get off at Canton Junction into a large parking lot full of the cars of suburbanites who have taken the train to work in Boston. Following the directions in my pocket, I leave the train stop and walk past a few houses with small, tasteful yards. But my road takes me away from the houses, through a cat-o'nine-tailed wetland which briefly lines both sides of the road, and through a narrow stone arch under the railroad tracks. Now I am in a different type of place. The square buildings set close to the road on my right are obviously built with function in mind, not form, and I notice signs for personal storage lockers and a rubber factory. At the left, another building is set further back in trees, at the top of a curved driveway. I see a van covered in a mural of rich earth tones parked amongst a cluster of compact cars. A large friendly sign showing the logo at the right tells me that I have reached my destination.

Equal Exchange is a for-profit coffee trading company. This company calls itself an alternative trade organization (ATO), and operates according to a set of principles known as fair trade. There are a number of sets of guidelines for fair trade, despite recent attempts at standardization, but the most common guidelines include the following principles[1]:

[1] For more details about principles used by the Fairtrade Labelling Organization to certify coffee, see: <www.fairtrade.net>. However, some traders such as CTM of Italy do not participate in labelling, preferring to rely on their own judgment for decision-making and their own brand name for legitimacy with consumers. Other traders will supplement the FLO standards with additional criteria. For example, Dean's Beans, a fair trade roaster and

- A fair price. Fair traders guarantee the producers that they will pay the higher of either a minimum price for the coffee (calculated based on what is a living wage for producers, not based on considerations of profitability for the trader), or ten cents above the world market price. In this way, producers are insured against the destructive plunges in the world market price, and also guaranteed to still benefit if the market price climbs above the fair trade minimum. In addition, traders usually pay a social premium, allowing producers to invest in community projects and infrastructure, and a premium if the coffee is organically grown.
- Long-term relationships between producers and traders. Before a trader and producer cooperative enter into a trading agreement, it is common for there to be a period of negotiations in which each party expresses their expectations and needs. There will often be visits back and forth which continue once trade is begun.
- Democratically operated cooperatives of small farmers. In order to be eligible to participate in a fair trade relationship, the producers need to be organized into a democratically operated organization, and most members need to be small farmers, defined as not being dependent on year-round hired labor. There are also requirements about transparency of financial operations.
- Advance credit. One major potential obstacle to fair trade relationships is that growers will run out of money and not be able to wait to sell their coffee to the fair traders, but will rather sell it to "coyotes" who offer immediate cash, especially if the

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distributor in Massachusetts, recently announced that it was increasing the premium it pays to farming cooperatives and submitting to an independent auditor which would evaluate their success in fulfilling their social mission. Finally, FLO was only formed in 1997. Most traders still articulate the principles in their own language. Equal Exchange's principles are described at < http://www.equalexchange.com/intro/eeintro5.html>.

world market price rises. Therefore, fair traders arrange to offer some combination of low-interest credit and advance payment for the coming year's harvest.

- Sustainable agriculture practices. A large percentage of fair trade coffee is also certified organic. However, even that coffee which is not organic is required to be produced using sustainable practices, and producers are usually encouraged to work towards organic certification.

Although under the current certification regulations the traders themselves do not have to meet any organizational criteria, Equal Exchange's structure is innovative. The Equal Exchange website describes it as "a for-profit company with a non-profit mission" and sees itself as an experiment in and model of an ethical business structure which can operate successfully within the for-profit business world.

Fair traders attempt to shorten the distance between consumers and producers, both materially, by "cutting out the middlemen," and ideologically, by bridging the gap with images and words.[2] Most fair trade literature is full of close-up pictures of producers, descriptions of the production process, and quotes and personal narratives from producers. A typical quote, accompanied by a picture of the speaker, reads: "We have seen achievements. Now I have money to buy clothes for my children and to build my house. Day to day things are improving because of the better price [that we receive by participating in fair trade]".[3] Consumers are confronted with the faces and stories of the people whose labor produced the products they buy—for consumers, their relationship to the producers of their coffee seems to be de-mystified.

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[2] All this evidence is about the images which come *from* the producers *to* the consumers. I don't yet know whether or what type of images of consumers are brought to producers—this is an issue for further investigation.

[3] The speaker is Mario Hernandez, who lives and grows coffee in Nicaragua. Quote taken from website of Café Direct: http://www.cafedirect.co.uk/growers/c_america.php, accessed December 17, 2003.

The goal of this de-mystification is to convince consumers to support companies which maintain ethical relationships with growers and show the contrast between fair trade and conventional market trade. With coffee, this contrast has been especially drastic in the last 15 years or so. In the early nineties, there was a dramatic drop in the price of coffee on the international world markets, caused by the breakup of a quota system agreement between coffee-producing countries and the increase of supply due to new regions, most notably Vietnam, dramatically increasing production. While this crisis is just one more in a long history of coffee price fluctuations, this one has been unusually sustained and today market prices remain well below the cost of production in many places. Fair traders of coffee, therefore, have a particularly compelling story to tell consumers.

In this paper, I will attempt to trace the historical development of the fair trade movement. I will begin with a review of some theories of the historical and current relationships between morality and the market. Then I will go on to discuss some of the intellectual predecessors of today's for-profit fair trade companies such as Equal Exchange. I will follow with a case study of the 18 year history of Equal Exchange and conclude with a consideration of the challenges this company and the fair trade movement generally present to market culture.

Morality and Trade

The fair trade movement sees itself as an attempt to introduce moral considerations into relationships which would be thought of in the conventional business world as strictly business relationships. Is this a totally new way of doing business? Throughout history, what other attempts have been made to conduct ethical trading? How are moral considerations applicable to business anyways? But before beginning to explore the relationship between morality and trade, I will first say a few words about what I mean by morality.

Among many people in the U.S. today, morality is commonly thought of as a universal set of rules for behavior. Whether this universal system has negative associations as a restrictive and outdated system or positive associations as the source of strength for individual characters, families, and communities often depends on one's political leanings. On the other hand, many social theorists follow Foucault in talking about moralit*ies* as ideologies which vary over time and place and are often imposed by and enforce diffuse power structures. Both of these approaches to morality emphasize the specific rules and the functions of these specific rules. While I do think that the function played by the specific rules is important to understand, I am more interested in the general function played by moral systems in situations where people from groups separated by identity, language, geography or history come into contact. Beyond the specific rules, the mere fact that any system of rules is shared or (perhaps even more importantly) is acknowledged to be shared also serves an integrating function.

Josiah Heyman (1998) writes about the need to build a recognition of "moral community" between groups of people (in his case between immigrant and receiving communities). He does not mean that people should come to an agreement on the specific moral rules which they will acknowledge, but rather that people come to think of one another as belonging to the same moral system—in effect, that they acknowledge their shared humanity.[4] According to this view, groups of humans are capable of denying moral community with others and justifying behavior towards those others which violates their own moral precepts about the

[4] I am sure that this type of argument must have been made by theorists who try to explain war through postulating fundamental antagonisms between cultures. Since this point is tangential to the main point of this paper, I have not followed up on it for now. I am aware of the pitfalls of using this type of explanation in place of an understanding of historical or economic roots of conflict. However, since I am not using it as a sole explanation without consideration of historical context, I feel it is worth exploring.

correct way to treat other humans. Human groups are also capable of building degrees of moral community with one another through seeking out values or rules that they agree about. However, the fact that moral community is recognized does not necessarily mean that all the members of the community agree on all of the same specific rules, nor that the parties agree how this commonality should be recognized in specific situations.

Much work done by anthropologists on the relationship between morality and trade is investigation into the specific moral rules governing trade within non-Western societies which on the whole were conceptualized as closed systems. Marcell Mauss made an early attempt to synthesize some of these works into a general theory on the evolution of exchange (Mauss 1967). The general idea was that in human societies placed early on the evolutionary timeline (including contemporary non industrialized societies), exchange took place between groups, not individuals. This exchange was not conducted in isolation but rather as part of what Mauss called the institution of "total prestation," and was inseparable from kinship, religion, politics, and other institutions which in modern societies were held to be separate.[5] Total prestation was propelled not by the supposedly rationally calculated self-interest of Europeans, but by the institutions of obligatory reciprocal gift exchanges within long term, if not permanent, relationships between human groups. These systems did not generally serve to distribute food staples or supply communities with goods that they depended on. Rather, the exchange supplied luxuries or prestige items. Thus, in this model of gift exchange, the relationships within which the exchange was embedded were more important than the actual items exchanged.

Mauss postulated that the underlying principle of reciprocity in exchange was a human universal underlying all systems of morality. In the course of exploring this idea, Mauss quoted

[5] Mauss takes the position that in modern societies these institutions are more or less separate—I do not want to suggest that I agree that any economic system today is separable from politics, gender, religion, or notions related to kinship such as race and nation.

a statement from a Maori man made to an anthropologist which said that when an object was given to another person, the spirit of the object came along with the object. However, the spirit could not be alienated from its place of origin in the same way the object could. Rather, the spirits retained the essence of their producers and of the places they were produced, and tried to send other objects back to replace themselves. If the spirit of the original gift was not appeased by a gift being given in return, the receiver of the gift might become sick or suffer other misfortune (Mauss 1967: 8-10). In this system, to receive a gift was to incur a future obligation and to give a gift was to have the future expectation of returns. It was impossible to avoid obligations by refusing gifts, because to receive was as obligatory as to reciprocate a gift. A person who did not participate in this exchange was debased, regardless of their reasons. Although this particular cosmology came from a New Zealand group, Mauss believed that the principle was generalizable to all systems of total prestation.

Mauss thought that Western societies were currently in a state of disaggregation due to their relatively recent transition to the larger and more differentiated social forms of industrial capitalism. He thought the systems of morality had not yet caught up to the new societal forms. The underlying economic logic of the West was characterized as rational calculation, and like many of his contemporary observers, Mauss noted the destructive effects this had on the poorest workers in society. Mauss did note evidence contradictory to the idea that all is rational calculation, writing “In both lower and upper classes [of Western societies] pure irrational expenditure is in current practice” (74). But rather than taking this as counterfactual to his hypothesis of progressively greater rationality, he described it as a residue of the earlier forms. Mauss wrote about a new, integrating morality about to appear which would resolve current social problems without causing any radical change in social form. He looks at new innovations in economic practice, such as government systems of social security, as the vanguards of this new integrating system. In these new systems, society as personified in government would recognize that workers make a contribution to society, not just to their employers, and reciprocate with systems like unemployment insurance and pensions. Thus Mauss's solution to some current social problems caused by industrial capitalism was to revise modern morality by returning to the universal moral principle of reciprocity.

Although Marxist theory is usually sharply contrasted with Durkheimian theory such as that written by Mauss, Marx would probably not have disagreed with the idea that there is a connection between economic relationships and morality, and that social upheaval is the consequence of this system being disrupted. Marx, too, saw the transition to industrial capitalism in Western Europe as a fundamental change to this society, destroying old relationships and causing widespread dislocation and upheaval. However, while Mauss saw this period as a temporary rough spot before the integrating logic of the new system emerged, Marx saw it as the continuation of a process of revolutionary change which would eventually culminate in a totally new type of social order.

In contrast with Mauss, rather than emphasizing social principles as expressed in material exchanges, Marx wrote that material exchanges constituted the basis for social relationships. However, these relationships are disguised by what he called the "fetishism of the commodity" (Marx 1967[1867]). According to this idea, human labor produces things, and these things are valuable directly proportionally to the amount of human labor which was used to produce them. This is supposedly visible when each person has the power to dispose of her own labor. Under the system of capitalism, however, owners of capital purchase labor from people without capital. The products of this labor are held to be the property of the capitalists, not the people whose labor produced them. When these products get sold as commodities, the process of alienating these products from the workers is complete: the value added by the labor appears to be an objective property of the things themselves. Therefore humans appear to themselves to be controlled by a powerful system (the system of commodity production which extracts the value of their labor from them), even though they themselves are the source of the power (value) of the system. The exchange of human labor for human labor, which would constitute a relationship between people, is mystified as a transaction between objects. This permits people to relate to one another constrained by no more moral obligations than they have towards objects.

Mauss and Marx represent two poles of classical anthropological theory on the relationships between morality and trade. But despite their differences, both postulate that it would be possible for trade and economic exchange to be based on morality and that current economic practice violates this morality (we can extrapolate that their analyses which saw a lack of morality and trade in their own societies would not change if they saw our current economic system). A more recent strain of theory points out that on the other hand, current practice comprises a morality in itself. The historian William Reddy makes the case that the new degree of rationality which was supposed to have entered into European economic practice at the time of the Industrial Revolution was not really all that rational after all (Reddy 1984). Looking at labor practices and protests in the very beginning of the industrialization of the French textile industry, he points out that though observers of the situation at the time were talking as though the behavior was entirely based on a calculation of risks versus benefits, the participants were likely not thinking of the situation in this way. Therefore, he describes what changed with industrialization not as the abrupt beginning of social behavior to follow market principles, but the rise of “market culture”—people interpreting their own and others’ actions through an ideology of market principles.

Jean Baudrillard adds to this contribution when he writes that rather than consumption undermining an absolute human morality, it actually comprises a system of morality in itself. He wrote: “Consumption is a system which secures the ordering of signs and the integration of the group: it is therefore both a morality (a system of ideological values) and a communication system, a structure of exchange” (Baudrillard 1970: 78). He continues that the morality of the post-World War II industrialized West has been characterized by the *imperative* to achieve individual happiness through consumption. Mechanisms such as buying on credit act to enforce this imperative as the system has succeeded in intensifying the consumption of even those people previously not in a position to afford to participate. This new morality is only the necessary compliment of the previous intensification of the production system.

We can go one step further with this idea by looking at some of the language used by participants in corporation- and international financial organization-directed globalization. For example, the IMF, rather than seeing its policies of structural adjustment as being an immoral undercutting of poor country’s governments to provide vital social services to its people, sees itself as promoting economic development, stability and growth, which will ultimately lift the standard of living of all people (International Monetary Fund 2004). Likewise, the World Bank describes itself as follows:

> The World Bank Group’s mission is to fight poverty and improve the living standards of people in the developing world. It is a development Bank which provides loans, policy advice, technical assistance and knowledge sharing services to low and middle income

> countries to reduce poverty. The Bank promotes growth to create jobs and to empower poor people to take advantage of these opportunities (World Bank 2004).

The author of this description obviously sees the World Bank not just as an a-moral operative in a world market, but as fulfilling an actively moral role. Thus we see that the system which is analyzed by alternative trade organizations as immorality disguised as a-morality is seen by participants in the system as actively moral work.

According to these arguments, economic systems can be systems of moral precepts in their own rights. If we understand consumption as a moral system, rather than an a-moral mechanical process of needs satisfaction or an immoral corrupting influence, the idea of moral consumption choices sounds like a less radical concept. As opposed to introducing moral considerations into an arena where morality was previously absent, we merely have to substitute one set of morals for another.

Some Fair Trade History

Early Development of ATOs

According to Rose Benz Ericson, the idea of fair trade as used by ATOs can be traced back to "late-19th-century Italy and the United Kingdom, when cooperatives began building an integrated economy from production to retail outlet" (Ericson 2002: 8). But today, fair traders most often point to a number of organizations founded soon after World War II as being the first to conduct what is recognized as fair trade. Most of these organizations were affiliated with religious groups and operated as charities as opposed to businesses. Oxfam UK grew out of the Quaker-affiliated charity Oxford Famine Relief Committee, founded during World War II to help relieve famine in occupied Greece. An Oxfam shop in London began selling donated items in 1948. The focus of this group shifted to former European colonies during the 50s, and in 1964 it began marketing crafts from third world producers, to whom it offered fair prices, funding and training.

Self-Help Crafts was begun in 1946 as an offshoot of a Mennonite aid project which sent Americans to teach sewing to poor students in Puerto Rico. One of these Americans, Edna Ruth Byler, began buying embroidery from the students in an attempt to alleviate their poverty, and selling it to friends in the U.S. This project was soon expanded to buy crafts from displaced Palestinians, and then to other impoverished groups. Self-Help Crafts was made an official project of the Mennonite Central Committee in the early 1970s. The project grew in volume by using the Mennonite churches as a distribution network. In 1996 it changed its name to Ten Thousand Villages and continues today as a non-profit program of the Mennonite Central Committee.

SERRV (Sales Exchange Refugees Rehabilitation Vocation) was founded in 1949 by the Church of the Brethren as a charity to assist refugees in post-World War II Europe. By the early 1980s the organization was selling handicrafts produced by artisans principally in the developing world through its network of U.S. churches. In 1999 the organization became SERRV International, a non-profit organization independent of the church, which also distributes coffee, tea, cocoa, nuts, dried fruit, chocolate, and other non-perishable specialty food items in addition to handicrafts and textiles.

These early groups have several things in common. First, all three are in some way associated with religious organizations, though two have since dissociated themselves from these groups. Second, all three were founded within a couple years of each other, all in response to economic deprivation caused by direct aggression. All three continued by expanding their missions to aid people in different parts of the non-industrialized or industrializing regions of the world, and none was focused on aiding poor people within wealthy, stable regions. All three dealt in handicrafts made by individuals or families, not companies. Finally, although all three operated within a non-profit charity paradigm, they attempted to "help people help themselves," through training, supplying raw materials, and exchange, as evident even in the name of Self-Help Crafts. They were not in the business of giving handouts, but preferred projects which could be closer to self-sustaining.

Coffee

ATOs have gotten into the business of trading coffee only in the last twenty years or so, and the fact that they are trading coffee as opposed to any other commodity is significant. Coffee is the United States' second-largest import in dollars, behind only oil. However, coffee prices on the world market are notoriously volatile (Talbot 2003)—subject to spikes when there are frosts which ruin crops in large coffee export regions such as Brazil. Coffee is a perennial and takes several years after being planted to produce its first salable crop—therefore, oversupply is also constantly a problem because as trees planted during price spikes come into production, the investment of energy in each one is too great to abandon the crop, even if it must be sold at a loss. In 1963, coffee producing and consuming nations formed an International Coffee Agreement. The objective of this agreement was to stabilize prices within a given range by setting export quotas on producing countries as long as the price remained below a given target. However, the agreement had holes from the beginning due to the non-participation of some consumption countries which allowed coffee to be produced above the quotas. Additionally, with World Bank encouragement, vast new regions, most notably in Vietnam, have been put into coffee production with government subsidies during the time of high prices during the Agreement.

Perhaps for these reasons, the agreement lost all regulatory power when in 1989 the U.S., the world's largest coffee-consuming nation, pulled out of the agreement. The market price was devastated and has only recovered briefly twice in 1995 and 1997 when there were frosts in Brazil. Today, the market price is less than half the floor price under the ICA. In 1993, an attempt was made to regulate supply through an agreement called the ACPC, which was made only among coffee producing countries, in much the same way as OPEC regulates oil production. However, even this agreement, never strong without the cooperation of consuming countries, fell apart in 2001.

On the consumer end, per capita coffee consumption was steadily dropping. According to Oxfam's 2001 report on the crisis in coffee prices, while in 1970 Americans drank an average of 36 gallons apiece per year, in 2000 this number was only 17 gallons. At the same time, the specialty coffee sector, or what William Roseberry refers to as "yuppie coffee" was taking off in the United States (1996). The coffee market, which had previously been undifferentiated, with coffee being sold primarily based on price, was newly segmented—gourmet coffee offered an array of roasts, grinds, and even flavors, and alternate methods of brewing and serving such as cappuccino and espresso were introduced. In retrospect, some coffee industry specialists attribute this new importance of the high end of the coffee market to a 1975 Brazil frost, when high-end Arabica bean coffee was suddenly much closer in price to low-end coffee. This reportedly caused consumers to see the extra money paid for high quality coffee as less of a sacrifice (c.f. Roseberry 1996: 766).

Others have pointed out that the specialty coffee trend gained momentum at the same time as a restructuring of the economic stratification in the industrialized world and the coalescing of new social groups. One of the new groups being formed is described by Jane Schneider as "a new American gentry of young professionals and technicians with annual incomes of $40,000 or more" (1994: 9). The members of this class are in general "attracted to 'old money status, professional success, "refined" taste, and body cultivation" (Schneider 1994: 9). It is among members of this group that Schneider finds the origins of the backlash against polyester in favor of natural fibers, and it is this same group that Roseberry sees as being the main protagonists of the shift towards specialty coffees. According to Laura Raynolds, fair traders first began trading in food products during the five-year Reagan embargo on Nicaragua. Coffee and bananas were bought in both the U.S. and Europe as "solidarity sales" to counter the U.S. blockade. For example, Equal Exchange's first coffee was Café Nica, a Nicaraguan solidarity coffee imported through a Dutch ATO, Stitching Ideele Import.

The fair trade market has continued to have great success with coffee in the years after the embargo was ended, no doubt for a number of reasons. The highly-educated members of the "new American gentry" among whom specialty coffee has been so popular are probably the same portions of the population to be more likely to be interested in international affairs. Personal experience leads me to believe that this class's political orientations vary widely, but there is a definite sub-group of left-leaning people who tend to be both sympathetic to the political aims of the fair trade movement and participants in the pattern of consumption which includes an interest in gourmet foods, including specialty coffee. Coffee is also a good product for a low-volume industry—it has a long shelf life, especially before it is roasted, and technology such as vacuum-sealed packaging and home coffee grinders extends the shelf life even after it is roasted. Finally, within the specialty coffee sector the profit margins are very high, which gives a young industry some breathing space in which to experiment and find workable business models.

Certification, Market Expansion, and Multinationals

In 1997, two of the biggest fair trade labels merged to become FLO, or the Fairtrade Labeling Organization.   This new company undertook, via its national subsidiaries including Transfair USA, to be the universal certifier for fair trade products. Whereas before this there were a number of labels which competed with one another to certify fair trade products, now there is one voice which claims authority to speak for the fair trade community as a whole. Murray, Raynolds and Taylor describe this as a significant transformation of the fair trade industry, marking a shift from a social movement strategy towards a niche market plan. Not surprisingly, despite some significant benefits to the industry, there are many misgivings about this shift.

How does fair trade certification work? The Transfair seal ends up on a bag of coffee bought by the consumer, but it does not say anything about a property of the coffee beans themselves—rather it describes the way people who produced the coffee are organized and the way the coffee was bought from these growers. Therefore, in effect it is the growers, and to a lesser extent the importers of the coffee, who receive certification. What the seal does not say anything about is the companies which distribute the coffee to the consumers. Certification, however, does give many advantages to these distributors. While previously each distributor had to establish their own reputations and legitimacy with consumers, now consumers only have to recognize the Transfair seal and what it stands for, rather than recognizing a host of individual labels.[6] Therefore, Transfair certification makes it easier for a larger number of distributors to sell fair trade coffee. This has been reflected in a dramatic growth in sales in some places.

Standardizing certification has also made it both possible and desirable for some of the largest coffee distributors in the world to distribute fair trade coffee: Starbucks, Proctor & Gamble (distributor of Folgers), and Sarah Lee (distributor of Douwe Egberts) all have started lines of Transfair certified fair trade coffee since certification became standardized. The participation of these three enormous companies in fair trade has caused a dramatic upsurge in the amount of fair trade coffee sold in North America. However, fair trade coffee still only makes up a fraction of a percent of their total coffee sales. Activists complain that these companies therefore get a very large public relations dividend for a relatively small effort.

Certification has also made it easier for fair trade relationships to be established between grower cooperatives and importers. This has the positive side of reducing the amount of work needed to begin trading fairly. However, Murray, Raynolds and Taylor (2003) report that key intermediaries in the grower cooperatives frequently feel that the new certification model has caused their relationships with the exporters to be more distant and hands-off. In addition, complaints about the certifiers include that the process is depersonalized and institutionalized, that interactions between the certifiers and the cooperative members is sometimes insensitive, and that the process of certification is non-transparent—producers do not get feedback or copies of their evaluations. While Transfair has been undergoing some major reorganization in

[6] Perhaps in part for this reason, some already-established fair trade companies have some ambivalence about fair trade certification—while they may gain new customers through expanding general knowledge of fair trade, this may also reduce the importance of their own brand. At least one company, (CTM of Italy), has decided not to participate in Transfair certification, relying instead on its established reputation among consumers, and its own system of standards, which they claim is more rigorous than Transfair's in any case.

Analogies could be drawn with the obvious parallel of organic certification, but also with industry-wide councils which make advertising campaigns for the product in general as opposed to any one brand name. Did Planter's object to the peanut council's advertising, for example?

recognition of some of these problems, to a certain degree this type of dissatisfaction can be expected to continue as a part of the institutionalization involved in label consolidation.

Among fair trade industry veterans, there is a great deal of ambivalence about the effects of the certification model, and this is connected to a more basic question of what organizational model is most appropriate for fair trade organizations. The first fair trade organizations were charities, and operated within a non-profit paradigm. This meant that their success was measured by asking to what degree they fulfilled their missions: for example, were producers' lives improving?; were consumers more aware of problems facing producers? The certification model has made it much easier for for-profit businesses to begin to engage in fair trade. However, a for-profit's success is measured ultimately by the amount of profit it makes. A person who founds a business may have the best intentions in the world of running an ethical and socially responsible business, and in fact many do have very good intentions. But there are many pressures on for-profit business owners to maximize profits to the exclusion of other goals. And once a business becomes publicly owned, it is even more vulnerable to these pressures.[7] Some in the fair-profit community question how meaningful fair trade can be when the products are sold as one product line by an otherwise conventional for-profit corporation. On the other hand, today a few organizations which are one hundred percent dedicated to fair trade are for-profit businesses. These organizations claim to be challenging the business community from within, and have various ways of guarding themselves against the pressures of the for-profit marketplace. They argue that the advantages they get from being profit-making businesses, including the ability to trade a much higher volume of their products, outweigh the risks and compromises. In the following section I will describe one such for-profit fair trade company, Equal Exchange.

[7] The Vermont-based business Ben & Jerry's is a well-known example of a very socially responsible business which ultimately succumbed to profit-related pressures: a publicly traded company, it was bought in a hostile take over by Unilever, multinational corporation, and the social mission of the company fell by the wayside.

Equal Exchange USA: For Profit… Within Reason

Equal Exchange was founded in 1985 by Rink Dickinson, Michael Rozyne, and Jonathan Rosenthal. These three men were previously co-workers at a cooperative food warehouse which distributed organic food to its members. They were dissatisfied by the difficulty they had in finding out where and under what conditions the food was grown. While they liked the principle behind collective ownership, they were also dissatisfied with the cooperative governance model of the cooperative—the collective decision-making model resulted in an organization which was extremely reluctant to take risks. While Equal Exchange has been a for-profit company since its founding in 1986, in the course of its 18 year history it has changed from a cooperative model to a more traditional hierarchical ownership structure and back again. These changes reflect the leaders' attempts to strike a balance between democratic participation and encouragement of risk-taking and innovation. Today, the company has a traditional management structure, but is a cooperative owned by both worker-owners and private shareholders. As part of the governance structure, there is a provision that the salaries of the highest paid-employees cannot exceed 300% of the lowest-paid employees.[8]

When Equal Exchange was founded in 1986, it was the first fair coffee trader based in the United States, although it was based on models developed by groups in Europe. Though EE today is the largest trader of fair trade coffee in the U.S., not all fair trade coffee is traded through similarly structured organizations. The first organizations to be founded which are today recognized by contemporary ATOs as being fair traders were non-profit charities. The earliest of these organizations were founded in the years just after World War Two, were often closely

[8] The highest-paid employee made $68,875 in 2002. As of June 6, 2003, there were 37 worker-owners out of a total of 54 employees.

affiliated with churches, and traded mainly in hand-made crafts. Subsequently, ATOs were founded by non-religiously affiliated non-profit organizations often focusing on issues such as human rights or poverty relief. Recently, there have been several for-profit fair trade companies founded as alternative business models, with the intent of proving that ethical business can be conducted profitably within a business framework. Only in the last couple of years, with the creation of fair trade certifications, large corporations such as Starbucks and Proctor and Gamble have begun carrying specialty lines of fair trade certified products.

Equal Exchange's first product was a coffee from Nicaragua, Café Nica. In 1985, President Reagan imposed an embargo on all products from Nicaragua as a Cold-War sanction against the leftist Sandinista government. There were a number of organizations which were already offering "solidarity sales" of Nicaraguan coffee to members of the political left in the United States at that time. Equal Exchange managed to circumvent the embargo by buying Nicaraguan coffee through a Dutch company, Stitching Ideele Import. Under this arrangement, Equal Exchange had no contact with the growers or the growers cooperative but relied exclusively on the Dutch company. Since the coffee was shipped as green beans to the Netherlands and roasted there, the labels read "Café Nica, Nicaraguan coffee, product of the Netherlands." Later on, Equal Exchange began importing the coffee through Canada instead of the Netherlands.

While this first product was a successful effort at importing Nicaraguan coffee in solidarity with the Sandinistas, the founders were dissatisfied with the indirectness of the links between themselves and the growers of the coffee. In addition, the coffee was of very poor quality—one Equal Exchange employee, remembering Café Nica, remembered that she brewed it with cinnamon to make it palatable and described the experience as "suffering for your faith"

(Dickinson 2003b). In 1987, a second product line was started: a tea grown by Sri Lankan cooperatives. This tea, in contrast to Café Nica, was of very high quality. However, there were constant problems with communication between Equal Exchange and the Sri Lankan cooperatives producing the tea. In addition, the cooperatives never achieved a transparency which the American company felt comfortable with. This relationship was finally ended in 1992.

In the meantime, the company was expanding its coffee business. In 1988, the company's second coffee was bought from a cooperative in Peru. This coffee, like the tea, was of high quality. In addition, it was organically grown—this represented an entry into another niche market which would prove to be increasingly important to the company. Since this time, Equal Exchange has added numerous other varieties of both organic and conventional coffee grown in Latin America, the Caribbean, and Africa. The specialty coffee boom continued to gain momentum through the eighties and nineties, and does not appear to be slacking off today. The high end of the coffee market is characterized by high profit margins—this is recognized by the leaders of Equal Exchange as having given them the breathing room to learn and make mistakes. Their management has been able to be less conservative and to take risks which they wouldn't have been able to afford were the margins smaller.

Equal Exchange is a successful business from an economic perspective[9]: it has shown consistent growth in sales and number of employees and it has been profitable and has returned dividends to its investors every year since 1989. As a business, it follows conventional business practice in several ways, while defying it in others. First, as the founders determined from the beginning, the management style is conventionally hierarchical—the leaders of the company

[9] To evaluate its success in fulfilling its social mission is a more difficult question and falls beyond the scope of the current paper. Very recent work evaluating the success of fair trade relationships has been conducted out of the University of Colorado by the Fair Trade Research Group, led by Douglas Murray, Laura T. Raynolds and Pete Taylor: http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup/

make decisions individually and as a consequence are willing to take risks and learn from their mistakes. This has remained consistent although the ownership has shifted back and forth from conventional to collective ownership. Second, Equal Exchange has worked on building relationships with consumers. For example, in 1995 Equal Exchange began the Interfaith Project, in which it partners with the service committees of national churches to provide education about the plight of third-world farmers and to sell fair trade coffee for their coffee hours. Only recently has the company begun selling retail coffee to anonymous consumers at a major supermarket chain in the Northeast.

Equal Exchange is a “vertically integrated” business—they take care of most of the steps in the process by themselves. Therefore, they are importers, wholesalers, retailers and marketers at the same time. This provides the advantage of allowing them to have a closer relationship with the producers, and also to secure financing for the cooperatives more easily. However, it defies recent business trends, which encourage corporations to focus on building their brands and marketing, and to subcontract the “brick and mortar” component of the business (Klein 2002). Also, the business’s attitude towards competition is ambivalent at best. While eager for its own business to grow, it also has the goal of increasing fair trade sales regardless of which company benefits from them. This has led it to some actions which seem non-conventional by ordinary business standards. A company in Europe asked and received permission to use Equal Exchange’s name, and the two companies, while completely separate, are now both known as Equal Exchange. When Proctor and Gamble recently decided to carry a single line of fair trade coffee, Equal Exchange issued a challenge to the company to increase their fair trade sales to 1% of their total coffee sales, a step which, if implemented, might have decreased Equal Exchange’s own sales.

The company has changed and developed in a number of directions throughout its history, and has had ongoing discussions about what the company is and what it ought to be. The company's ability to have a direct relationship with the producer coops has grown and developed, although there are still barriers in many cases. The movement towards a high-quality product manifests the larger change in the fair trade movement which has been described as from a social movement strategy towards a niche market strategy (Murray, Raynolds and Taylor 2003). One ongoing conversation through the history of the company has concerned what type of company Equal Exchange should be: for profit or non-profit?; collectively or centrally owned?; collective or hierarchical decision-making? A second conversation concerns what is the relative importance of a high trade volume in order to benefit as many farmers as possible versus providing education to consumers. The current model is an attempt to strike a balance between these two goals. Perhaps most of these debates are a product of the company's attempt to create a new business model—with no single model to follow, the company is finding its own path through discussion and experimentation.

Analysis Section: Implications of Fair Trade

The fair trade principle of long-term relationships, perhaps as much as the minimum price, is a direct challenge to the very foundation of the ideology of the free marketplace, which says that purchasers base their decisions to purchase on the qualities of the commodity being sold (especially price), and not the producer of the commodity. This can be seen as an attempt to de-fetishize the commodity, which is revealed anew as nothing more than an objectification of the relationship between producers and consumers. Many publicity materials from fair trade organizations constitute an attempt to accomplish exactly this. On the other hand, I recognize that the long-term relationships do not actually occur between the consumers and the producers. Rather, producer cooperatives form relationships with exporters. The exporters either distribute the coffee themselves or sell the coffee to the distributor. Any relationship the average consumer has is with a brand—as Naomi Klein describes, the fickleness of consumers' relationships with brands is the despair of marketers. Therefore, while consumers are encouraged to join the fair trade family or become part of the fair trade community, their ongoing commitment is only indirectly a relationship with the producers. And any stakes the consumer may have in the "relationship" are miniscule compared to those of the producer.

If we can see that a relationship between equals is not the best way to characterize the interactions between producers and consumers, is it better to think of it as a relationship between philanthropist and charity recipient? Fair trade from its inception has been fighting the stigma associated with charity described by Marcel Mauss, who wrote "charity wounds him who receives" (Mauss 1967: 63). This idea is very much a part of Western, and some would argue specifically American thought today, and is often applied as much to nations or ethnic groups as it is to individuals. Ongoing public conversations in the U.S. about social welfare programs creating a "culture of poverty" or "cycles of dependency" are indicative of the degree to which this notion is wide-spread. The idea of fair trade, on the other hand, has from its inception been an attempt to provide aid without inflicting this "wound" of charity.

Perhaps, then we should try to understand the phenomenon through William Roseberry's analysis of the specialty coffee industry. He writes that specialty coffee can be seen as "an attempt to re-create, through consumption, a time before mass society and mass consumption. It could be seen, then, as a symbolic inversion of the very economic and political forces through which this particular class segment came into existence" (1996: 774). He writes that the class of people interested in the specialty coffee identify with a time before coffee as a commodity was a cheap "proletarian hunger-killer" and back to when it was a luxury dessert food attainable only by the aristocratic class of Europe. If specialty coffee constitutes a "symbolic inversion", this description doubly applies to consumers of fair trade. Fair trade consumers also enjoy the aristocratic ethos of "gourmet" tastes. In addition, they identify with those people who are suffering from the effects of the juggernaut of global capitalism which has made their own lifestyles possible. However, it is a bit more than a symbolic inversion in the case of fair trade—consumers, and especially those working in the fair trade sector, are making a small material contribution towards combating the very global forces which cause them to be in a privileged position in the globe and within their own societies. Is this type of solidarity possible to sustain? While it is tempting to imagine the logical conclusion of the fair trade movement as being a new, more just social order, it must also be recognized that the current extent of the movement is not anywhere close to achieving this. Purchasing fair trade coffee is a very small sacrifice for a consumer. Today, the gourmet-ization of fair trade has made it even easier for consumers to buy fair trade coffee, contrasted to the situation in 1986 when drinking Equal Exchange's Café Nica was described as "suffering for your faith". But all along, the decision to buy fair trade has represented a very small investment of energy and money. It in no way threatens consumers' lifestyles or livelihoods. Therefore, opposition to the movement today is mostly conducted through corporate passive resistance. Were the movement to gain strength enough to actually begin threatening corporate profits, the strength of first world economies which are so dependent on the weakness of third world economies, or the extreme materialism of first world lifestyles, a backlash would almost certainly develop.

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