**Chapter 2: A Short History of Fairtrade Certification Governance**

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**Abstract:** Researchers debate whether today's Fairtrade mark honors or bastardizes the intentions of Fairtrade pioneers. Their arguments are often based on assertions about Fairtrade governance, the complex system of processes and practices used to make high-level decisions about certifying Fairtrade. However, extant literature on how Fairtrade's organizational structure and institutional norms have evolved lacks methodological rigor, explanatory accounts, and comprehensive detail. This chapter provides a historical narrative that improves upon these shortcomings. This research is based on data from four sources: literature from Fairtrade labeling organizations; academic publications; personal memoirs of key actors; and over 100 original interviews with a diverse spectrum of key actors. The interviewees provided feedback on the narrative, helping to vet this chapter as the first rigorous historical account of Fairtrade governance.

## A CALL FOR HISTORY

Has Fairtrade lost its way? Practitioners and academics alike debate whether today's Fairtrade mark honors or bastardizes the intentions of Fairtrade pioneers. Their arguments are often based on assertions about how the governance of Fairtrade has changed over time. 'Fairtrade governance' refers to the complex system of processes and practices used to make high-level decisions about certifying Fairtrade, such as organizational structure and institutional norms. This chapter briefly argues that extant sources of information about Fairtrade governance lack methodological rigor and historical accuracy. It then provides a historical narrative that improves upon these shortcomings.[1]

Across the broad spectrum of popular and academic literature, authors publish very similar narratives about the history and institutional development of Fairtrade governance. Typically, these histories are little more than a brief chronology of key moments, such as the excerpt below:

> In 1988, *Solidaridad* began importing Mexican coffee into European markets and selling it with a 'Max Havelaar' seal to indicate that it had been obtained under specified fair trade conditions. Seals of this sort proliferated in Europe, and in 1997 Fairtrade Labeling Organizations International (FLO) was created by the emerging national counterparts of the Netherlands' Max Havelaar in Europe, the United States, and Canada to harmonize the efforts of the "certified" fair trade movement. By the end of 2006, FLO had 19 member organizations, each a 'labeling initiative'

> responsible for certifying the chain of custody (called 'trade certification' in the Fair Trade world); engaging with corporate brokers, processors, wholesalers, and retailers in the supply chain; and promoting the sale of Fair Trade products in a specific country. (Conroy, 2007: 101-102)

This excerpt is factually accurate, but provides little information to readers interested in understanding why these events occurred as they did. After reading the passage above, one might ask: 'Why did labeling begin around 1990? What was special about this year?' or 'Why did labeling systems proliferate? Why not create a universal system right away?' These questions are answered in the chapter. In 1989, the International Coffee Agreement collapsed, sinking coffee prices and putting pressure on alternative trade organizations to increase sales. Several labeling systems were set up because of heated debates between pioneers, such as labeling non-coffee products and supporting plantations.

Some scholars have provided more detailed histories (see, for example, Fraser 2010, 224-230; Knapp, 2010: 50-52; Lappée and Lappée, 2002: 198-202) or placed the 25-year history of Fairtrade Labeling within the context of the broader and older fair trade movement (e.g., Fridell 2007, chapters 1 and 2; Jaffee, 2011: 87-88). What these accounts are missing, however, is a description of how Fairtrade governance originated, and an explanation of why well documented changes occurred over time.

The names of Fairtrade certification's pioneers are forgotten, and the story of why certifications developed, how they collaborated, and through what process they became a global system remains untold (Interview 94). I found that many important actors in Fairtrade's governance history have never been asked to contribute to historical study. As one early organizer told me, today's accounts "have completely erased most of the history… [it's as if] there were a few people wandering around in the 40s and then there was Fairtrade certification- poof!" (Interview 35). Similarly, the first Executive Secretary of FLO, the organization that governs the global Fairtrade mark, is often subjected to elementary introductions to Fairtrade labeling because no one knows who he is! (Interview 92)

This chapter describes how the practices and processes of certifying fair trade developed and have changed over time. It begins with the first fair trade certifications in the late 1980s, and ends with today's dominant system (FLO), and recent splinter group (Fair Trade USA).[2] The chapter explains how certification systems proliferated in the early 1990s, and consolidated into a single institution in 1997. It traces formalization of ad hoc practices, efforts to bolster credibility, changes in governance, and (most recently) the development of a splinter group. The narrative pays close attention to which groups are considered stakeholders, who is represented in leadership bodies, and how high level decision-making takes place. This chapter does not answer the question 'Has fair trade lost its way?', nor does it adjudicate others' answers to this question. It simply provides a more thorough historical account of how Fairtrade has been governed.

This history is based on data from four types of sources. First, I reviewed publicly available organizational documents, such as annual reports, press releases, and websites. For example, many facts about changes in the Fairtrade Labeling Organization's (FLO) governance structure come from FLO's annual reports. Second, I extracted historical information and ideas from academic publications such Michael Barratt Brown's *Fair Trade* (1993). Third, I reviewed papers and websites authored by individuals personally involved with fair trade certification, such as Bob Thomson's 'Unauthorized History' (1995). Finally, I interviewed individuals who participated in the development of the Fairtrade mark.[3]

The 'interviews' include in-person conversations, phone calls, ethnographic events, and email correspondence conducted in July and August 2009, and June 2011 through January 2012. Interviews lasted from 30 minutes to three hours, and were recorded – with permission – and transcribed. The interviews cited in this chapter are a subset of the interviews conducted for a larger research project. In total, I conducted over a hundred interviews with over 80 different individuals. I cite 23 of those individuals here. Interviewees include past and present leaders in the Fairtrade labeling system, in the wider fair trade movement (including ATOs and fair trade companies), and in producer communities. I compiled the initial list of interviewees using the first three types of sources- official documents, academic publications, and personal memoirs- and then expanded it using the 'snowball sampling' method of asking each interviewee to recommend additional informants. Not all key actors were contacted or interviewed before publication, and the list of interviewees cited should not be understood as a complete list of individuals willing to participate[4].

I compiled the data from all four sources into a chronologically and thematically organized document, and from these data developed a historical narrative. I used the principle of triangulation – seeking verification from multiple sources to verify facts – to eliminate potentially spurious data.[5] The first draft of the history was sent to each of the interviewees cited to verify that I correctly communicate their comments, and to elicit feedback on errors or omissions. In the text, I site interview data by number to avoid drawing attention to the comments of interviewees who wish to remain anonymous. At the end of the chapter, I provide the names of most interviewees, as well as a brief description of how they are or were involved in the history of certifying fair trade. To provide full transparency, I have provided copious citations. Unfortunately, this style comes at the cost of easily readable text. I hope that readers forgive these frequent interruptions, and that the references are of use for researchers to come.

How have the processes and practices of certifying fair trade changed over time? How has Fairtrade governance evolved? Does today's system compare favorably to previous efforts? These questions require a detailed, accurate, and comprehensive historical narrative. This chapter is a first step in this direction.[6]

## DEVELOPING FAIR TRADE CERTIFICATION

### Mainstreaming alternative trade: branding and labeling

In the 1980s, a problem facing alternative trade organizations (ATOs) everywhere was that alternative trade goods were only available in specialty shops and by mail order, limiting their accessibility to the average consumer. To increase fair trade sales, many ATOs aimed to introduce their products into mainstream retail outlets (Max Havelaar Foundation, 2011; Eshuis and Harmsen, 2003: 5). ATOs identified two ways to enter supermarkets: either by develop a new, ethical brand, or create a label to flag existing brands as ethically traded. A new brand would have to be marketed as an alternative to regular products, which aimed to maximize profit to companies in the North, not commodities producers in the South. Several ATOs had taken a branding approach before anyone created a label (Kunz, 1999: 7). For example, the cooperative Equal Exchange conceived and developed Equal Exchange brand fair trade coffee between 1986 and 1991 (Equal Exchange, 2011). Likewise, TWIN Trading in the United Kingdom imported its first coffee from Mexico in 1990 (Interview 102), and in 1991 brought together Oxfam, Traidcraft, and Equal Exchange Trading Ltd[7] to form Cafédirect, a fair trade brand sold in British and Scottish supermarkets, and benefitting small-scale cooperative producers (Interview 102; TWIN trading, 2011; See also: Barratt Brown 1993). Similarly, Gepa, which had been selling coffee from Nicaragua and Guatemala since the 1970s (Interview 105), and was selling its coffee in German supermarkets by 1989 (Gepa, 2011). The sale of these fair trade brands was based on the credibility and name recognition of the non-governmental organizations (NGOs) promoting it - such as Oxfam or SERRV (Interview 74). The drawback to this approach was that any new brand would face market competition without a competitive (corporate) marketing budget. A label, however, could be used by any company willing to comply with specific standards, placing the onus of marketing on the coffee company itself (Eschis and Harmsen, 2003: 5).

The first fair trade certification system was developed in the Netherlands in 1988. The Dutch were already among the leaders in fair trade innovation. Not only had organizations such as *Stichting Ideele Import* (the 'Idealistic Import Foundation') been active domestically for a number of years, buying directly from producers in the South and selling their products via Third World Shops and churches in the Netherlands (Eshuis and Harmsen, 2003: 4-5), but in the 1970s, SOS Wereldhandel, a Dutch pioneer of the fair trade concept (Eshuis and Harmsen, 2003: 4), helped to develop ATOs in neighboring countries (EFTA, 2001a). Interest in labeling increased in 1989, when the International Coffee Agreement - which had previously stabilized the price of coffee – collapsed, and alternative trade coffee importers felt pressure to increase the volume of fairly traded coffee 'overnight' (Interview 105).

**The first label: Max Havelaar Netherlands**

In 1988, Frans Van der Hoff, a Dutch priest working with the coffee cooperative UCIRI (*Unión de Comunidades Indígenas de la Región del Istmo*) in Oaxaca, Mexico, and Nico Roozen, a leader of the Dutch NGO *Solidaridad*, collaborated to develop a process of certifying fair trading practices in coffee (Interview 104; Interview 45; Interview 103; See Van der Hoff and Roozen 2002). Like many ATOs, they had been struggling to find a way to increase the volume of fair trade sales:

> 'Fair trade' meant little do good shops scattered in cities around Europe, selling products… bought at fair prices directly from small producers abroad… it was nice but didn't amount to much. It was just a closed circle of well meaning people. But in the mid eighties, coffee growers in Mexico started pushing us. 'If we are going to get anywhere,' they said, 'we must have access to real markets.' At first, we thought we could go to the CEOs of big food companies and convince them to pay better prices to producers. It was pretty naive, but we had hope. The CEOs said, 'oh, no, we can't pay more to the producers; we operate in the free market. What if we pay a higher price and other companies don't? A year of talk produced nothing. (Hans Bolscher, in Lappée and Lappée, 2002: 198-199).

*Solidaridad* considered branding, but when the head of Dutch coffee roasting company Neuteboom agreed to take on a label and market some of his coffee as fair trade, they shifted their efforts toward setting up a labeling system (Interview 94). The result was the Max Havelaar label, which guaranteed that a product met certain labor and environmental standards, regardless of its brand (Interview 104; Max Havelaar Foundation, 2011). Max Havelaar's namesake, the book *Max Havelaar of the Coffee Auctions of the Dutch Trading Company,* was written in by Eduard Douwes Dekker, under the pseudonym Multatuli and published in Dutch by De Ruyter in 1860 (Multatuli Museum, 2011; see also Dekker 1987 [1860]). Dekker was a Dutch official posted in Java, the center of coffee growth in the Dutch colonized East Indies (now Indonesia). He was appalled by abusive conditions on colonial coffee plantations, as well as colonial policies stagnating local food production.

His book - “part-exposé, part-autobiography”- was a passionate protest in which the protagonist, Max Havelaar, champions the rights of local farmers (Lappé and Lappé, 2002: 198). The book ultimately led the Dutch government to implement a somewhat more ethical set of development policies (Conroy, 2007: 305, n.19), and Max Havelaar Foundation leaders believed a label under this name would resonate appropriately in the Netherlands.

The Max Havelaar Foundation (*Stichting Max Havelaar*) became the independent owner of the Max Havelaar certification mark, which was immediately supported by Dutch coffee importing company Simon Lévelt (Interview 104; Simon Lévelt, 2011). On 15 November 1988 Dutch supermarkets began selling Max Havelaar certified fair trade coffee. Companies using the label paid ‘licensee rights’, a small fee on coffee sales, as well as subsidies from churches and, later, other organizations (Eshuis and Harmsen, 2003: 5). This income financed the Max Havelaar staff, which was organized into committees to execute technical tasks such as admitting traders and cooperatives into the system (Interview 100).

The organization employed a loose set of criteria for participation in the system. Traders had to pay to a minimum price, provide pre-harvest credit, and commit to developing long-term purchasing relationships (Thomson, 1995), though there was little monitoring of compliance with the long-term purchasing relationship requirement (Interview 105). Cooperatives had to be democratically organized, comprised of small farmers, produce a quality that was marketable, and be able to provide a minimum volume of at least one container (Interview 100). Admission to the register was based on the field staff’s monitoring reports about producer organizations, and standards set by the board (Eshuis and Harmsen, 2003), and the register committee was responsible for admitting farmers' organizations to the list of registered product sources (Interview 100). As long as but as long as the group appeared to be organized in democratic cooperatives there was no formal annual review or real ongoing monitoring (Interview 45; Interview 94). These efforts resulted in Max Havelaar's 'registry' of suppliers and traders. The 'register list' was given to all buyers, and the list of buyers was given to all approved suppliers (Interview 105).

Originally, Max Havelaar mandated that traders pay farmers the minimum COP (cost of production) under the expired International Coffee Agreement plus a Fairtrade premium (Interview 105; Eshuis and Harmsen 2003). In 1994 and 1997, Max Havelaar reevaluated this pricing strategy by hiring a consultant to compare fair trade prices to current costs of production. The consultant's findings and the resulting decisions to maintain the pricing strategy are summarized below:

> Based on interviews with experts, comparative cost studies and research at partner organisations in six different producing countries, she ascertained that while the production costs had changed little in ten years, low market prices had forced farmers everywhere to cut down to "survival" levels, with agricultural practices opposed to the requirements for sustainability. The additional efforts that were needed to change this were identified, and priced. Naturally the production costs vary for and within each country, depending on factors such as climate, production intensity, technology used, and social economic structure. The survey took the

> average within the entire range of costs, from traditional to more intensive production, as a reference for the Max Havelaar price. This justified the decision to keep the minimum price at the same level [across countries]: slightly too low for some organisations, and slightly too high for others. A subsequent survey in 1997 likewise gave no reason for change. The Fairtrade minimum price and the accompanying development premium ultimately result from the weighing-up of interests rather than from survey. They express what the farmers need, but also take into account what the consumer market will absorb. Too great a price difference would be counterproductive. The decision is therefore taken jointly by the stakeholders. (Eshuis and Harmsen, 2003)

Under the leadership of Executive Director Bert Beekman (Interview 103), Max Havelaar's introduction of a fair trade certification for coffee achieved the objective of increasing fair trade sales: In 1987, fair trade coffee had captured no more than 0.2 per cent of the market, whereas by the end of 1988, 65 per cent of the Dutch public had heard of Max Havelaar, and 2 to 3 per cent were actually buying certified coffee (Eshuis and Harmsen, 2003). Additionally, the concept of fair trade received more widespread recognition, resulting in increased sales of non-certified and non-coffee fair trade products (Interview 100). "Before the advent of Fair Trade labeling, the concept of Fair Trade was indeed a niche affair, known only to a small group of 'insiders'. Fair Trade labeling changed that." (Kunz, 1999: 7)

**Context: certification and the broader movement**

The Max Havelaar label and certification process was developed during a time of increasing international coordination in the fair trade movement. ATOs worldwide began convening every couple of years in the mid-1970s, and by the mid-1980s there was a common desire to come together more formally in the form of a membership organization (EFTA, 2006). In 1987, a group of eleven European ATOs that had been collaborating for about ten years (EFTA, 1994) announced plans to form a membership group called the International Federation for Alternative Trade (IFAT). ATOs outside of this circle requested the smaller group use European Fair Trade Association, so that a broader group could identify as 'IFAT' (Interview 103). In the end, the broader membership group organized as IFAT - at least partly in response to EFTA's efforts to formalize their collaboration (Interview 82) - and the eleven European organizations became EFTA.[8] This section briefly describes these two membership organizations, and how they contributed to the context in which labeling systems proliferated in the early 1990s.

In 1989, a small steering committee of ATOs convened a broad range of organizations in Nordwijk, Netherlands, to officially establish IFAT (now the World Fair Trade Organization or WFTO) for the purpose of exchanging information and ideas, and elect its first Executive Committee (EFTA, 2006). Producers were not invited to Nordwijk, and the participants debated the tradeoffs between the 'enrichment' of being a 'truly international' body versus the 'difficulty' of including the South (Interview 82). They decided to include producers in the future, and producers have been invited to all subsequent IFAT (WFTO) meetings. This decision has allowed "very different perspectives to come together in a forum in which the northern buyers do not hold the power of the cheque book which often dominates bilateral buyer/seller relations” (Thomson, 1998). The certification of products has always been a contentious issue among IFAT members, and in 1999, at the IFAT conference in Milan, a long debate on the merits of branding and labels concluded in the decision to establish a certification system for organizations. In 2003, IFAT introduced a three step monitoring system for member organizations that met the organization’s standards (Interview 82). Today, IFAT is a diverse membership organization that includes producers, and whose membership has been both critical and accepting of Fairtrade certification.

The European Fair Trade Association (EFTA) established itself in January of 1990, less than a year after IFAT formalized (EFTA, 1994; Thomson, 1995; EFTA, 2001b: 22). EFTA was formed for the purpose of sharing expensive producer development and quality control arrangements (Interview 72), reducing costs, developing new products, harmonizing information, sharing data, providing educational activities (EFTA, 2001b: 35), and generally supporting the expansion of Fair Trade (Gepa 2011). It was more of a functional association than a political or lobbying organization (Interview 91), simply seeking to stimulate “practical cooperation among members.” (EFTA, 1994) Although EFTA advocates producer inclusion in the high level decision making bodies of international organizations such as the ICO, the World Trade Organization (WTO), and the United Nations Conference on Trade and Development (UNCTAD) (EFTA 2001b: 41), producers were not involved in formal EFTA activities, as their inclusion was “not seen as necessary” for meeting the organization's mission (Interview 72). EFTA is a member of IFAT (now WFTO), as are most of its members (Interview 82; Interview 72).

**Proliferation: the TransFair, Max Havelaar, and independent labeling initiatives**

As Max Havelaar's fair trade mark expanded alternative trade sales in the Netherlands, EFTA began conceptualizing a label that would be recognized across Europe and applied to a diverse line of products. Max Havelaar Netherlands was interested in expanding fair trade and participated in these discussions, but was not initially interested in expanding its own work beyond coffee or outside of the Dutch market (Thomson, 1995). Max Havelaar reasoned that each country should develop its own culturally resonant approach, and this idea clashed with EFTA's vision of a unified system (Interview 103). In June 1992, EFTA and *Ag Kleinbauernkaffee* (an association for the support for small farmer coffee) founded TransFair International (EFTA 2001b: 35; Interview 105; Thomson 1995), to organize a single label that could be used across market borders, applied to diverse products, and to promote all economically disadvantaged producer groups in the South - not simply small farmers (EFTA, 1994; Interview 105).

TransFair offered a national 'franchise' that provided monitoring, coordination, and promotion (Thomson 1995), and the handling of producer contracts and development of fair trade criteria (Interview 105). In exchange, its members - coalitions of NGOs, ATOs, churches, etc. - would pay a share of license revenues to cover centralized costs (Thomson, 1995). A Council of Members (comprised entirely of member organizations with licensed sales) made important decisions about the TransFair mark at a twice-annual meeting, and additional leadership was offered by an Executive Board (Thomson, 1995) and EFTA (Interview 105). Producer assemblies provided recommendations but did not vote (Interview 92). In 1992, TransFair Germany became the first member (EFTA, 2001a: 31), and in 1993 it was the first labeling organization to administer the TransFair mark (Eshuis and Harmsen, 2003). The TransFair label was adopted by Luxembourg in 1993, Austria and Japan in 1994, and Italy in 1995 (Eshuis and Harmsen, 2003, Thomson webpage, 2011). FairTrade Canada was established in 1997 (Interview 97), originally under the name Fair TradeMark Canada, to "avoid taking sides in the Max Havelaar/ TransFair debates" and because leaders thought it was more "self-explanatory" in Canada where there was no history of labeling (Interview 101), and TransFair USA followed in 1998 (Conroy, 2007: 107). Coffee was the first TransFair product, followed by tea, honey, and cocoa/chocolate (EFTA, 1994).

As NGOs and ATOs in other countries worked to bring certification to their markets, they were faced with three options: create a new organization that shares the name and selected attributes of Max Havelaar Netherlands (Interview 105), become a member of TransFair International, or create an independent 'national initiative' or 'labeling initiative'. The following section provides an example of each: Switzerland affiliated with Max Havelaar, the United States became a member of TransFair, and the British created an independent organization, the Fairtrade Foundation.

The Max Havelaar name proliferated in the 1990s: Max Havelaar Belgium was established in 1991, Switzerland in 1992, France in 1993, Denmark in 1995, and Norway in 1998 (Eshuis and Harmsen, 2003; Thomson webpage, 2011), but unlike the uniform TransFair organizations, these groups created new logos and diverse policies (Interview 105). In the case of Switzerland, ATOs wanted to respond to 'strong' requests from farmers to expand fair trade coffee sales (Interview 104), and around 1991 faced potential competition from a label under development by a large Swiss cooperative supermarket chain. To prevent the development of a "commercial" fair trade label, Swiss NGOs had to move quickly to form an independent fair trade label. Since EFTA's pan-European system was not yet fully developed, a coalition of ATOs created an organization that adopted the name Max Havelaar (Thomson 1995; Interview 94). Instead of using the Dutch logo, they adopted a design developed by EFTA, which was in the process of piloting potential designs for the TransFair label (Interview 105). The two largest supermarket chains, Migros and Coop, welcomed the Swiss Max Havelaar certification mark from the beginning – perhaps due to their traditional support of cooperatives (Interview 105) - and rigorously applied their marketing power for the success of the undertaking, making the Max Havelaar expansion a significant success (Eshuis and Harmsen, 2003; EFTA, 2001a: 55).

In Great Britain, the Fairtrade Foundation was established by the NGOs and ATOs CAFOD (the official Catholic overseas development agency for England and Wales), Christian Aid, Oxfam, Traidcraft, the World Development Movement and the National Federation of Women's Institutes (Fairtrade Foundation 2011):

> We were driven partly by the need to address the coffee crisis. And we were looking of a way to get in there. We were already doing coffee… But it really wasn't successful. We had consumer research showing we needed better products, better location - you know, mainstream outlets - good product probably not branded as [any specific ATO], but with an endorsement from one… So we were really thinking along these lines. And then the Max Havelaar label sort of ticked. But all the discussion… was 'we're not doing this *just for coffee* because we're not *just about coffee*' …Whereas Max Havelaar was. The Max Havelaar *name* tells you it's about coffee whereas it wasn't in the UK, it was fair trade which is what was happening in all sorts of products. (Interview 45)

The resulting Fair Trade mark was different from the Max Havelaar model in two ways. First, it was intended to cover a range of products, so its standards were generic and performance-related. This was unlike Max Havelaar which emphasized buying from select groups of producers. Second, it was intended to encourage improved trading standards by commercial players, rather than creating a market for alternative traders, which British development organizations believed had the potential to influence the mass market and conventional supply chains (Interview 72). The Fairtrade Foundation launched its first certified product in 1994 (Fairtrade Foundation, 2011), and the first coffee to carry the mark was Cafédirect, a British fair trade brand launched to help coffee farmers from Costa Rica, Mexico, and Peru in the wake of the ICA collapse (Cafédirect 2011).

In the United States, there had been several efforts to create a fair trade certification system. For example, Equal Exchange had tried to start a seal in the early 1990s and failed because of funding. In a second attempt, Equal Exchange and the Smithsonian Migratory Bird Center discussed a collaborative effort. The Smithsonian Center was concerned that migratory birds were disappearing because of new methods of coffee production that required deforestation, but Equal Exchange wanted to create a "superseal" that included both environmental and social standards (Interview 35). Equal Exchange had a close relationship with Max Havelaar in the Netherlands (Interview 103), but some American organizers argued that the symbol of Max Havelaar was "too Dutch for the American people to respond to" (Interview 93). Max Havelaar Netherlands also did not offer by-laws and an easy entry into the system - like a franchise – as did TransFair (Interview 84).

The US leaders involved in these conversations included the Institute for Agricultural and Trade Policy (IATP) founder Mark Ritchie, Equal Exchange co-founder Jonathan Rosenthal, and Oxfam America Trading staff Elizabeth Carney (Mitchell, 1998). The organizational efforts of the early and mid-1990s were bogged down in differences between environmentalists concerned chiefly with organic, shade-grown coffee, and social activists concerned more with economic justice (Mitchell, 1998), and complicated by varying degrees of patience for creating a social/environmental superseal (Interview 103). Martin Kunz, the General Secretary of TransFair International was part of this effort beginning in 1993 (Interview 105), and the conversation about developing a TransFair in the United States gained steam in 1994 when Kunz visited the United States (Mitchell, 1998) and Canada (Interview 101) to promote the development of new TransFair organizations.

In 1995, the Ford Foundation contracted Paul Rice to conduct a feasibility study for bringing fair trade certification to the United States (Interview 81; Interview 100; Interview 101). Rice had previously facilitated coffee trading between Nicaragua and Equal Exchange in the US in 1990, and assisted in developing the Nicaraguan coffee cooperative PRODECOOP (Conroy, 2007: 112-113). The Ford Foundation had invested heavily in the Forest Stewardship Council certification system for timber, which was established informally in 1990 and officially "born" in 1994 (Forest Stewardship Council 2011), and was interested in supporting similar programs. Ford sent a program officer to several fair trade movement events, and met with TransFair, who helped convince them that the idea of fair trade in the United States could work (Interview 74). The first money that went into developing a Fairtrade organization in the United States was a $50,000 loan from a small family foundation, which was repaid by its first grant in 1996—a Ford Foundation award of about $100,000 for the purpose of creating TransFair USA (Interview 100). Despite this seed money, the process that followed was slow and conflicted, revealing several ideological and tactical conflicts between various American ATOs. Although the IATP had been hosting meetings at its headquarters in Minneapolis, the TransFair USA organizers decided to launch certified Fairtrade independently because the IATP was also developing the fair trade brand Peace Coffee (Interview 74). Finally, in 1998, TransFair USA was launched (Conroy, 2007: 107), and in 1999 Fairtrade certified coffee was introduced at the Specialty Coffee Association of America annual exposition (Fair Trade USA, 2011).

**Conflict among LIs**

Each of the LIs aimed to increase Fairtrade sales in mainstream outlets, however they disagreed on many major points. The issue of which producers groups to target was divided on two major angles: Small farmers or all farmers (interview 103)? Coffee producers or additional products (Interview 105)? They also debated how to include producers in positions of leadership (Interview 46), the trade-offs of taking a market-based approach that engaged mainstream commerce (Interview 72; Interview 91), how to finance a label, and the ability of ATOs to act as a neutral standard setter (Interview 105). The LIs also disagreed on the degree to which their activities should be coordinated (Interview 81; Interview 91; Interview 92; Interview 94). On one hand, diverse practices could allow LIs to arrive at different policy decisions that were culturally relevant and supported by the country's ATOs. On the other hand, international coordination could serve to prevent duplication and confusion for both suppliers and buyers (Interview 105). In addition to these substantive debates, organizers experienced conflicts of personality (Interview 94), religion (Interview 94), political orientation (Interview 72; Interview 91; Interview 94), and cultural/national tensions remaining from World War II (Interview 94).

The broader fair trade movement also challenged LIs with critiques of certifying products as 'fair trade'. Some of the concerns included the trade-offs of replacing personal relationships with professionalism, contracts, and databases (Thomson, 1995; Interview 72), ATOs losing market share to commercial brands using the label (Thomson 1995; Interview 100), and that the objective of fair trade should be to create an alternative or substitute for the capitalist economy (e.g., a "solidarity economy") rather than engaging for-profit businesses to transform their practices (Conroy, 2007: 101; Kunz 1999: 7-8; Interview 72). EFTA, which had been active in supporting TransFair International, was a member of IFAT, which included many ATOs working without certification. Some members of IFAT saw this overlap between the labeling community and non-certified ATOs as an opportunity for collaboration, while others considered it a threat (Interview 72). The conflicts among LIs, and between LIs and the broader fair trade movement did not prevent organizations from collaborating. By the mid-1990s, coordination between fair trade marks (e.g., TransFair and the various Max Havelaars), LIs (e.g., TransFair Luxembourg, Max Havelaar France, Rättvisemärkt Sweden), and the ATOs which often served on LIs' boards of directors, (e.g., Oxfam and Equal Exchange) created an increasingly intertwined complex of interdependent processes and practices facilitating fair trade certification.

## COORDINATING NATIONAL LABELING INITIATIVES

### The Registers

Almost immediately after launching the Max Havelaar label, Max Havelaar Netherlands began to share its coffee register with other LIs (Interview 100). The register facilitated communication between producer cooperatives and buyers (Interview 100) – 'nightmare logistics' in those days (Interview 105) – and its increased use prompted Max Havelaar to begin formalizing its practices. The organization developed a system of reporting, created a monitoring process, wrote protocol for visits, conducted screenings for producers and traders, and formed a committee to make decisions on difficult cases of who to include in the registry (Interview 100). Max Havelaar Netherlands also began sharing the responsibility for coordinating the register (Interview 105).

The coordination system that developed was a complex of producer registers, sometimes collectively referred to as ‘the international register’ or ‘the register’ (Thomson 1995). Responsibility for the registers was divided between different LIs: Max Havelaar Netherlands managed the overall coordination of coffee (Interview 45; Eshuis and Harmsen, 2003:10), allowing other organizations to take responsibility for specific markets (e.g., TransFair International looked after Mexican suppliers) (Interview 105). Switzerland had cocoa (Eshuis and Harmsen, 2003: 10; Interview 45; Interview 105) and bananas (Interview 100), and Germany had honey (Eshuis and Harmsen, 2003: 10; Interview 105), tea (Interview 45; Interview 105), and sugar (Interview 105).

Because of this collaboration, Max Havelaar Netherlands began including a wider range of stakeholders in its governance practices. Originally, when the Max Havelaar Foundation launched its fair trade label for coffee in 1988, its policies were determined by a board of directors comprised of representatives of development organizations, consumers, ATOs, and producers. The board allotted three seats for producer representatives, and beginning in 1990 a bi-annual General Producers Assembly (GPA) convened a larger group of producers to discuss certification policies and provide recommendations to organizers in the North (Eshuis and Harmsen, 2003; Interview 89). As the number of producer partners increased, bi-annual regional meetings were added to the schedule, and in each regional meeting, representatives were elected to attend the GPA. Max Havelaar also elicited feedback from traders, and served as a 'referee' between producer and trader input (Interview 100). The first international meeting was in the late spring of 1995 in Denmark (Interview 104; Interview 101). Every two years following, the GA convened, typically in Germany, to discuss the registers. Producers preferred that these meetings were held in Europe so they could visit clients or attend a trade fair. Invitees included staff and board members from all LIs, all registered traders in coffee, and a number of producer representatives from each country that was based on the number of coops and volumes traded in that country. In the years between these international conferences were regional meetings in Africa and Latin America where producers could elect their regional representatives to attend the General Assembly. Voting rights at GAs were reserved for producers and traders. However, because the GA did not have official status in any of the labeling organizations, its decisions had to be accepted by each LI's board and, after 1997, FLO (Interview 100).

The logic behind LIs sharing registers while maintaining independence was that marketing and promotion were best accomplished by national entities, but cooperation was necessary to make the system more efficient and grow fair trade (Interview 100) in new consumer countries. As a pioneer of TransFair USA said of the register, "we used it because it already existed - we were all gratefully just working with it!" (Interview 93) However, with an increasing number of products and national initiatives, the overall system of fair trade labeling became exponentially confusing (Interview 105). For example, each product's registry was financed by the licensing fees earned by LIs that selling that product, but not all LIs sold all products, and not all LIs were in change of a product register (Interview 105;

Interview 100).[9] "You'd pay your share for the coffee, but then because you administered the sugar you got the share back - I mean it just because a nightmare administratively!" said one labeling initiative staff member (Interview 92). Producers also complained of inefficiency:

> We had this sort of web of cross referencing around products all over Europe and then everybody wanted to go and do their own monitoring, or at least get information from producers. There was no central mode of doing that. We were getting stories from producers that 'I've got someone from Europe coming every six weeks. It's Denmark and then it's Switzerland and then it's England and then Ireland, and this is ridiculous!' (Interview 45, also Interview 105)

The LIs needed to share assessment and support processes (Interview 72), and provide more structure to the system (Interview 100). The logistical confusion was exacerbated by the presence of conflicting policies between different LIs. For example, TransFair International and Max Havelaar Netherlands debated whether chocolate bars made with certified fair trade cocoa but conventionally traded sugar should qualify for the fair trade mark. In the end, the TransFair label required both ingredients to be certified, while the Max Havelaar mark did not. Some people argued a more formal relationship would help to assuage disputes between TransFair and Max Havelaar (Interview 72). "We had meetings, but at the end there was no decision making body […] so it did become fairly obvious by 1995 that you actually did need a joint decision making body." (Interview 92; also EFTA 1994; Interview 105).

### Establishing FLO

The creation of an umbrella fair trade labeling organization was slowed by the many debates over the direction of fair trade, especially regarding plantations, the appropriate degree of centralism (Eshuis and Harmsen, 2003), and how to include producers in governance (Interview 90; Interview 100). LIs organized 'meetings of members' (MOMs) in which the members were all LIs (Interview 81). Producers attended, but they had less influence on decisions than LIs (Interview 89; Interview 90):

> This was a point of great contention for producers. I remember a meeting in 1997 in Germany in which there was a major confrontation between producers (from Costa Rica) and the Europeans. The Costa Ricans asked why if fair trade was "for them" how come they had voice but no vote. (Interview 103)

LIs also debated how to allocate decision making power among themselves:

> Did someone like TransFair USA which didn't have a single licensee at the time, did they have a vote? Did they have the same vote as someone like Max Havelaar Switzerland, which was selling hundreds of labeled products? So it was this kind of issue. (Interview 92)

For example, one proposition was that there should there be two types of voting systems, similar to the US Senate and US House of Representatives in which one operates by one initiative/one vote, and in the other votes are weighted by sales (Interview 105). In the end, they decided that the fourteen LIs would be members, and that each would have an equal vote in the members-only General Assembly). The final issue under debate was who would lead the organization as General Secretary. The compromise was that Martin Kunz, who had been the General Secretary of TransFair International, agreed to lead the organization for one year only (Interview 92), though he left the system in the summer of 1997 (Interview 105).

Finally, the fourteen LIs founded "Fairtrade Labelling Organizations" or "FLO" in April 1997 (FLO, 2006-2007; Interview 92).[10] The organization aimed to facilitate collaboration among LIs in defining international Fairtrade standards, certifying and auditing producer organizations and traders, and providing support to producer organizations (FLO, 2003). All operations related to producers and importers were brought together under this umbrella, while the marketing of the label and contact with parties in the sales market remained a national concern (Eshuis and Harmsen, 2003). At that time, FLO was more of a 'shared service provider' to its members than a unified organization (Interview 45). Bonn, Germany was selected as the institution's host city, in large part because it had served as the capital of West Germany from 1949 until German reunification in 1990, and after federal agencies commenced relocation to Berlin in 1994, office space and infrastructure became cheap, abundant (Interview 82; Interview 89; Interview 100), and highly subsidized

(Interview 101; Interview 105). Additionally the city was somewhat centrally located in continental Europe (Interview 89).

FLO's board of directors was originally comprised of one representative from each LI, and within the first two years, producers and traders were added (Interview 89). One participant explains:

> In the beginning it was an initiative of LIs… it was not about producer issues. It was really about organizing our side - the European side - to make it more efficient and more logical and more easy for producers to contact each other. So in the beginning [producers]… felt a little bit put aside… [which was] corrected afterwards. (Interview 89)

Despite formal inclusion, some argue that "producers were not really part of the game. They were invited to come to the assemblies but their voices were not really heard" (Interview 91). At the same time, one FLO staff member notes that producer perspectives were taken into account in informal ways:

> You know which coops, or which board members in coops, or which managers actually are well informed or are quite visionary. I always used to test the ideas and get their input before we would make the final proposal. (Interview 100)

Fairtrade governance significantly after establishing these original processes and practices: the LIs agreed to use a common graphic and name for certified goods, they developed a community to help professionalize industry of ethical certification, and they sought accreditation from the International Standards Organization. These changes are discussed in the following section.

## PROFESSIONALIZING FAIR TRADE CERTIFICATION

### A unified mark

Once the myriad fair trade certifications were consolidated, the FLO community aimed to make the system more credible and professional. One of these efforts was the launch of the international Fairtrade certification mark (graphic) in 2002 (FLO, 2011). By having only one mark, FLO hoped to communicate the system's harmonization of standards, facilitate cross-border trade, and minimize consumer confusion (FLO, 2008: 23).

> The graphic symbol inside the FAIRTRADE Mark is of a person with a raised arm representing the optimism of producers and linking the everyday determination of people in developing countries with the aspiration of consumers around the world. The blue sky of potential is connected to the green of growth.

By 2007, 18 of 20 fair trade importing countries had adopted the logo, including the pioneer LIs from the Netherlands, Belgium and Switzerland (FLO, 2008: 23).

**International Social and Environmental Accreditation and Labelling (ISEAL)**

FLO also fostered a professional community for voluntary certification organizations. At the end of the 1990s, FLO, the FSC, the Marine Stewardship Council, and the International Federation of Organic Agriculture Movements (IFOAM) began meeting to discuss common issues in ethical certification. In 1999, the group agreed to examine the potential for more formal collaboration, and in November 2000 they decided to coordinate a peer review system for social and environmental standard-setting bodies. In 2002, these organizations, along with the International Organic Accreditation Service (IOAS), the Marine Aquarium Council (MAC), Social Accountability International (SAI), and Rainforest Alliance, established the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance, a global association for social and environmental standards. In 2004, ISEAL launched a Code of Good Practice for Setting Social and Environmental Standards, which has become the global reference for good social and environmental standard-setting processes. The code builds on WTO disciplines of openness, transparency and participation and serves as a minimum bar against which to evaluate the credibility of voluntary standards systems (ISEAL, 2011). ISEAL members are required to comply with applicable ISEAL Codes of Good Practice within established timelines. Accreditation bodies must comply with the ISO/IEC 17011:2004 general requirements for accreditation bodies accrediting conformity assessment bodies, and certification programs that are linked to a standard-setting organization must comply with ISO/IEC 17021, 17065 or equivalent (ISEAL 2011). FLO was able to use ISEAL to bolster credibility in the international sphere. As it communicated to the public in the 2007-2008 FLO Annual Report:

> How do you know whether a standard reflects stakeholder priorities? Does compliance with a standard result in real social and environmental improvements? The rapidly growing number of voluntary standards and labels emerging in the marketplace makes it difficult to differentiate credible standards from other claims. The ISEAL Alliance aims to address this issue by creating tools to improve how (voluntary) standards are set. (FLO, 2004)

As the work of voluntary certification organizations gained popularity and new organizations began competing for consumer attention, the standards for creating meaningful verifications became more rigorous. In this environment, FLO faced a great deal of criticism for its practice of both creating standards and policies, and conducting audits and inspections (Interview 89). To understand this critique, it is useful to define the elements of certification and the options for verification. Certification requires the setting of standards, a practice for collecting information on whatever that might meet those standards, and a process for comparing the two. All of these steps may be conducted by one entity, or the responsibilities of standard-setting and auditing (gathering data and comparing it to the standards) may be assumed by different entities. FLO's system was categorized as 'first party certification', in which an organization or firm is the sole judge of how well it has fulfilled its own public commitments. This system is based on trust that an organization or firm is truthful about their practices. Credibility may be critiqued because the benefits increasing membership may outweigh the cost of diluting standards or overlooking non-compliance. The most credible form of verification is third party certification, in which a diverse stakeholder body negotiates standards, which are audited by a totally independent organization that does not benefit from finding organizations compliant (Conroy, 2007: 14-15; Gereffi, Garcia-Johnson, and Sasser, 2001: 57). In 2001, Max Havelaar Netherlands was still managing the coffee register, which meant that it was interpreting FLO's standards, designing monitoring systems to collect information about cooperatives, and auditing cooperatives by comparing monitoring reports to standards – a typical first party system. Thus, the critique felt by FLO and the labeling initiatives was that because they faced no serious incentives for maintaining rigorous standards and inspection protocols, their claims were not sufficiently credible.

Indeed, in the five years after FLO's formation, the auditing process was inconsistent, informal, or not very structured (Interview 64; Interview 80; Interview 90; Interview 95). FLO wanted to increase its credibility (Interview 89), make the organization more professional (Interview 89; Interview 95), respond to competition (Interview 100; Interview 72), and satisfy stakeholder demands for credibility (Interview 95). To help guide changes internally and credibility externally, FLO looked to the International Standards Organization:

> What makes a label credible? How can you be sure that the claim made is actually true? First of all, it helps to have somebody else who has no direct interest in the product check the claim – "independent verification". Then, that external body

should be able to explain how it went about this checking, and how it came to its conclusion – in other words, the check should be "transparent". And finally, if anybody has good grounds to question the result, there should be an adequate system to review the work done – an adequate "appeals system". These traits form the heart of what the International Standards Organization (ISO) calls a credible certification system, as laid down in the ISO norm 65. It's a high norm, and FLO has been investing considerable time and money to be publicly recognized as complying to ISO 65….Next time you see a label that interests you, ask whether it complies with ISO 65 or is trying to. (FLO 2006)

**International Standards Organization (ISO)**

ISO is the world's largest standards developing organization, and since 1947 has published more than 18,500 international standards, ranging from standards for agriculture and construction, to mechanical engineering, to medical devices, to the newest information technology (ISO, 2011). The ISO 65 guide provides general requirements for bodies operating product certification systems, such as FLO. In an effort to professionalize and be considered professional, FLO sought ISO 65 accreditation.

Through 2001, Max Havelaar Netherlands continued to serve as the primary manager of the coffee register, even though FLO had taken the leadership for other product registers (Interview 100). To ensure ISO compliance, FLO had to change this organizational arrangement in one of two ways: either allow an ISO 65 accredited auditor take over the certification process, or set up its own ISO 62/17021 accredited ISO 65 certification body (ISO, 2011b). They chose the latter, under the rational that “Fairtrade was unique and they needed to have specially trained auditors that really understood the system to really have the quality of the audits” (Interview 95). (See Figure 1.) On September 15th 2003, FLO e.V. transformed its former certification department into a separate legal entity: FLO-CERT GmbH (Ltd.), and in early 2004 it started the procedure to obtain ISO 65 accreditation (FLO, 2004). The two organizations divided responsibilities as follows: FLO International e.V. set standards and policies to be approved by the Standards and Policy committee (a board appointed committee with wide stakeholder representation), faciltated business between traders and producers, supported producers in strengthening their organizations, improved production, increased market access, and advocated trade justice. FLO-CERT certified producers, ensured compliance with FLO’s standards, managed the certification committee (producers, traders, national labeling organizations and external experts), made certification decisions, and audited trader and retailer compliance (FLO, 2004). In addition to separating the standard setting and auditing bodies, ISO 65 required that all FLO and FLO-CERT decision-making bodies, including the board, the standard committee of the bard, and FLO-CERT’s certification committee have a multi-stakeholder composition (Eshuis and Harmsen, 2003). It also required more formal standard setting and inspection cycles for traders (FLO, 2004).

[INSERT AROUND HERE: FIGURE 1]

During the transition, a few people from Max Havelaar's register committee served on the new FLO-CERT certification committee to facilitate a smooth transition. This committee developed a new, ISO-compliant process for certification (Interview 100). The committee established that no producer organization could become certified without an initial on-site inspection, and in cases where a producer organization includes hundreds or thousands of farmers, FLO-CERT would operate a 'group certification' model that includes the audit of the producer organization itself as well as random checks of a representative sample of individual farmers. A full Fairtrade audit could last from four days to six or seven weeks for the largest cooperatives, depending on the size of the producer organization, its complexity, and number of certified products. The cost of certification dependent on the number of working days required to inspect the producer group. Following an audit, a report would be sent to FLO-CERT for evaluation. A specialized certifier, under the supervision of the certification committee, made the certification decision (FLO, 2008). Staff handled straightforward cases, and the committee randomly audited those cases and managed dilemma cases, newcomers, and difficult cases. For example, the committee audited cases in which several coops together owned an estate - so there were workers involved in the coffee production - or if the chairperson of the cooperative board was so dominant that it was not clear if the organization was democratic. By making decisions on cases like these, the committee was "also partly shaping the rules of the game." (Interview 100) After they receive their initial Fairtrade certification, producers were to be inspected on-site on an annual basis (FLO, 2008) by local inspectors. Before the visit, the inspector would gather information about the local context and producer organization (e.g., constitution), and review the FLO standards and prices applicable to that type of group and product. On-site, certifiers used a questionnaire that included objective indicators for each criterion of the relevant standards (FLO, 2005).

While these changes ushered in the esteemed era of "professionalization," some argue that the tradeoffs exacerbated existing downsides of certification such as impersonal interactions, inflexible standards, and increased costs of auditing. Thus, the process of accepting ISO's "straight jacket" requirements (Interview 92) at times created "some friction" internally (Interview 89). In addition to the changes associated with ISO accreditation, FLO made several major changes to its governance structure.

**GOVERNANCE CHANGES**

> There wasn't anybody that was specifically responsible for governance. Some of the things that had been done from the time FLO was founded up until 2002, 2003, those five or six years were not particularly well thought through. Really, FLO was set up with a sort of off the shelf governance model… there was a dissatisfaction about governance, not from media or donors, but from within. (Interview 45)

> Our challenge now is to keep the personal trust of producers so that they continue to feel that Fairtrade Labelling is a system they own. (FLO, 2007)

> [There was] a major conflict between the coffee coops and the FLO board… One of the problems was there wasn't a fluent communication anymore. (Interview 100)

In the early 2000s, as the field of voluntary certification exploded, competition for ethical consumers' attention increased, and expectations for transparency were raised. Skeptical articles appeared in popular media outlets (e.g., Gereffi, Garcia-Johnson, and Sasser, 2001; Stecklow and White, 2004; Weitzman, 2006), and the occasional exposé was used to draw attention to what appeared to be Fairtrade failures (e.g., Rogers, 2004). In order to address these critiques, as well as internal unrest, FLO made several governance changes between 2005 and 2007: producer networks became full members, the board began to include producer representatives producer networks, a producer business unit was established, and FLO began a comprehensive strategic review (FLO, 2008b). (See Figure 2.) This section describes and examines the two principal changes in governance: making producers full members, and increasing their seats on the board.

[INSERT AROUND HERE FIGURE 2]

Until this point, only labeling initiatives were members of FLO. At the November 2006 MOM, the labeling initiatives unanimously voted to adopt a new constitution allowing producer networks to become members of the organization in order to "convert FLO into a truly multi-stakeholder organization," "ensure that producers will be key decision makers," and "continue to be a system of and for producers." (FLO, 2007: 3) At the 27 May 2007 General Assembly meeting, this was formalized, making the three producer networks full members. Producer Networks and Labeling Initiatives then established separate Assemblies where each stakeholder group could discuss relevant issues. In the Annual General

Assembly, the two groups came together to decide on membership issues, such as approval of the annual accounts and possible admission or expulsion of members. The General Assembly also elected the board of directors, which is responsible for FLO's strategic direction, financial management, risk management, and employment of the Chief Executive of the association (FLO, 2007). The new board was composed of five representatives from labeling initiatives, four representatives from Fairtrade Certified Producer Organizations (at least one each from Latin America, Africa, and Asia), two representatives from Fairtrade Certified Traders, and two independent board members (FLO, 2007).

**Producer Networks**

"Producer Networks are associations which Fairtrade Certified Producer Organizations may join if they so wish and which are recognised by FLO as the representative body of farmers, workers and others belonging to Fairtrade Certified Producer Organizations." (FLO, 2007) There are three producer networks, one in each of the three continents where certified producer organizations are located: Africa, Asia, and Latin America. The three networks meet with each other before general assembly meetings to discuss their positions, and hold virtual meetings (Interview 87; Interview 90). The networks have also convened in person, independently of FLO, three times: India (2009), Brussels (2010), and Nicaragua (2011) (Interview 90) and are in the nascent stages of uniting their efforts (CAN Alliance of Producer Networks, 2011).

Although they were brought on to the General Assembly at the same time and given similar responsibilities, Fairtrade Africa (previously the African Fairtrade Network), the Network of Asian Producers (NAP), and the Coordinadora Latinoamericana y del Caribe de Comercio Justo (CLAC) were very different. This is due, in part, to the fact that FLO did not organize producers in networks for the purpose of developing a new governance structure, but instead brought existing networks to the table:

> It's not FLO or the LI's responsibility to create the networks… That's a very disempowering approach for a movement that has been built through grassroots organization and democratic structures. So producers organize and decide on their mission and governance and join the movement. The movement is not build around selecting producer groups and telling them to organize. That's just not how it works. (Interview 99)

In the case of Africa, producer organizations in the Democratic Republic of Congo, Ethiopia, Kenya, Tanzania and Uganda had started working across their borders around 1999, and formed the East Africa Fairtrade Regional Coordinating Body (RCB). In 2003, Rwandan and Ghanaian producers joined, and in March 2004 the body became the African Fairtrade Network (AFN). The organization, now called Fairtrade Africa, is open to all certified Fairtrade producer organizations and applicants. Basic work is handled by a steering committee, and policy and governance decisions are made every two years at the Regional Producers' Assembly. The network is financed by the members, whose resources are very much limited (FLO, 2004; FLO, 2007).

The Network of Asian Producers (NAP) developed much more recently. On 16 June 2005, Asian producers met in Sri Lanka to discuss coordinating their communication with FLO, and on 17-19 September 2006, the first general assembly was held in Bangkok, with representatives from India, Pakistan, Sri Lanka, Nepal, Thailand, Philippines, Indonesia, Papua New Guinea, East Timor, and China represented. NAP is a multi-stakeholder body comprising representatives of producer organizations and promoting bodies (FLO, 2007).

The oldest and most formally established network is the Latin American and Caribbean Network of Small Fair Trade Producers (CLAC), which originates from a small coffee producers' association (the "Coordinadora") and a small beekeepers' association (the Latin American Network of Small Beekeepers or "PAUAL"), both founded in 1996. In August of 2004, at the fifth Regional Assembly of the CLA, in Oaxaca, Mexico, CLAC was established as a legal entity incorporating representatives of all certified small farmer organizations (FLO, 2007). The member organizations convene at least once each year, forming working groups that write proposals that are used to make decisions. In this process, groups are able to reach consensus with respect to a particular topic (Interview 87). Unlike the African and Asian networks, the CLAC does not advocate on behalf of all certified producers in the region—it only represents small producer interests (CLAC 2011).

**Debating the governance changes**

The changes were drastic: producers now voted in the general assembly (alongside 19 labeling initiatives) and held four seats on the board (of 14 total). The impetus and objective of these changes was unequivocally communicated by FLO: to give producers more power in high level decision making.

> It demonstrates genuine stakeholder participation at the very highest level of FLO. Now sitting on the Board, producer representatives are better placed to shape the future direction of FLO. (FLO, 2008: 23)

Barbara Fiorito, then Chair of the FLO Board, expressed her confidence that the governance changes would bring about these anticipated outcomes: "[they are] an important step for FLO to become a truly multi-stakeholder organization." (FLO, 2006) Like previous changes in Fairtrade certification, however, they were highly contentious and remain heavily debated. Are the changes able to meet the objectives? Did FLO truly intend to empower producers? This section examines opposing perspectives on each of these issues.

Are the governance changes made in 2006 and 2007 able to achieve the goal of increasing producer influence in high-level decision making? One critique is that the networks do not offer comprehensive coverage of certified producers. For example, Palestine, which in 2011 had 18 FLO certified Fairtrade olive oil cooperatives, is not a member of any of the regional networks (see Palestinian Fair Trade Association 2011). Likewise, plantation workers and owners in Latin America are not represented in the system. A FLO board member noted in 2011: "that was an issue that was meant to be resolved, and then in five years we haven't been able to resolve that issue - of how are all producers represented in the system." (Interview 45) Some also question the credibility of the networks' processes of aggregating interests and representing their members:

> The labeling initiatives are where the money comes into the system - through the license fee, and some of that money comes into FLO and then bits of that goes onto networks, but not very much of it - drips and draps, on a discretionary basis. So everyone's saying the networks aren't strong enough, but if you give them a formal stake in the system, then surely they should have some of those resources, but that doesn't happen - FLO seems to expect the networks to get grant funding to fund themselves… if you have a global system, and you are saying producers are central to it, and you're going to make their voice real through the networks, then you need to give them some core funding, to make that system work. (Interview 64)

Another objection is that the producer networks do not have equal resources and influence among themselves—that the CLAC has a disproportionately large capacity for lobbying and for changing policy.

> A group of producers that is doing quite well out of the system decided they don't want to certify multinationals. And yet, they're saying the *whole system* shouldn't work with multinationals when, in fact, there are many producers that we are

> consulting with in Africa or in Asia who really don't have an issue with it. (Interview 45)

Others argue that formal governance changes do not necessitate real shifts in how decisions are made:

> For us, it is cooperation, for them it is power. Real democracy, real participation, is not only about the number of votes, about the statistics of who is included. For example, if a group has only a small amount of votes, say 5 to 6 per cent, their perspective can still be taken into consideration by the others during the vote. It is good that FLO is moving to 50/50 but surely this is not going to solve the problem of democracy on its own. (Interview 90)

> They have them there to make them look like it is a participatory democracy… they are nice and they listen to your point of view but at the end of the day they do what they want… in informal spaces they say yes, but at the end they do what they decide. (Interview 98)

On the contrary, some say the expected effect of these governance changes is overstated, because producers exercise influence in the day to day operations of FLO. The power they have in this capacity is much greater than what they will experience as voting members or representatives on the board. For example:

> There are conversations and even meetings that take place where FLO will go into a country and hold a workshop on a particular issue—for instance, on strategy and policy work or through product management. Within strategy and policy work for example there are many different conversations that happen and engagement with whom depends on what the topic is, who's likely to be affected, and how. Every unit at FLO will always be asking what's the producer opinion on this piece of work you're proposing. So [producer consultation] is not just at the strategic level. At the operational level, it exists all over the place. (Interview 99)

A counter to these arguments is the example of the board voting to increase coffee prices—something producers had been advocating for years before the governance changes, but not enacted until 2007 when producers were included as members and had more seats on the board. They decided that on 1 June 2008, the Fairtrade minimum price for Arabica coffees would increase by USD $0.05 per pound (FLO, 2008). A board member recalls the negotiations leading to this decision:

> I think the fact that [the producers] were empowered and that the communication and the context of the decision-making process was laid there for everybody allowed some of the national initiatives on the board to soften some of their concerns… about how the higher prices would translate in the market… for five cents or fifteen cents [raise] or whatever it was, would that just begin to reduce the overall income to farmers - or would it increase it? And that was the concern. Ultimately, the farmers said - because they had a strong voice, I think - 'let us take

> that risk. Or let us take responsibility for more of that risk. Whereas you were controlling it before, we're doing it together now…' It was very powerful moment because it was truly building a consensus that we all—emotionally, intellectually, politically—had painfully come to together. (Interview 56)

The perspectives here reflect the arguments made about whether or not the governance changes can, in fact, increase the degree to which Fairtrade certified producers are represented in high level decision-making processes. The question of whether or not it is appropriate for producers to hold power in the governance structure is a separate issue. Labeling initiatives have expressed concern that by making producer networks full members, the LI is ceding an unacceptable amount of control over its finances—something that may be at times unacceptable to board members who may be held accountable for ensuring that the organization meets its financial obligations (Interview 45). Debates about how to govern a fair trade certification have always been difficult. For FLO, questions of representation and power sharing have been – and continue to be - consistent sources of tension.

## ONE MISSION, TWO APPROACHES TO GOVERNANCE

On 9 September 2011, Fair Trade USA (previously TransFair USA) launched a new campaign, "Fair Trade For All" which aims to double US sales of Fairtade products by 2015 (Fair Trade USA 2011d). To meet this goal, Fair Trade USA announced plans to apply "existing international Fair Trade standards from tea, bananas and flowers" to coffee and (over time) other products (Fair Trade USA 2011d). Because the standards for tea, bananas, and flowers permit certification of plantations, this policy deviates from FLO's policy of excluding coffee plantations. Unsurprisingly, the next day FLO clarified on its website that "the proposals [Fair Trade For All] contains regarding major changes on coffee certification are the views of Fair Trade USA alone, and do not constitute a change to the policy or standards of Fairtrade International." FLO also noted that it had been investigating the same policy shift:

> We might open up Fairtrade certification to more diverse producer set-ups across a range of product categories, while keeping our focus on working with those who share Fairtrade's values of organizational, democracy, transparency […]. (FLO 2011b)

The situation was clear: both Fair Trade USA and FLO were interested in certifying new types of producers, but Fair Trade USA was not willing to wait for the decision to pass through FLO's multi-stakeholder governance system. The following week, on 15 September, Fair Trade USA and FLO released a joint statement to announce Fair Trade USA's departure from the international Fairtrade system:

> Fairtrade International (FLO) and Fair Trade USA share a belief in the importance of empowering producers and workers around the world to improve their lives through better terms of trade. However, as we look to the future, we recognize that we have different perspectives on how best to achieve this common mission. As a

> consequence, Fair Trade USA has decided to resign its membership of the Fairtrade International (FLO) system effective December 31, 2011. As we go our separate ways, both Fairtrade International and Fair Trade USA are committed to maintaining the benefits we have achieved for farmers and workers, for business partners and for our supporters, and to growing impact over time. (FLO and Fair Trade USA, 2011)

In an email sent to its “partners” (ATOs, coffee companies, roasters, and other interested parties) on the same day, Fair Trade USA repeated that it shares the same mission as FLO, but that the organizations’ perspectives differed on standards for coffee, sugar, and cocoa (Fair Trade USA, 2011b; Fair Trade USA, 2011c). Likewise, FLO affirmed that the organizations “absolutely share the overall vision of increasing impact for producers-both small farmer and workers and to working in collaboration with the broader fair trade movement.” FLO called Fair Trade USA’s proposal to apply plantation standards to coffee estates an “admirable goal,” but questioned Fair Trade USA’s approach.

> …much work needs to be done to make this a reality… the Fairtrade standards are developed according to the ISEAL Code of Good Practice on Standard Setting. Any changes to the standards are the product of in-depth research into benefits, opportunities, and possible effects in the supply chain. A consultation process involving all stakeholders…informs this process… we are studying how we can adapt the standards… but any changes will be made in consultation with all stakeholders in the system. (FLO, 2011c)

FLO highlighted how its approach to standards reform differs from that of Fair Trade USA:

> We are proud of the increasingly prominent role of producer organizations in our governance and decision-making bodies. Each year Fairtrade aims to engage in more dialogue and become even more consultative, as evidenced by the unprecedented review of Fairtrade Standards with hundreds of stakeholders from over 50 countries, which led to the launch of the New Standards Framework. (FLO, 2011c)

A FLO Board member reinforced the perspective that what differentiates Fair Trade USA and FLO is FLO's "unique potential" to manage its work (in this case the decision about certifying coffee plantations) through a system of "multi-stakeholder backing." (Interview 69) The subsequent section provides historical context to the plantations debate, and arguments for and against certifying coffee plantations.

**Fair trade and plantations**

The first fair trade certified product was coffee, and its register was limited to small farmers. The first product produced on a plantation to be certified fair trade was tea - an endeavor initiated by TransFair Germany in 1994 (Eshuis and Harmsen, 2003), and strongly advocated by TransFair International General Secretary Martin Kunz (Interview 103) - despite the protest of small farmer organizations (Interview 103). TransFair

Germany required that tea gardens allow unions or independent worker associations to decide how the Fairtrade premium would be spent on each estate (Thomson, 1995). The UK also supported the certification of landless workers on plantations, arguing that "if Fairtrade excludes people without land, it is a failed system." (Interview 72) Max Havelaar, on the other hand, wanted to limit coffee certification to small growers organized in democratic cooperatives, and was critical of the tea scheme, but was also in the process of developing certification standards for a banana plantation (Thomson, 1995) that was partially owned by a workers' trust and was not part of a multinational corporation (Interview 103). As other LIs began marketing tea and bananas, they adopted the standards inclusive of plantations (EFTA, 2001b: 74). In the case of Max Havelaar Switzerland, the tea plantation policies were adopted under pressure from supermarkets, despite the LI's earlier protest against plantations (Interview 105). "And that was the crack in the door to plantations." (Interview 81)

FLO now allows plantation production of several products – excluding coffee. It mandates that plantations form a Joint Body of plantation management and workers that acts trustee of the premium, and is accountable to the workers and their community in general (FLO, 2004). In 2005, changes to the hired labor standard increased the emphasis on workers' training, management commitment, and cooperation with local labor unions (FLO, 2005). Although plantations have been included in the certified Fairtrade system since the mid-1990s, the rhetoric deployed by FLO and the LIs often emphasizes the system's commitment to small-scale producers (as opposed to landless laborers). For example, the FLO Annual Report 2003-2004 reads "FLO believes that trade should be undertaken in a way that enables organized small-scale producers to strengthen their position in the marketplace," and the 2008 Strategic Review Summary asserts "The needs of small-scale producers for market access under fair trading conditions lies at the heart of Fairtrade and will continue to be a priority." Similarly, in marketing Fairtrade coffee, the "support of small producers" is almost always evoked as a selling point expected to attract consumers (e.g., EFTA, 2001b: 66, 67).

**Debating fair trade and plantations**

In summary, there is both a precedent of certifying plantations, and a long-standing commitment to small-scale producers. Arguments for maintaining FLO's policy of only certifying small-scale producers of coffee (and not plantations) are both pragmatic and ideological. Some assert that, because it is easier to evoke economies of scale by purchasing from large organizations, small coffee farmers will face a disadvantage if competing against large plantations (Interview 89; Interview 90). Others argue that Fairtrade will be less successful in ensuring that plantation owners work with producers in the Joint Body, for cultural and historical reasons (Interview 88), or that union advocacy, not Fairtrade certification, is the appropriate method for pursuing social change on plantations (a perspective described in Interview 56). Some are ideologically opposed to any support of non-worker owned means of production, and lament the extant certification policies for bananas and tea. In this perspective, the alternative trade movement is meant to create markets for refugees, marginal producers, and poor artisans - not to compete in the traditional market place, with large brands aiming to accumulate wealth (Interview 103).

The solution is to invent new rules, not to increase volume in conventional markets (Interview 103). Fairtrade certified plantations typically respond to these arguments using one of two lines of reasoning. The first is that small coffee producers cannot produce an adequate supply of Fairtrade coffees, and that “some big coffee companies would do 100 per cent Fairtrade if it were available.” (Interview 56) The other is that “landless workers are the poorest of the poor” and that unions have failed to produce change for this group (Interview 56).

“There's always been this debate within Fairtrade, especially in coffee, about whether Fairtrade as a model should be extended to larger plantations.” (Interview 95) The debate of “small producer versus the landless” was vibrant during the governance shifts of 2006 (interview 56), and “it’s still under discussion at the board all the time because it could change… it's not written in stone.” (Interview 89) Unsurprisingly, small coffee producers, especially those involved in the CLAC (which has always advocated the privileging of small scale farmers) argue that Fairtrade certification should not be extended to coffee plantations. Although the CLAC has never been in a position of veto power over the labeling initiatives or the other producer networks, many argue that the group’s informal power, in the form of long-term relationships and capacity to organize, is the most significant explanatory factor for coffee plantations’ continued exclusion from the system. While some argue that their historical position, as the first group certified as Fairtrade, makes this level of influence appropriate, others argue that the group is “overly powerful” (Interview 95). “Part of the reason that Fair Trade USA broke away is it could not get CLAC to agree to opening up the system to other sales, to unorganized farmers... or workers on somewhat larger farms." (Interview 67) Fairtrade governance is at the heart of this divide.

Going forward, Fair Trade USA will continue to accept producer groups certified by FLO-CERT, and will also develop new standards (such as those for coffee plantations) in partnership with Scientific Certification Systems (SCS), an independent certification agency (Fair Trade USA, 2011). In terms of governance, the organization "would like to increase board diversity", and plans to "add at least one additional producer partner in 2012" and "create a Coffee Innovation Stakeholder Advisory group" to provide input on new policies (Fair Trade USA, 2011). The three FLO producer networks have individually and jointly released statements condemning Fair Trade USA's secession from the international system and plans to certify coffee plantations:

> They are also disappointed to see that Fair Trade USA has chosen to define its own orientations rather than forming part of the global vision, key principles and shared strategy endorsed by all members of Fairtrade International. The Producer Networks cannot support this unilateral action on the part of Fair Trade USA, which goes against their aspirations and interests. (CAN Alliance of Producer Networks, 2011)

> The Network of Asian Producers is deeply concerned about the recent developments related to Fair Trade USA leaving Fairtrade International and their decision to pursue their own label and to discontinue working within the global Fairtrade system… NAP is therefore committed to supporting one global Fairtrade

> movement… a movement that has a Fairtrade mark that is globally recognised as an ethical certification brand. (Network of African Producers, 2011)

> Fairtrade Africa regrets the decision by Fair Trade USA to leave the international Fairtrade system […] The organisation has unilaterally re-defined the goals and objectives of Fairtrade without consulting the millions of members of the International Fairtrade system, whose lives are affected by the international trading system […] Fairtrade Africa cannot share the parochial vision of Fair Trade USA. We believe that this decision is not in the interest of the many millions of small producers and workers across Africa and in developing countries. (Fairtrade Africa, 2011)

As demonstrated above, FLO is differentiating itself from Fair Trade USA by emphasizing its multi-stakeholder governance model. It recently announced its own plans for governance changes:

> In an historic decision, members of the global Fairtrade system voted unanimously to increase producer representation in the General Assembly to 50 percent, making producers half-owners of the global Fairtrade system. The vote marked a further strengthening of Fairtrade's unique ownership model; networks of certified producer organizations have been co-owners of the system alongside labelling initiatives from consumer countries since 2006. The new shared ownership model

> means that producers will now have an equal voice in the highest decision-making body of Fairtrade. (FLO 2011e)

According to FLO board members, moving toward a more producer-centric governance process has been a topic of research and discussion for several years (Interview 45), and many leaders have taken the position that FLO "should be owned by the producer networks eventually, to let the producer networks ultimately own Fairtrade." (Interview 56) As one former Fair Trade USA and FLO staff member describes FLO's approach, "it's 'make sure the producers are with you'." (Interview 99) In August 2011, FLO convened a high level meeting in Managua in which producers said that they wanted to take leadership. A participating board member recalls, "we agreed that getting this governance thing right means increasing their level of ownership." (Interview 69) A high-level staff member of an LI described how this shift has since been put into practice:

> I think after us getting time to wrap our heads around how we structure ourselves to move forward with the US situation we said it doesn't make sense for us not to have somebody from the producer networks in on these work streams [which manage day-to-day operations]. It was just an evolution really. So formally they are now a part of the Advisory Team [for this LI]. (Interview 97)

Neither Fair Trade USA nor FLO deny that they are on a "growth agenda" that aims to increase Fairtrade sales worldwide, for the purpose of providing increased income and price stability to marginalized producers. The critics of Fair Trade USA's plan worry that ambition for growth in quantity will result in “green-washing” by reduce standards and prices (Interview 99; Interview 88; Clark and Walsh, 2011) and damaged relationships with producers (Interview 81; Interview 99). Critics of FLO’s approach to governing for growth are concerned about costs of its slow pace of evolution (Interview 99). Critics of both versions of this growth agenda argue that commercial priorities are undermining developmental thinking and willingness to “be radical” (Interview 35; Interview 64).

Since its establishment in 1997, FLO has worked to unify Fairtrade policies across countries, formalize casual practices, coordinate more efficient protocols, and develop credible processes of governance. Yet the evolution of FLO is as controversial as the concept of fair trade certification itself. In 2012, Fairtrade faces the aftermath of its first secession, and the challenges of a major shift in governance. This chapter may be the story of Fairtrade losing its way. It may also be a tale of certification finding itself. Perhaps readers will find it an organizational coming-of-age, a bureaucratic horror story, or something else completely.

## CLOSING

Fair trade organizers, academic researchers, consumers, journalists, and everyday bloggers debate whether the Fairtrade mark has upheld the ethical and idealistic intentions of its pioneers. They make bold assertions about how Fairtrade governance has changed over time, some arguing that the trajectory has been positive, others lamenting the perversion of a good idea. This chapter does not attempt any such analytical feat. It simply compiles original and readily available data from diverse sources, in an effort to ground future arguments about Fairtrade – whether influential and incidental - in a historically accurate narrative.

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**INTERVIEWS**

35: Jonathan Rosenthal, co-founder of Equal Exchange and pioneer of fair trade in the United States

45: Long term Board member of FLO

46: Michael Barratt Brown, Founding Chair of TWIN and Twin Trading (1985-1987) and author of *Fair Trade* (Zed Books 1993)

56: Barbara Fiorito, Board Chair of Oxfam America (2000-2005), Board Chair of FLO (2006-2008), Advisory Board member of Fair Trade USA (2009-present)

64: Chris Penrose Buckley, former Head of Producer Partnership Programme, Twin and Twin Trading Ltd. (2007-2011)

67: Former Board member of Fair Trade USA

69: Long term Board member of FLO

72: Phil Wells, Director of Fairtrade Foundation (1993-2001); first President of FLO (1997-2002), former Chair of the Standards Committee (2002-2006)

74: Former Board member of Fair Trade USA

80: Former Board member of Fair Trade USA

81: Monika Firl, early organizer of the Fairtrade label in the United States, now Producer Relations Manager for an ATO

82: Carol Wills, early IFAT leader

84: Bob Thomson, Founder and Managing Director of TransFair Canada, (1994-2000)

87: Manuel Echegaray, Finance and Administration Director, responsible for fair trade certification for COCLA (a cooperative of small coffee producers in Peru which is represented by the CLAC)

88: Raúl Claverí Jarandilla, Board member of COCLA

89: Jos Harmsen, Max Havelaar Netherlands staff responsible for development and producer relations (1988-present)

90: Raúl Del Aguila, ex-president of the CLAC, Director of COCLA

91: Marc Bontemps, Director, Oxfam Wereldwinkels (Belgium) (1990-2003)

92: Martin Kunz, first Chairman of the Board of Gepa (1989-1994), former general secretary of TransFair International (1992-1997), first executive secretary of FLO (May-August 1997)

93: Elizabeth Carney, Managing Director of Fair Trade, Oxfam America (1989-1994)

94: Bob Thomson, Founder and Managing Director of TransFair Canada (1994-2000)

95: Sasha Courville, founder of the Fair Trade Association of Australia and New Zealand, Executive Director of ISEAL (2005-present)

97: Tia Loftsgard, staff, Transfair Canada (2009-present)

98: Rosario Castellon, Founding Director of PRODECOOP and organizer of producers in Latin America

99: Former staff member at FLO

100: Marjoleine Motz, Coordinator of the International Coffee Register (1994-2001)

101: Bob Thomson, Founder and Managing Director of TransFair Canada (1994-2000)

102: Former Board member of Fair Trade USA

103: Jonathan Rosenthal, co-founder of Equal Exchange and pioneer of fair trade in the United States

104: Jos Harmsen, Max Havelaar Netherlands staff responsible for development and producer relations (1988-present)

105: Martin Kunz, first Chairman of the Board of Gepa (1989-1994), former general secretary of TransFair International (1992-1997), first executive secretary of FLO (May-August 1997)

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[1] In accordance with the FLO policy for spelling and capitalization, this chapter will only use "Fairtrade" to describe the certification administered by FLO, after its establishment in 1997: "The term Fairtrade is used to describe the certification and labelling system governed by Fairtrade International….The term Fair Trade is used to refer to the Fair Trade movement as a whole and the organizations that abide to the high principles of Fair Trade. This includes both labelled and unlabelled goods and the work of Alternative Trade Organizations, Fair Trade federations and networks such as EFTA." (FLO 2011d)

[2] I use the words 'mark', 'label', and 'certification' interchangeably.

[3] I would like to acknowledge the Tinker Foundation, the Watson Institute for International Studies, and Brown University for their research support.

[4] The individuals interviewed for this project generously - and trustingly- allowed me into their memories, homes, hectic schedules, and (sometimes) even filing cabinets! I wish to express my sincere gratitude for their time and patience with my questions and correspondence, and for their important work in making trade fair. This history belongs to them, though I (of course) accept all errors as my own.

[5] Whenever possible, I used primary sources to verify the un-cited assertions in published works. For this reason, this chapter does not reference many of the books and articles that provide historical data.

[6] This chapter is part of my dissertation project, which traces and analyzes producer participation in Fairtrade governance over time. I acknowledge that this is an abbreviated and incomplete history, and welcome corrections.

[7] Equal Exchange Trading Ltd is an ATO in the Edinburgh, Scotland, and is entirely independent from the aforementioned Equal Exchange based in the United States.

[8] These organizations are EZA Dritte Welt (Austria), Magasins du Monde – Oxfam and Oxfam Wereldwinkels (Belgium), Solidar'Monde (France), Gepa (Germany), CTM (Italy), Fair Trade Organisatie (the Netherlands), (Alternativ Handel) Norway, O.S.3 (Switzerland), and Oxfam Trading and Tradecraft (United Kingdom) (EFTA, 1994).

[9] Note that at this time producers did not contribute financially to the administration costs of labeling (Interview 100).

[10] Note that the organization's official name was spelled according to British English tradition (double 'l'), though many American authors publish the name according to American English tradition (single 'l').