With Friends Like These: The Corporate Response to Fair Trade Coffee

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Abstract

Capitalist agriculture is highly exploitative of both producers and the environment. Fair trade is a movement attempting to mitigate this exploitation, partly by baiting corporate actors into the arena of "ethical production." In the coffee industry, major corporations are responding by discrediting fair trade and branding themselves as ethical. While falling well short of addressing the real demands of the movement, the proliferation of "ethical" labels resulting from this response threatens to destroy fair trade's own ethical brand.

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1. Introduction

People must feed themselves to live. Marx, writing in the mid-nineteenth century, recognized that this basic activity, channeled by the structures and processes of a capitalist system, would be heavily destructive of workers and the environment, hence his famous passage concerning capitalist agriculture "undermining the original sources of

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all wealth—the soil and the worker" (Marx [1876] 1976: 638). While there was ample evidence of this tendency even in Marx's day, the facts of capitalist food production and exchange today suggest that those who grow food, and the environments in which it is grown, both suffer heavily for the bounty found on supermarket shelves. This article provides an analysis of a struggle being waged between the major coffee roasters and retailers (a group representative of the major beneficiaries of this system) and the fair trade movement (a social movement aimed at mitigating the costs imposed by this system on producers and natural environments).

The fair trade movement's goals involve the creation of a system of production and exchange that is based on a decidedly noncapitalist formation. It has done so until fairly recently by trying to connect producers and consumers in a solidaristic trade network that operates outside of the mainstream system of production and distribution. In recent years, however, movement organizers and activists have turned their attention to directly challenging the major corporate interests in food production in an attempt to get them to change their purchasing practices. Using a case study of the coffee industry, this article charts the corporate response to this challenge, assesses the degree to which it addresses the demands made by social movement organizations on behalf of producers and the environment, and suggests some likely consequences of the movement's decision to bait and threaten corporate actors into the fair trade system.

The article begins with an outline of the fair trade movement's critique of conventional coffee production and exchange, and an overview of how production and exchange carried out under the fair trade certification system attempts to address the immiseration and exploitation of producers and the degradation of the ecosystems in which coffee is grown. It then proceeds to gauge the recent effectiveness of the movement in expanding its alternative trade network, and documents its decision to bring fair trade "into the mainstream" by challenging corporations—particularly the "big four" (Nestlé, Sara Lee, Kraft, and Procter & Gamble [P&G])—to purchase fair trade certified coffee for their major brands. A description and assessment of the corporate response to this challenge follows, drawing on social movements scholarship to determine how far this response goes in terms of meeting movement goals. We close with a discussion of how fair trade's decision to target these major corporations, particularly by engaging in a struggle based on the power of brands and logos, has introduced new, potentially fatal threats and hazards to the movement.

2. The Fair Trade Critique of Commercial Coffee Production and Exchange

Fair trade's origins stretch back over fifty years. Church and solidarity groups based in Europe and the United States (groups such as SERRV, Ten Thousand Villages, and Oxfam GB) began direct sales of needlework and other crafts from Southern producers and refugees. This marked the beginning of alternative trade organizations (ATOs), which worked to establish direct connections between Southern producers and Northern consumers in an alternative trade network. They relied primarily on previously existing social networks and specialty shops for their sales. In an effort to build on these origins, fair trade organizations established relationships with Southern farmers and began selling primary commodities within the alternative trade network. The effort to bring fair trade goods into mainstream distribution channels began with the first fair trade labeling initiative, Holland's Max Havelaar, in 1988. Max Havelaar was founded in response to a request from a Mexican coffee cooperative for fair prices for coffee, rather than conventional aid. Today, fair trade in coffee continues as a collaborative effort between Northern importers and consumers, and Southern farm cooperatives. These latter have diverse roots. Some arose from state-sponsored organizing. In Mexico, for example, some co-ops grew out of "economic units of production and commercialization" organized by the Mexican Coffee Institute (INMECAFE) in the early 1980s. When co-ops became disillusioned with their continuing exploitation at the hands of INMECAFE, which was dismantled in 1989, they used this initial organizational base to develop autonomous cooperatives. Others emerged from community-level organizations such as *ejido* councils in Mexico.

Fair trade coffee is produced and sold as an explicit alternative to conventional processes of production and exchange. Fair trade coffee organizations, like Equal Exchange in the United States, the UK's Fairtrade Foundation, or international umbrellas like the Fair Trade Labeling Organization (FLO), argue that the conventional coffee market fails producers and the environment in the South, diminishes consumers' coffee quality over time, and primarily serves the interests of a few large corporations that dominate the roasting and retailing end of the commodity chain. A typical summary of the fair trade critique, this one pulled from the Web site of the FLO, highlights the problematic distribution of the gains from the international coffee trade:

> While the coffee industry's profits are setting all-time records, coffee farmers in Africa, Asia and Latin America are despairing . . . (with) millions losing their livelihood and many more who can no longer pay school fees, medical care and even hunger. At the same time, the five multinational companies that buy 70% of the world's coffee have never earned more. The world's biggest coffee buyer Nestlé posted a 2001 profit of about 4.5 billion euros, 16% higher than the year before. Kraft Foods over 2001 have increased with 16% to approximately 4.5 thousand million euro. Sara Lee/DE reported a 1st-quarter 2002 net profit increase of 6.6%. (FLO-International 2005)

Fair trade's most audible claim is that conventional coffee production and exchange creates poverty for producers in the South. Power relationships at each point along the commodity chain result in producers receiving only a small portion of the final retail price. Small-scale producers have little bargaining power when they sell to local intermediaries, who often have a monopoly on transportation from remote growing areas to the processing facility (Raynolds 2002: 404). Exacerbating the problem, the coffee roasting industry is highly concentrated, providing these companies with tremendous oligopsony and oligopoly power in the world coffee market. The "big four," combined with Germany's Tchibo, together buy half of the world's harvest (Oxfam 2002: 25).

In the United States, the top two corporations, P&G and Kraft, account for 64 percent of ground coffee sales, worth over a billion dollars (*Market Share Reporter* 2004). European markets are also highly concentrated. In France, for example, Sara Lee/Douwe Egberts and Kraft control just over half of the roast and ground coffee market (Giovannucci and Koekoek 2003: 106). As a result of both the extended commodity chain and the power relationships in each link, the original producer receives little of the final price. The inevitable result of this system is that, even in the best of times, producers in the South live a precarious existence, the abysmal human consequences of which are well documented elsewhere (Jaffee, Kloppenburg, and Monroy 2004: 171; Oxfam 2002).

Buried more deeply in the fair trade discourse is a critique of large-scale agriculture and land-ownership concentration. Oxfam describes how conventional coffee production and exchange inevitably create problems for the financial viability of small-scale producers. As they are forced off the land, ownership becomes more concentrated, forcing those who were previously landowners into either the urban informal sector or the rural landless labor market (Oxfam 2002: 12).

In addition to criticizing the impact of conventional coffee production and exchange on the producers, their rural communities, and cities, fair trade also points out that conventional coffee produces environmental degradation. Fair trade contrasts the environmental impacts of its own, small-scale producers with those of large-scale industrial farms. In their "Fair Trade FAQ," the NGO Global Exchange claims:

> "Sun-cultivated" coffee involves the cutting down of trees, monocropping, and the input of chemical fertilizers and pesticides. This type of industrial coffee farming leads to severe environmental problems, such as pesticide pollution, deforestation and the extinction of songbirds through habitat destruction. . . . We believe that small farmers are the best stewards of the land, with the highest interest in living in and passing on land with healthy soil, free from harmful pesticides to their children. Paying farmers a fair wage with incentives for ecological practices is the best way to encourage sustainable farming. (Global Exchange 2005)

3. Fair Trade Methods and Goals as an Implicit Critique

To rectify the profound inequalities of the coffee economy and the toll it exacts on farmers, fair trade, building on the early work of ATOs, has mobilized growers and consumers into an alternative trade network. The network is designed to provide strategic gains for producers through the stabilization of coffee prices, increased incomes, greater security of land ownership (and thus an increased ability to avoid absorption into the system of wage labor), and more sustainable ecologies of production. Fair trade importers purchase directly from producer organizations under long-term agreements. Producers participating in the network are guaranteed a minimum price (currently $1.26/lb) for their crop, receive a price premium when the world price is above this minimum, and are offered 60 percent of the contract price as advance credit. In addition, the fair trade movement deliberately attempts to provide an alternative to large-scale agriculture and ownership concentration by only certifying small-scale farms that are not dependent on wage labor. The implicit goal is to maintain the viability of smallholdings, which mitigates against both concentration of land ownership and inflating the reserve supply of landless laborers. Furthermore, by offering price premiums and technical assistance for organic and shade-grown varieties of coffee, the fair trade movement is facilitating a shift toward environmentally sustainable forms of coffee production.

Producers must also form cooperatives to be registered with the FLO.[1] Since producers do not use wage labor and must be organized in democratically controlled cooperatives,

1. While FLO does have a set of "generic fairtrade standards" for hired labor, these were introduced at the request of Southern producers of tea, a sector in which there are almost no producer cooperatives, and almost all production is of the plantation variety. At the time of writing, there were no fair trade–certified coffee plantations using hired labor, and board decisions suggest that there are unlikely to be any in the future (personal communication, H. Weinrich, TransFair Canada, Feb. 7, 2005).

fair trade supports a noncapitalist production relationship (Hudson and Hudson 2004: 138). Cooperative organizations extend benefits to farmers in the form of increased control over surplus and by creating space for democratic practice in the disposition of that surplus. The surplus remaining after paying members for their harvests is distributed based on decisions taken by an elected co-op board and by votes taken at general membership meetings open to all members. In addition to investment in cooperatively owned processing and transportation equipment, producers have allocated surplus to fund such initiatives as cooperative corn mills, agricultural training programs, health clinics, school buildings, bus lines, farm-supply stores, and micro-credit schemes. Additionally, in Mexico (where our field research was conducted), cooperatives assist one another through a nest of regional, state, and national umbrella organizations that provide technical, administrative, and marketing supports.

While the democratic disposition of surplus marks a noncapitalist organization at the level of the cooperative, noncapitalist relations also dominate the allocation of labor and income at the household level. Here, gender relations provide the primary cues for the distribution of work and reward. While this article lacks the space to address the nondemocratic, gendered dynamics of household labor and control over income, we must note that, while women's management of and work within the subsistence arena are valorized by cooperatives associated with fair trade,[2] a gender-based allocation of labor and income in which men traditionally hold power over cash-earning activities is obviously not an egalitarian system. Further, women in many cases still occupy marginal (and in some cases no) roles in cooperative management (Hudson 1998: 190–91).

By mobilizing more Northern consumers into the fair trade network, the movement does increase financial support for the political and economic struggles of Southern producers. Simultaneously, it pursues another goal: challenging the legitimacy of commodity-based societies' tendency to separate commodities from their production processes. In attempting to change the thought process behind the purchasing decision—from immediate self-interest to include a consideration for the impact of consumption activity on the lives of producers and the environment—fair trade is attempting to encourage what different authors have described as: a "norm change" (Levi and Linton 2003: 419), "anti-hegemonic consciousness raising" (Simpson and Rapone 2000: 55), or a process of "cognitive liberation" (McAdam 1982: 34). One of the key goals of the fair trade movement, implicit in every comment about "a mug of social conscience" or "justice in your cup," is to question the legitimacy of the separation between commodities and the processes underlying their production and exchange. In so doing, fair trade attempts to erode the increasing prevalence of commodity fetishism (Hudson and Hudson 2003).

This is not to say that consumers never take the production process into consideration. It is important to distinguish between fair trade's attempt to bring the social and environmental relations of production into consumers' decision-making process and production processes that lead to a difference in product quality. For example, beer brewed by Trappist

2. Fair trade organizations and the cooperatives with which they are partnered emphasize the importance of dedicating land and labor to subsistence production to avoid overdependence on cash crops like coffee. Integrated crop management, as one of the FLO-International criteria for producers, requires a diversity of crops on coffee farms, much of which is for subsistence. A survey of one cooperative's members showed that about 60 percent of land is planted with a polycrop of corn and beans, and that 95 percent and 74 percent of these crops, respectively, was dedicated to household consumption (Martinez Quezada 1994: 117).

monks is preferred to the more mass-produced variety and ice wine is distinguished from wine more conventionally produced. Clearly, in these cases the production process that goes into the product is considered by the consumer, and highlighted by the firm. However, the consumer is only considering these production differences from a narrow, self-interested perspective in that the process contributes to product quality and the firm is certainly not highlighting the conditions of its workforce or its impact on the environment. So it is not a commitment to the unique lifestyle of the Trappist monks that prompts the consumer to drink this particular beer, but the supposedly distinct quality.

Workers and solidarity groups, however, have attempted to weave labor conditions into consumer consciousness, primarily in the context of boycott campaigns. Boycotts have been used to convince Nike to exert some pressure on its subcontractors to improve working conditions or Taco Bell to increase the price it pays its tomato pickers by a penny a pound (Nieves 2005: A06). Even when boycotts are successful, as was the case with the "Boot the Bell" campaign against Taco Bell, fair trade is considerably more ambitious and potentially transformative. Boycotts are lifted when the usually abominable conditions that they were attempting to address (in the tomato pickers' case these included indentured servitude) are rectified, allowing the production process to again fade into the background. While fair trade certainly borrows some of the rhetoric of these struggles (Hudson and Hudson 2004: 136), by inexorably linking a product with its impact on both the producers and the environment, fair trade offers more than a sporadic glimpse into the social and environmental consequences of our consumption decisions.

4. Fair Trade Movement Effectiveness

One approach to evaluating movement success is to examine the effects of fair trade on Southern producers' livelihoods and on the environment. Case study research suggests that for those coffee growers integrated into the fair trade movement, significant advantages have indeed been realized. Economic security for fair trade producers has been improved through increased incomes, price stability, and reduced dependence on single cash crops. A measure of political autonomy and empowerment is obtained by producers' control over surplus, and there is progress in moving toward ecologically sustainable coffee-growing practices (Hudson and Hudson 2004; Ronchi 2002). The strategic concern of the fair trade movement has thus become one of expanding the scale of the movement, securing strategic gains for its current producer organizations, and extending them to more farmers. This, activists realize, is dependent on the movement's ability to move more coffee under the fair trade label by increasing its sales and brand recognition.

Coffee is a mature industry with fairly static sales in the developed world. In the United States for example, per capita sales of coffee have fallen considerably, from 10.3 pounds in 2000 to 9.2 pounds in 2002, returning total sales to their 1998 level. The European market is quite similar. Although Europeans drink more coffee per person than do Americans, each European consumed 11.8 pounds of coffee 2002, down from 12.1 in 1998. This trend appears even starker when the value of sales is considered. Between 1998 and 2002, the value of ground coffee sales in the United States fell from \$2.4 billion to \$1.6 billion (*Market Share Reporter* 2002, 2004).

Table 1
The Fair Trade Coffee Boom

Sales of Fair Trade Coffee ($ millions)	2000	2001	2002	2003
United States (US$)	64.0	86.0	131.0	208.0
Canada (CN$)	4.8	8.3	12.8	19.8
United Kingdom (£)	15.5	19.0	23.0	34.0

Source: 2003 Report on Fair Trade Trends in U.S., Canada, and the Pacific Rim
http://www.fairtrade.org.uk/about_sales.htm
Transfair Canada

However, there are several specialty markets that have expanded dramatically, including fair trade. While starting from a very low base, with less than 1 percent market share in North America, fair trade sales have boomed. As indicated in Table 1, sales in the world's largest coffee market, the United States, more than tripled between 2000 and 2004. Growth has also been strong in European countries. For instance, have more than doubled in the UK between 2000 and 2004. The scale of the movement is also reflected in the number of organizations participating in it. At the consumer end, fair trade has 350 registered traders across the world, and 550 licensees in Northern countries. On the production side, the fair trade movement now has eight hundred thousand member families of farmers and workers in forty-eight countries; half of these organizations are coffee producers.

In addition to increased sales volumes and value, UK numbers show a strong increase in the visibility of fair trade products and movement demands. According to the trade magazine *Brand Strategy,* "unprompted recognition of the Fairtrade mark in the UK has risen from 12% in 2000, to 25% in 2003" (Doonar 2004), and 42 percent of the population associate the mark as "guaranteeing a better deal for Third World Producers" (Doonar 2004). Media reports presenting fair trade as a positive alternative to the mainstream coffee market, implying that the mainstream market was unfair to producers and to some degree unethical, proliferated. A Lexis-Nexis search on fair trade yields 125 relevant articles of this sort from mainstream print media outlets between March, 2003, and February, 2005.

In the United States, high-profile actions such as Global Exchange's threatened boycott of Starbucks in 2000 grabbed sustained national media attention. The industry's major roasters and retailers have begun to take notice. Warily monitoring media coverage of the fair trade movement, the roasters' American trade association, the National Coffee Association (NCA), noted in 2003:

> Coverage in *TIME* magazine of the basic definitions of Fair Trade, Bird Friendly, and Organic coffee may indicate that these issues are beginning to make inroads into the general consciousness of American society, but also the fact that the article is about defining the basic terms of the discussion may indicate that awareness is still in the beginning stages. (NCA 2003)

Not only has fair trade achieved the recognition of coffee consumers and producers, it has also been recognized by many of the organizations it has targeted in the political field. For example, Oxfam (2002) has suggested that liberalization and export promotion strategies implemented at the behest of international lenders have exacerbated the coffee crisis by contributing to the problem of oversupply (Dhaun 2002). Institutions like the World Bank have responded by forming discussion groups that recognize the role of fair trade organizations in correcting the growth of poverty and crisis (Lewin, Giovannucci, and Varangis 2004). The International Coffee Organization (ICO) has approvingly cited Oxfam's "What's in Your Coffee?" campaign (ICO 2002), one element of which is the promotion of fair trade–certified beans. As of February 2007, 269 towns, villages, and cities in the UK have officially been dubbed "Fairtrade Towns." The U.S. Congress requires their vendor to serve fair trade coffee (Subcommittee on the Western Hemisphere 2002: 59); and although they did not bring in or listen to fair trade representatives, several members of the U.S. Congress supported and cited the fair trade movement in their July 24, 2002, hearing *The Coffee Crisis in the Western Hemisphere.* The weight of concern has resulted in the United States announcing plans to rejoin the International Coffee Organization (Wayne 2004).[3]

The growth of fair trade sales and its increase in visibility over the past decade have been impressive. However, the movement's effectiveness—evaluated relative to its goals of making exchange relations more equal, transforming the social relations of production in coffee-growing regions, and transforming the cognitive processes underlying consumption—remains hampered because of its limited access to the coffee market. Producer cooperatives registered with FLO find that they can only market about half of their members' harvests as fair trade. As a result, movement activists began assessing their options for extending advantages to producers (Hudson 1998; Cervantes Trejo undated). They arrived at the conclusion that to expand the scale of the movement (and the benefits to Southern producers), they needed to engage with the major industry players. In so doing, the "big four," along with Starbucks, became the primary targets of the fair trade movement. This represented a shift from an initial phase of fair trade mobilization to a "Phase II."

During Phase I (which is ongoing) consumers and producers have been mobilized to make more viable and healthy the institution of smallholder farming in Southern coffee-growing regions by supporting and participating in its alternative model of production and exchange. The movement also sought to develop in Northern consumers an ability to recognize *how* a product is produced *as part of the product's value.* The successes of this phase, as documented above, forced the second phase, in which movement organizations have sought institutional change within the oligopolized coffee market by affecting the purchasing and retailing behavior of the "big four."

Phase II has been characterized by an extended process of negotiation, with movement activists coaxing and prodding corporate targets with a combination of exposure, challenges, threats, and, in some cases, qualified public accolades. To leverage change from the corporations, movement organizations have drawn on the experiences of previous anti-corporate mobilizations and on their targets' heavy investment in brand recognition and value. Corporate branding, a prominent marketing strategy which manufactures a favorable reputation for a commodity, also makes corporations vulnerable to the social movements that bring attention to the ways in which products do not live up to their sunny brand reputations (Klein 2000). For example, the International Nestlé's Boycott Committee and other infant formula critics effectively threatened Nestlé's reputation, resulting in the

3. The United States left the ICO in 1989, complaining that the ICO was not a free trade organization. It is rejoining on the basis of its assessment that the ICO has now assumed the free market position.

corporation's 1981 decision to adopt the WHO/UNICEF International Code of Marketing of Breast Milk Substitutes (Sikkink 1986). The successes of other social movements—including not only the breast milk campaign targeting Nestlé, but also the antisweatshop campaign targeting Nike—in targeting brands in the 1990s have provided a consumer-action frame (Snow and Benford 1992) for the fair trade movement.

The efforts of fair trade activists, the (not unrelated) rise in "ethical consumption," and the stagnant market for conventional ground coffee have elicited a response by the "big four," to which we now turn.

5. The Corporate Response to Fair Trade Coffee

Corporate responses to fair trade can be broadly grouped into two quite different, but complementary, strategies. The first is a critique, based on the economics of supply and demand, of the means that fair trade uses to fulfill its goals. The second is a campaign to demonstrate that the "big four" recognize the movement's basic concerns as legitimate and real, and that they are proactively moving to address them with a variety of initiatives.

5.1. Delegitimation: Discrediting Fair Trade

While it may appear to be a daunting task to discredit a movement whose goals include a better standard of living for those in poverty, greater ecological sustainability, and increased democratic participation in the economy, this is precisely what the coffee industry has set out to do. The cornerstone of the multinationals' critique is the sacrosanct law of supply and demand in a market economy. The "big four" claim that the fair trade movement ignores the relevant market forces, asserting that the fair trade critique is compassionate but naïve as to the causes of the producers' difficulties, and that its solutions would actually exacerbate the crisis (see, for example, Nestlé 2003: 4).

According to this interpretation, the problem for producers of coffee is that they are presently the victims of unusually low prices; there are several reasons offered for the decline in green coffee prices, all of which reflect the normal functioning of the free market (and, implicitly, none of which reflect oligopolistic conditions in the food industry). Although the demand for some types of coffee has grown in recent years, most notably specialty coffees, this price-increasing trend has been overwhelmed by several supply factors that caused the price to fall precipitously from May, 1997 through October, 2001—a decline from which prices have yet to recover. Most obviously there has been a dramatic increase in the quantity of coffee in the market as several countries, notably Vietnam and Brazil, have increased production in an effort to increase their export earnings. It is also worth noting that these countries are low-cost producers because of favorable growing conditions, and in Brazil's case because of the depreciation of the *real* and the adoption of more large-scale, intensive farming techniques. Less obviously, there has been a technological change in the production of coffee that has improved the taste of the cheaper robusta bean (produced in Vietnam), a productivity increase the roasters claim as a benefit to Northern consumers (Lindsey 2004: 5).

If oversupply of coffee is the problem, argue the "big four," then fair trade is doing a great disservice to coffee producers by attempting to maintain a minimum price. Without a price floor, plummeting prices force high-cost producers out of the industry, reducing supply, forcing the price back up, and restoring profitability to the remaining producers, the roasters instruct. Of course, such market-based "solutions" require that producers exit from the market, which coffee companies are quick to portray as diversification into other food crops or voluntary employment in the wage labor force (Nestlé 2003: 5), rather than as the mass exodus of small-scale producers into coca production, the urban informal sector, and further poverty.

The second market solution put forward by the coffee companies is increasing prices through product differentiation, both in the form of niche quality markets and the more intangible brand associations of modern marketing. Nestlé and Kraft have publicly stated that marketing (both for the industry as a whole, and their brands in particular) is an important component of re-establishing a higher price (Nestlé 2003: 12; Baue 2003: 2). One of Nestlé's advertised means of addressing the producer crisis in the coffee industry is their participation in the "positively coffee initiative," which aims at "increasing consumption by projecting a positive image of coffee among the public" (Nestlé 2003: 15). To include both specialty coffees and marketing as possible means to access price premiums through product differentiation, but exclude fair trade's concentration on process, seems like a rather arbitrary, even self-contradictory, decision. On closer examination, this decision holds important clues, to which we will return, as to why the "big four" have opted to reject fair trade in favor of other strategies.

5.2. Preemption: Appropriating Fair Trade Goals

Although the corporate coffee world has been quick to criticize the methods of fair trade, they have taken a much more conciliatory tone on some of its goals. Fair trade has highlighted the plight of the small-scale producer and the environmental problems caused by large-scale, sun systems of coffee growing. In the face of this publicity, and associated pressure from political centers (see Subcommittee on the Western Hemisphere 2002), coffee corporations have been compelled to demonstrate that they are sympathetic to these problems of suffering and environmental degradation, and that steps are being taken to ameliorate them.

The primary manifestation of this is the industry-wide adoption of the language of corporate responsibility and caring. All of the "big four" members now prominently declare their commitment to corporate responsibility on their Web sites, documenting the steps that they are taking to become good corporate citizens by improving the welfare of suppliers and improving environmental sustainability. The "big four" have used a variety of approaches aimed at improving the living standards of growers: charity, direct buying, training, and improving the working conditions on coffee farms. The following section uses the "big four"'s own statements in these areas to outline their solutions to the problems highlighted by the fair trade critique. Table 2 provides a summary of corporate responses to the fair trade movement's demands.

Fair trade movement organizations claim that the social control of the surplus enabled by the democratic ownership structure of the cooperative makes possible a greater commitment to community-wide social projects such as housing, health, and education. The "big four" have pointed out that they have also fostered social programs through their charitable donations. For example, through its Kraft Cares philanthropic arm, Kraft provides "daily meals and improved education programs for children whose parents work on coffee

Table 2
Movement Demands and Corporate Responses

Movement Demand	Corporate Response: Sara Lee	Nestlé	Kraft	Procter & Gamble
Fair price for farmers	Increase consumer demand	Increase consumer demand. Direct buying program: "In coffee producing countries where the company has a Nescafé factory, it has set up buying stations where farmers can sell their coffee directly to Nestlé" (Nestlé 2003: 6). 110,000 tons purchased under this program in 2002 (price paid US$0.97/lb). 2005 launch of fair trade–certified coffee "Partner's Blend" in Britain.	Increase consumer demand. Premium paid on Kenco brand is "up to 20% above current market price" (McAllister 2004). (At Nov. 2004 market price, a 20 percent premium would be 0.96 cents/lb, over 20 percent less than fair trade.)	Increase consumer demand. 2004 launch of fair trade–certified coffee "Mountain Moonlight" to be sold to wholesale accounts (universities, restaurants) and online. Represents an estimated 2-3 million lbs of Procter & Gamble's total 500 million-lb imports.
Price stability	None	Volatility "inevitable" (Nestlé 2003: 5), but has called for an international agreement to stabilize coffee prices. Partner's Blend	None	Worked with National Coffee Association to persuade the US to rejoin the ICO (which it has). Mountain Moonlight
Poverty alleviation	None	Technical assistance through Nestlé Agricultural Services to produce better quality coffee (focus on "better use of fertilizers, productivity increase, and overall quality improvement"). For those unable to produce higher quality beans, switch to other crops, or "other activities" (wage labor). Need to reduce tariffs on farm products from the South and phase out farm subsidies to Northern farmers (Nestlé 2003: 7, 5). Partner's Blend	"Kraft Cares" philanthropy programs.	$1.5 million donated to TechnoServe to "create long-term solutions that can make coffee growing profitable for as many people as possible, such as by improving the quality of coffee. Solutions for those who may not succeed at coffee growing include exploring alternative crops" (Procter & Gamble 2003). US$10 million donated to relief efforts such as health clinics and schools. Mountain Moonlight

(continued)

Table 2 (continued)

Movement Demand	Sara Lee	Corporate Response Nestlé	Kraft	Procter & Gamble
Reduced commodity dependence	None	Encourages switching to production of other commodities (some tech assistance) and shift to "other activities" (Nestlé 2003: 5). Partner's Blend	"Encourages" technical assistance, interim financing, and freer access to markets for transition to alternative crops.	Mountain Moonlight
Ecological sustainability	SAI member (Sara Lee/DE)	SAI member Partner's Blend	SAI member; Kenco brand, Rainforest Alliance certified.	Launch of Millstone brand's new Rainforest Alliance certified coffee. Mountain Moonlight
Cooperative organization	None	Partner's Blend	Kenco brand	Mountain Moonlight
Increased control over commodity chain	None	Locates 11 of 27 coffee processing plants in developing, coffee-producing nations. Partner's Blend	None	Mountain Moonlight
Integrated development	None	Philanthropy: (e.g. helps finance construction, maintenance, and staffing of a junior high in Veracruz). Partner's Blend	"Kraft Cares" philanthropy programs.	Philanthropy: (e.g. helped finance school construction and operations in Huehuetenango). Mountain Moonlight
Reform of labor process	SAI guidelines.	SAI guidelines. Partner's Blend	SAI guidelines. None	No use of child or forced labor, no business with vendors employing child, prison, indentured, or bonded labor, or using corporal punishment or other forms of mental or physical coercion as a form of discipline. Mountain Moonlight
Altering the mentality of consumption (seeing process)	None	Partner's Blend		Mountain Moonlight

Note: SAI = Sustainable Agricultural Initiative.

farms" in Costa Rica. It also assists with "the development of school facilities on seven coffee plantations in Panama," providing an alternative to bringing children into the fields with their parents (Kraft 2004: 3). P&G claims to spend around US$10 million on "relief efforts" that include clinics and schools (Procter & Gamble 2003: 28).

Fair trade also attempts to shorten the commodity chain by cutting out intermediaries so that a larger proportion of the final price remains with the producer. One company has responded by developing a fairly substantial program of direct buying that purports to do much the same thing. In countries in which Nestlé has a factory, it has set up stations at which 110,000 tons of coffee were purchased directly from producers in 2002.[4] In Thailand, Nestlé's direct buying program reportedly paid 1.5 to 2 times as much as local traders (Nestlé 2003: 6).

The benefits of the direct-buying program should not be dismissed, as it certainly *permits* the small-scale producer to obtain a greater share of the final retail price. It is worth observing that Nestlé, which has the largest processing presence in the coffee-producing regions, is the only company that is engaged in this practice and it operates this program only in the eleven countries in which it has factories. While the direct-buying program may not be widespread, it is certainly the type of initiative that could improve incomes for producers without running counter to the profit-maximizing requirements of coffee companies. Eliminating the intermediaries would logically create room to pay producers more for their crop. However, the extent to which this benefits the producers is far from certain. The lack of independent, third-party verification means that we must rely on Nestlé itself to quantify the benefits of its program. Even if Nestlé is accurately reporting the price premium paid to producers, important information about the program remains unknown. For example, what is the overall impact on producer incomes? It is possible that without intermediaries, producers will have to transport their crops further, reducing the benefit of the price premium. The lack of independent, third-party monitoring is one of the characteristics that distinguishes corporate dabbling in ethical production from fair trade.

The coffee companies have also provided money for training programs as a way to increase coffee producers' incomes. For example, P&G donated $1.5 million over ten years to TechnoServe (motto: "business solutions to rural poverty") to implement programs to help farmers improve the quality, and thus the price, of their coffee, and to explore alternatives to coffee production (P&G 2003: 27). Similarly, Nestlé provides technical assistance to farmers through Nestlé Agricultural Services.

Improving the quality of coffee harvested by producers is an objective of both fair trade organizations and the "big four." The distinction between the two on this score is that fair trade differentiates its coffee on the basis of production process, but reasons that this will not be possible unless its coffee is of reasonable quality. The "big four," on the other hand, are more interested in differentiating on the basis of quality or consumer lifestyle, without making a commitment to the process by which the production takes place, arguing that the price premium of high quality coffee will trickle down to producers. This is an important distinction, highlighting both the coffee companies' general unwillingness to differentiate on the basis of production differences (especially social as opposed to environmental conditions) and the roasters' enthusiasm for virtually any other form of differentiation.

4. For purposes of comparison, the Fair Trade Labeling Organization sold 15.8 metric tons worldwide in the same year.

Finally, three of the "big four" have signed onto the Sustainable Agricultural Initiative (SAI), which, among other things, provides guidelines for the treatment of workers on coffee farms large enough to use hired labor. The guidelines listed seek to eliminate the most abusive labor practices. Guidelines include: provision of bathrooms; limiting child labor; the right to form unions; eliminating discrimination; permitting religious freedom; preventing behavior that is sexually abusive, coercive, or threatening in nature; and abiding by national labor laws (SAI 2004: 6–8).

While there is obvious merit in ending odious practices like sexual harassment and discrimination, the extremely limited ambition of the SAI in terms of improving the living standards of workers is worth noting. This is not a document that addresses the fundamental power imbalances in labor or commodities markets, nor does it make a commitment to anything like a "living wage." It states only that workers should receive "remuneration according with their tasks and abilities" and that they have the right to "receive wages in legal tender," although "compensation with merchandise, vouchers, tokens or any other symbolic means may be agreed upon" (SAI 2004: 7). In fact, the SAI's labor guidelines are more of a damning indictment of current practices than a particularly enlightened program for the fair treatment of workers.

It is also possible that even these limited ambitions might be difficult to realize given the lack of detail on how these guidelines will be monitored and enforced. The SAI working group is still in its early stages, having just completed a review of eleven pilot projects in 2006. However, there are some real problems not only with the low labor standards, but also with the method of monitoring and enforcement. The SAI states only that a neutral entity that hosts the practices and verification systems "could be explored." However, as it currently stands, there is little in the SAI to ensure that even the signatories follow their own guidelines. This difficulty is exacerbated since many of the standards would not only apply to the signatories but to their farm suppliers, who would be even more difficult to monitor and enforce.

In response to the fair trade criticism of the environmental impacts of conventional coffee farming, many companies in the coffee industry have started to position themselves as leaders in environmental sustainability. Both P&G and Kraft have agreed to offer coffee certified by the Rainforest Alliance. Unlike the SAI, the Rainforest Alliance has concrete guidelines for monitoring its standards. Although it is up to the producer to implement a system of monitoring, they must be able to "demonstrate . . . compliance with program standards" (Sustainable Agriculture Network 2002: 9). As has been pointed out elsewhere (Hudson and Hudson 2003: 425–26), the Rainforest Alliance's strategy of engagement with the corporate community inevitably results in standards that are quite different from those guaranteed by fair trade under the FLO certifying scheme. While the Rainforest Alliance standards do insist on shade trees, the maintenance of forests, and protection of wildlife, they also permit (although discourage) the use of agrochemicals, and they have bare-bones social requirements. For example, workers must receive compensation equal or superior to the legal minimum wage, and must have the freedom to organize (Sustainable Agricultural Network 2002: 3). There is no guarantee of a minimum price to the producer or a commitment to noncapitalist relations of production.

Finally, while Sara Lee and Kraft steadfastly refuse to sell any coffee under the fair trade label (Roosevelt 2004: 4), Nestlé is launching fair trade–marked Partner's Blend in response to heavy boycotting pressure in Europe (Cookson 2005) and P&G is launching a

Table 3
Gamson's Social Movement Outcomes

		Fair Trade Legitimacy	
Strategic gains		Full	None
	Many	Fair trade growth	Preemption
	None	Co-optation	Fair trade collapse

fair trade line called Mountain Moonlight under its gourmet Millstone brand. P&G claims that they have "a goal of being a leading fair trade seller," by importing two to three million pounds of fair trade coffee per year at some point in the near future. However, should even this vague commitment be realized, three million pounds represents far less than 1 percent of the 500 million pounds P&G is estimated to import annually (Reiber 2004).

6. Assessing Corporate Response: Movement "Outcomes"

A wide range of options was, and is, open to corporations in their responses to the fair trade movement. At the one extreme, corporations could do absolutely nothing, while at the other they could sell 100 percent of their coffee as fair trade. In general, companies are much closer to the "do nothing" end of the spectrum as even the two companies that have introduced a fair trade–certified product over time, P&G and Nestlé, are limiting fair trade beans to niche market products. For example, P&G limits fair trade beans to its more expensive Millstone brand rather than its broader-selling Folgers brand. Broadly speaking, the response of the "big four" replicates the response of the food industry to the "natural foods" movement that first emerged in the 1960s. Belasco's (1989) thorough documentation of this movement illustrates in great detail the ways in which corporations worked to ameliorate rising consumer concerns about the health of processed foods, while maintaining high profits and vitiating the more radical, communitarian content of the movement.

To get a little more precise, we have applied our observations of the corporate response to the fair trade movement to Gamson's (1975) schema for assessing social-movement outcomes (see Table 3). Of the raft of such schemas available from the social movements literature (see Giugni 1998 for a review), we have chosen Gamson's early model since it seems the most straightforward and relevant to our concern about whether goading the "big four" will likely result in lasting benefits for producers. It is not perfectly accurate to speak here of "outcomes," as Gamson does, since the movement challenge is ongoing. However, the response both in terms of its rhetoric and content are well enough formed that we can discern the strategies and goals of the corporate countermobilization. These countermobilizing trends are early indicators of probable outcomes. Following Gamson's (1975) lead, we dissect fair trade on two outcome dimensions: legitimacy and strategic gains.[5] "Legitimacy" refers to a change in the relationship between the challenging group (the fair trade movement) and its antagonists (the "big four") (Gamson 1975: 31). "Strategic gains" are realized if the potential beneficiaries of the challenging group—coffee producers and the environment—receive what fair trade sought for them (Gamson 1975: 34).

5. We have modified Gamson's labels to more accurately reflect the specific struggle between the fair trade movement and the "big four." Gamson labeled the categories "acceptance" where we employ "legitimacy," and "new advantages" where we use "strategic gains."

6.1. Fair Trade Legitimacy

Legitimation of the fair trade movement implies organizational changes in the social movement and in its targets. At issue on this axis is whether the movement's targets view movement organizations as legitimate voices for producer and consumer interests, and whether corporations actively engage with fair trade organizations in attempting to address movement demands. Fair trade has made overtures to and met with Starbucks and with the "big four" roasters. Yet, according to Robert Nelson, president and CEO of the National Coffee Association of U.S.A., Inc., the big roasters had not even broached the subject of coffee labeling by 2002, two years into the movement's major push to engage them (Subcommittee on the Western Hemisphere 2002: 93).

While more recently, multinational roasters have begun to dabble in retailing limited amounts of fair trade coffee, the roasters have simultaneously attempted to deny that the fair trade organizations are legitimate representatives of coffee producers. The NCA flatly asserts that social responsibility "is up to the roasters" to decide (Subcommittee on the Western Hemisphere 2002: 100). Fair trade leaders and members—organizers, certifiers, and producers—have not been consulted by or included in the "big four" corporations or their trade organizations. On the issue of the coffee crisis, the NCA prefers to confine their interactions to meetings with the World Bank, US AID, and the Inter-American Development Bank, rather than with fair trade organizations (Subcommittee on the Western Hemisphere 2002: 81). The NCA tries to avoid mentioning the words "fair trade" publicly, but does *monitor* fair trade's presence in the news. Fair trade representatives have not been included in the ICO, which once represented consumers, producers, capital, and national interests through their state members, but which has been reformed to give a stronger voice specifically to capitalist interests. In sum, legitimation indicators so far show partial acceptance of the fair trade movement by corporate targets.

6.2. Strategic Gains

While the "big four" initially tried to ignore fair trade, the roasters' extension of some new benefits to producers followed on the heels of pressure from the fair trade movement. P&G and Nestlé have entered into limited formal agreements with fair trade; buying policies have changed to a lesser degree at Kraft; and other corporate policy changes have resulted from fair trade pressure. Nestlé and P&G responded to fair trade by promoting coffee price stabilization and backing the ICO; Nestlé, Kraft, and P&G have promoted charity programs in producing communities; and Nestlé, Kraft, and Sara Lee have joined the SAI. Kraft, through its Rainforest Alliance–certified Kenco brand, attempts to address fair trade's environmental concerns.

These proliferating corporate policies do not meet fair trade grievances, but do constitute feints in the fair trade direction. They can be understood not merely as rational economic actions based on the strategic imperatives of maintaining brand value and expanding market share, but as a corporate countermovement. The "big four" have bought minimal amounts of fair trade coffee, while they have refused to include fair trade coffee in their mass-market brands. They and their trade organization continue to maintain that charity and further marketing subsidies for roasters are the only appropriate supplements to their shared goal of increasing consumer demand for coffee. All the while, the corporations sustain their Malthusian mantra: a price floor for farmers will result in too many farmers producing too much coffee.[6]

Corporate countermovement is evident in the oligopolists' efforts to replace new fair trade advantages to producers with diluted substitutes. Their ethical trading initiative supports an anemic labor conditions agreement (the SAI) that merely demonstrates how wretched the existing labor conditions are. It is a far cry from the independence afforded coffee workers by the fair trade stipulations. Further, as expressed by the NCA, sustainability means only that "coffee is bought and sold based on the free trade model" (NCA 2004).

Corporate charity programs are no substitute for fair trade community control of social investment. The very conventional charitable responses of the "big four" fall well short of the much more transformative notion of "economic justice," which is the stated goal of fair trade. First, charitable contributions are highly discretionary, at risk of being pulled in response to declining profits or a diminishment in what Brammer and Millington (2004) call "stakeholder pressure."[7] Second, charity legitimizes the relations of power that characterize the economic relations between corporations and the people who produce for them, and between the North and the South more generally. A sense of *noblesse oblige* characterizes charitable giving, and the limits of corporate "social responsibility" are swiftly encountered once some of the most visible symptoms of unequal power (malnutrition, illiteracy, visible exposure to toxins) are (temporarily) addressed.

The fair trade concept of justice implicates the relations of power and inequality that make charity both necessary and insufficient. While both the fair trade movement and their corporate targets have focused—to varying extents—on the redistribution of income from the North to the South and from corporations to small farmers, the vehicles of that redistribution—justice and charity—are radically different. In contrast to the concept of economic justice promoted by fair trade that permits producers developmental agency, the modern history of charity has been characterized as the history of elites' attempts to keep money out of the hands of the poor, replacing it with less fungible goods (Zelizer 1994: 131).

Finally, the ICO is at long last acceptable to American roasters and their representatives in the U.S. government only because the ICO was reformed to formally service the corporations, rather than represent and mediate producer and consumer interests as it used to. Together these corporate countermovement programs reinforce "big four" dominance, subverting producer agency, and thus they cannot relieve coffee-producing communities.

7. Sowing the Wind? Fair Trade's Strategic Dilemma

At the end of the first, mobilizing phase of the fair trade movement, the producing and consuming working people who were the "Phase I" targets of the movement *tended toward*

6. As is true of all Malthusian arguments, this argument black-boxes capitalist accumulation's role in fabricating scarcity, and tacitly assumes that producers cannot organize, innovate, and accrue political and economic power to control their own output. In other words, the Malthusian argument assumes that poor people are objects obeying a multiplicative function, rather than human subjects.

7. Brammer and Millington group together those with a financial stake (shareholders, creditors) and those with a moral concern (such as social movement actors) under the banner "stakeholders." However, their analysis does suggest that pressure from outside the corporation to uphold an ethical standard is a significant determinant of corporate giving.

full response. They tended to accept the movement, as strategic gains were seen to be available to growers. Northern consumers sympathized with movement goals, and the frame of "unfairness" resonated with a small, but significant and growing, portion of the public. But fair trade has run up against a heavily concentrated market and faces structural impediments to increasing consumers' access to fair trade coffee. Even gaining space on supermarket shelves becomes problematic given the structure of the system of food distribution. New market entrants face high barriers in the form of an established system of supplier payments to retail chains in exchange for shelf space (Vorley 2003). The "big four" thus maintain a virtual lock on access to supermarket consumers. Their refusal to buy fair trade coffee to sell in most of their brands, motivated by the threat of reduced profit rates, has meant that fair trade coffee has had to rely on more marginal distribution outlets, limiting its expansion. In this context of industry intransigence, upcoming industry challenger Starbucks presented a real opportunity for fair trade to piggyback into the mainstream market. To avert a threatened boycott coordinated by Global Exchange, Starbucks agreed in 2000 to sell a very limited quantity of fair trade coffee, marking fair trade's initial success in baiting coffee giants. How can we characterize the results of that strategy to date?

While Sara Lee in particular seems to be committed to pushing the fair trade movement into the bottom-right quadrant of Gamson's typology (collapse),[8] the outcome of the "big four"'s efforts to date are, as a whole, closer to the quadrant of preemption. Our analysis suggests that the reforms undertaken by corporate targets in response to the fair trade movement follow a common logic aimed at weakening the movement's recent gains by drastically watering down strategic gains to producers, minimizing emergent threats (particularly to brand value), and attempting to capture a portion of the expanding market in specialty coffee with "caring" and "ethics." Simultaneously, they attack the fair trade movement as both unnecessary and harmful to the resolution of the coffee crisis. While the coffee companies have shown a range of individual responses, they have—with two minor and tentative exceptions—all refused to engage seriously with the fair trade system, opting instead for more flexible and moderate certification systems and discretionary charitable gifts.

8. Explaining the Corporate Response: Profit or Politics?

The resistance to fair trade and the willingness to engage in these other options beg an explanation. Competing, or possibly complementary, explanations are offered by the microeconomic theory of the firm, by a theory of social movements in which corporations form an industry-based political bloc to resist emergent threats to entrenched industry leaders, and finally by a class-based theory in which corporate leaders, as class representatives, struggle to reproduce the necessary conditions for capitalist accumulation. Given our observations, it seems that our case cannot select between the explanations, because the interests of the "big four" as individual firms, as an industry-based social movement, and as a class, coincide. This, of course, need not always be the case. If, for example, selling fair trade coffee was clearly profit-enhancing for the individual firm (say, in the event that

8. Sara Lee's response is succinctly summarized by the statement: "we're not in favor of paying artificial prices and consumers aren't willing to pay extra for their coffee, despite what they say in market research" (Doonar 2004: 24).

unsustainable ecological practices in industrial farming led to increasing chemical input costs, driving up its costs of production relative to the organic production of fair trade producers), it could pose a genuine conflict between the self-interest of the firm to minimize costs, on the one hand, and the collective interest of the industry as a countermobilizing social movement organization, and indeed capital as a class, on the other. However, this has not yet occurred in the contemporary coffee industry.

8.1. The Firm

From the individual firm's point of view, the cost-minimizing strategy, even given the emergence of threats to brand value based on the incursion of "ethics" into consumption decisions, is to reject fair trade. The gains in revenue to be derived from taking on the fair trade label do not, in their assessment, compensate for the costs incurred in meeting fair trade's requirements. This rejection is perhaps in reaction to fair trade's strategic bundling of structurally intertwined ethical issues, including land ownership, increased producer incomes, environmental sustainability, and incorporating production criteria in consumption decisions. In fact, the very basis of the ethical component of fair trade is virtually guaranteed to increase the input costs to firms, and possibly erode the roasters' outstanding profit margins. This is not *only* true because of the price premium, which the corporations may or may not be able to pass on to consumers. The entire ethic surrounding long-term relationships is antithetical to searching for the lowest input prices. P&G thereby tout their policy as a pragmatic imperative: "(We) pay prices based on the marketplace and (we) must do so in order to maintain competitive prices for our consumers" (P&G 2003: 28).[9] Therefore, a rational firm should attempt to garner the ethical tag without the unfortunate cost-inducing criteria that are a fundamental component of fair trade.

This explanation seems to fit the "big four" response quite well. By publicly acknowledging the social and environmental impacts of coffee production while arguing that the fair trade solution is misguided, the roasters are attempting to brand themselves as ethically responsible corporations. Simultaneously, they avoid the increased input costs of fair trade behavior, the associated loss of market dominance, and the possible diminishment of the startlingly high profit rates they have built up under the existing political economy of coffee. It is certainly worth noting that the two companies that have so far committed to sell fair trade have done so in a very limited manner. They have submitted only a small fraction of their total sales to fair trade's cost increases while conferring the ethical tag on the entire company.

8.2. The Countermobilizing Bloc

Meanwhile, the "big four"'s minimizing strategy also defends their interests as an industry bloc. It works as an effective countermobilizing social movement against threats posed by an increasingly visible and effective challenger, by undermining the "unique"

9. This statement would have more weight if the producers' share of the final retail price were not so small and the share of the Procter & Gamble markup so large. Margaret Levi and April Linton (2003: 411) argue that it is the roaster-distributors that have the largest value added in the coffee commodity chain, making three to five dollars a pound compared to the 20 to 40 cents a pound earned by the small-scale producer, or even the 70 cents a pound of the large landowner.

claim to ethical production and exchange that fair trade has labored to establish for its logo. The responses of the "big four" function not only to protect brand value and increase market share, but to delegitimize fair trade as a valid tool for addressing poverty and to decrease the power and content of the fair trade logo.

It may seem odd at first blush to view corporations as "social movement actors." However, consider the corporation in light of Gamson's delineation (1975) of the five features of successful social movement organization in the United States: corporations are *single-issue demand* organizations—first, last, and always, they demand profits; they use *selective incentives,* or private rewards given to cooperators, to regulate people (Gamson 1975: 58);[10] their *disruptive threat* is enormous; they are massively *safeguarded from violence* by capitalist states enforcing property laws, and to lesser extent by private security; they are *bureaucratized;* and they maintain *central coordinating organizations*—these include colonized state and inter-state agencies, think tanks, trade organizations, and political action committees (PACs).[11]

In addition to their colossal marketing budgets aimed at influencing the opinions and behavior of the public,[12] the "big four" mobilize considerable economic resources in their countermovement efforts to influence government at local, national, and transnational levels. To take a local example, when Berkeley's 2004 Measure O asked citizens to join many UK cities in deciding that coffee sold in town should be either organic or fair trade, the Chamber of Commerce fronted an opposing political group that it called "Friends of All Small Farmers." Friends of All Small Farmers was led by the chairman of the Berkeley Chamber of Commerce Board of Directors and senior vice president for TransAction Companies. The chamber hired a public relations firm executive to run its successful Friends of All Small Farmers Anti-Measure O campaign, with funding provided by publicly traded Peet's Coffee, Starbucks, P&G, and Kraft, as well as the chamber's own PAC. "Hopefully this (defeat) will discourage similar initiatives in other (American) communities," said Green Coffee's Vice President Jim Reynolds (National Coffee Association 2005).

Nationally, from 1998 to 2004, Altria (Kraft's parent company) and Nestlé lobbied the U.S. Senate 152 times on the issue of labeling. Data on the amount spent lobbying specifically on coffee-related issues are unavailable. However, the parent companies of the "big four" spend tremendous sums influencing political decisions. In the same period, Altria spent over $101 million on lobbying, while Nestlé spent over $8 million, P&G spent over $21 million, and Sara Lee spent $1.6 million, for a combined "big four" six-year federal U.S. lobbying budget of over $132 million. P&G was the International Trade Administration's 6th most insistent lobbyist, while Nestlé ranked in the top fifty (Center for Public Integrity 2005). Given all of this, in political-economic contexts similar to that of the United States, we would be justified in concluding that the corporation is the privileged and template social movement organization.

10. Selective incentives include material and social sanctions, as well as emotional, identity, and long-term rewards.

11. The factors Gamson's analysis correlates with social movement success are presented succinctly in Guigni 1998.

12. Nestlé alone boasts a $2.5 billion annual marketing budget (Benady 2005).

In the South, the influence of the "big four" on national and regional governments is difficult to gauge. Lobbying activity and corporate donations are not documented as thoroughly in many producing countries as they are in the United States, veiling the corporate influence on political decisions in these countries. However, it appears that in many producing countries the State has an ambiguous, if not contradictory, attitude toward fair trade cooperatives. On the positive side, States are keen to generate the additional foreign exchange from the high-value cash crop sales that are part of fair trade. Fair trade cooperatives in Mexico have taken advantage of State loans and technical services. On the other hand, violence against fair trade coffee-producing cooperatives, perpetrated by State-sponsored paramilitaries, is not uncommon. State behavior toward producer cooperatives in Mexico, for example, seems to be a function of each cooperative's associations (or lack thereof) with other local and national political movements. Local and national political struggles likely have more to do with this violence than the State's responsiveness to any particular corporation's influence (as opposed to their responsiveness to local and transnational capital as a whole).

8.3. The Capitalist Class

Finally, the corporate response guards against fundamental threats to the capitalist system that lie under the fair trade movement's surface. Two less widely discussed but fundamental objectives of the movement involve deep transformations in the acts of production and exchange. The first is fair trade's encouragement of noncapitalist relations of production in the South. The producer cooperatives supported by fair trade involve worker control over the means of production, an important critique of—and counterexample to—the wage labor relationship on which the capitalist system depends. The second is fair trade's attempt to shift the cognitive terrain of consumption outward from an exclusive consideration of price, quantity, and lifestyle association to the inclusion of production processes. By explicitly connecting the act of purchasing to the process by which a product is produced, fair trade works to lift the veil under which the conditions of commodity production take place. Were purchasers to carefully consider the social and environmental conditions in which many products are produced, and challenge the notion that control over the production process is the exclusive right of capital, it could begin to compromise institutions and relationships that are currently profitable for the capitalist class as a whole.

It is here that we see more clearly the reasons for the seemingly arbitrary distinction made between differentiation based on process and that based on product. Such a distinction becomes much less arbitrary viewed in light of class-based politics aimed at preserving the foundations of capitalist accumulation. The strategy to accept and even promote differentiation based on lifestyle associations, while rejecting differentiation based on process, reflects a long-standing and visible commitment on the part of capital to black-box the production process.

A glancing review of labor and industrial history is enough to reveal capital's interest in maintaining exclusive control over the production process. The development of the Wagner Act provides just one prominent example (Domhoff 1990). Christopher Martin (2004) observes that the media industry labors to promote consensus around the following elite stances: that the public are simply consumers; that production is none of the working public's business but is instead the sole purview of owners; that the site of production is an inner sanctum of utopian meritocracy that must be safeguarded from the pollution of collective action; and that the economy is driven by great business leaders who make "tough choices."[13] In contrast, the idea that consumers and workers (especially the latter) might intervene to actively shape production processes is antithetical to capitalist production. It represents a seed of economic democracy.

9. Consequences of the Corporate Response for Fair Trade

While some extremely watered-down advantages have been extended to producers as a result of the "big four"'s attempts to don the cloak of caring, the fair trade movement's strategy of baiting the "big four" into the ethical arena carries an enormous long-term threat to the movement. While no "outcome" is yet visible, the trend of the corporate preemptive response raises the possibility of movement collapse. This threat is inherent in the nature of the "good" that fair trade is actually selling, and in consumers' ability to discern its quality. Essentially, fair trade asks consumers to pay a premium based on the quality of the production process—on the consequences of production for workers and for nature. No information about this process can be derived from the experience of consuming the product, nor can it be discerned by eyeballing, weighing, or squeezing prior to purchase, as one would test the quality of a cantaloupe. Fair trade is thus reliant on conveying this information to consumers through the uniqueness of its logo. The fair trade logo provides a guarantee of a particular production process embodied in the commodity. By washing the market in claims of philanthropic largesse, ethical treatment of producers, labor codes, and sustainability-certifying labels, the coffee corporations are undermining the uniqueness of the fair trade label.

Fair trade organizations may have contributed to the "big four"'s ability to do so. The implicit fair trade critique of capitalism remains only a subtext in the North, and becomes increasingly difficult to foreground as the movement attempts to mainstream its distribution channels. While the relations of production supported by fair trade, and its model of solidarity-based exchange, carry the potential for a critical interrogation of the moral and economic logic of capitalist development, the public faces of fair trade in the North have shied away from putting this forward. Rather, they tend to focus on the issues of fair prices and environmental sustainability. In our interviews, most producers expressed a similar conviction that the cooperatives' primary role ought to be commercial. However, fair trade's potential as a tool for broad, anticapitalist transformation was recognized and

13. The industry trade association's recent media analysis report correspondingly affirms that "The NCA media strategy is to maintain its acceptance by national media as a primary source of information on trade and market issues regarding the U.S. coffee industry." To that effect, the NCA appeared during the 1st quarter in *The Wall Street Journal*, *San Francisco Chronicle*, *Washington Times*, *Denver Post* and Reuters and Oster/Dow Jones articles providing expert commentary on coffee trends, as well as listed in the *Cleveland Plain Dealer*, *Atlanta Journal Constitution*, *Columbus Dispatch* and others as an authoritative source of information about coffee . . . . The National Coffee Association continues to be presented as an expert and impartial source of information on the industry and coffee consumer. (NCA 2003)

explicitly discussed by a number of cooperative leaders in Mexico. To take just one example, an informant from a cooperative in Chiapas told us: "I believe that in addressing the issue of poverty, people will have to start talking about power and about other political questions which are the roots of poverty."[14] Another reports: "while (our cooperative) focuses still on the marketing of our coffee, now it also aspires to be able to accompany a process that is underway . . . to transform reality in the countryside. It goes beyond just economics."[15] The differences in the (public) discourse of Northern fair trade organizations and the views of some of their partners in the South reflect the former's current emphasis on making fair trade palatable to the "big four" and to mainstream retailers. By failing to foreground the noncapitalist relations of production that set fair trade coffee apart from competing "ethical" and "sustainable" systems—in short, by failing to publicly criticize the underlying structure of capitalism—fair trade becomes more vulnerable to brand dilution.

The ability of the coffee corporations to create confusion among purchasers by offering labels that compete with those of fair trade exists because of the asymmetry of roasters' and consumers' access to information. Presumably, if consumers had perfect information about the production process behind the competing labels, they could easily detect the "less stringent" label. However, consumers rarely have perfect information. While labels are visibly distinguishable from one another, with differential emphases on environmental or economic labeling criteria, the effect of proliferating labels on consumers is one of clutter and confusion. In Seattle, arguably coffee's North American consumer Mecca, the confusion was such that the local paper felt compelled to run an explanatory guide to the forest of competing labels to help consumers navigate the distinctions between coffees branded as organic, shade grown, sustainable, fair trade, fairly traded, or fair traded (Batsell 2004: A1). It is, in short, likely that in the labeling example, the creators of the labels will have substantially more information about the actual production processes represented by the label than will the consumers.

The problems associated with information asymmetries in a market were first famously analyzed by George Akerlof (1970). He used the market for lemons (used cars, not citrus fruit) under the assumption that, having owned the car, the seller would have more complete information about the quality of the car than the potential purchaser. His conclusion was that under imperfect information the inferior product would crowd out the superior.

The "lemons" problem is not insurmountable or else as consumers we would be flooded with little but substandard fare, and goods of high quality (however that is defined by the buyer) would cease to exist. Interestingly, one of the solutions to the asymmetry problem is branding as a guarantee of quality (Stiglitz 1979). Brands are likely to solve the information problem for goods that are subject to repeat purchases and for which quality differences are easy to detect. We can use these two criteria to determine the likelihood of the fair trade coffee label surviving the information asymmetry problem.

Coffee is certainly subject to repeat purchases, but it is difficult to detect the "quality" behind the production claims on a label. The term "credence" goods is used to describe those products that either require additional, costly information searches to determine

14. Author interview, San Cristóbal de las Casas, Chiapas, May 24, 1997. Names of informants and organizations have been omitted to preserve anonymity.

15. Author interview, San Cristóbal de las Casas, Chiapas, May 26, 1997. Names of informants and organizations have been omitted to preserve anonymity.

quality even after the purchase, or where the buyer must trust the seller about the usefulness of the product (an example of this might be medical services). Fair trade coffee should be considered a credence good in that any quality defects in the production process will not reveal themselves in the consumption of the product, as would be the case with cars. Only with an extensive search could information about the precise nature of the labeling guarantee be discerned.

The quest for label information is made more complicated and costly by any attempt to conceal information by the low-quality label. Robert Kerton and Richard Bodell argue that when firms are producing an inferior good, it is often useful to advertise in an effort to conceal product information (1995: 14). This certainly seems to be the case in the coffee industry where companies are loudly promoting their commitment to social causes, often using language very similar to that of fair trade organizations. Given the hidden nature of the production information behind a label and the incentives for coffee companies to conceal their own production practices behind competing labels, it is unlikely that a brand alone will solve the information problem of distinguishing between high- and low-quality labels.

The proliferation of "ethical" brands and highly publicized proclamations of corporate social responsibility cloud the legitimacy of movement claims concerning the injustice of unequal relations of exchange, and threaten to dilute the power of the fair trade label, which has struggled to attain a reasonably high degree of recognition. Thus, the threats now looming over fair trade—arising out of its success at baiting the corporations into participation—reveal that it suffers from the same Achilles' heel that allowed it to leverage movement from the "big four" to begin with: brand dependence. Its own brand (the fair trade logo) is threatened as it struggles to differentiate itself from the proliferation of "ethical" brands and competing labeling schemes, such as those introduced by the corporations as well as the Rainforest Alliance and the Smithsonian Migratory Bird Center.

While the preemption of strategic gains for producers is an egregious immediate problem for the movement, it is corporate preemption's impact on consumers that could be devastating in the long term. This is not to say that the threats to the movement are certain, or necessarily fatal. While the strong growth in fair trade sales experienced in recent years is likely to suffer as a result of the proliferation of competing labels, fair trade organizations have a number of options. Importantly, fair trade organizations have maintained and developed the solidaristic markets operating outside the mainstream system of food distribution that were the cradle for fair trade. Producers and consumers still exchange through channels such as specialty roasters and solidarity shops that are independent of the supermarkets, and therefore less susceptible to "ethical" brand dilution. Additionally, movement actors and organizations continue to fight to distinguish the fair trade label from its competitors (though their ability to create and contest information in mainstream media is dwarfed by that of the "big four").

One of the implications of the foregoing analysis is that the aspect that distinguishes fair trade most clearly from its competitors is its commitment to a democratic, noncapitalist form of production. An effort to foreground this dimension of the fair trade label offers some potential to minimize the threat of preemption by multinationals, to which the practice of economic democracy is indigestible. However, this would involve trade-offs in terms of access to markets. The majority of fair trade coffee sales take place in conventional stores, not specialty shops. In 2002, while fair trade specialty shops in the United States moved $7.5 million worth of coffee, conventional shops (cafés, restaurants, and supermarkets) sold $56.9 million (O'Brien 2002). Moving away from using the "big four" and their distribution outlets as a vent for fair trade coffee would require an alternative growth strategy rooted in rebuilding and extending solidarity and alternative markets.

10. Conclusion

The manner in which fair trade coffee is produced and exchanged presents a strong criticism of many of the practices of conventional coffee production and exchange. As the sales of fair trade coffee have grown, and the critique of conventional coffee has become more widespread, coffee companies have countermobilized in two ways. First, they have attempted to discredit the means by which fair trade aims to improve the social and environmental conditions under which coffee is produced. Second, they have undertaken a variety of measures to convince those consumers who may be concerned about companies' practices of production and exchange that they are taking meaningful steps to address the social difficulties of the coffee producers and the environmental impacts of coffee production. However, these steps have been tightly constrained by the dictates of profitability. Selling fair trade coffee, which would increase input costs, is eschewed in favor of projects that are less costly but still enable firms to brand themselves as ethical. Unfortunately, the companies' projects fall well short of truly addressing the fair trade criticisms.

The "big four"'s less-ambitious ethical branding will create an information problem in the market for ethical coffee. Ethical labels signaling credence goods are unlikely to benefit from the branding solution to information asymmetry. The result of an intractable information asymmetry is that the "bad" product will crowd out the good, and the upgrade market will collapse. While this is only one case study applied to a labeling project that is among the most ambitious, and therefore potentially costly to its targets, it nonetheless suggests an inherent obstacle—information—to any social movement relying on consumer-based pressure tactics to convince corporations to behave in a more ethical fashion.

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