

BELGIAN SCIENCE POLICY

Scientific Support Plan for a sustainable development policy (SPSD II)
Part I. “Sustainable consumption and production patterns”

*A Fair and Sustainable Trade, between Market and Solidarity:
Diagnosis and Prospects*

FINAL REPORT

Coordinator: Marc PONCELET(Prof., Université de Liège)

Teams:

Service Changement Social et développement, Université de Liège (dir. Marc PONCELET)

Centre d’Economie Sociale, Université de Liège (dir. Jacques DEFOURNY)

Marketing Department, Management School Universiteit Antwerpen (dir. Patrick DE
PELSMAKER)

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A Fair and Sustainable Trade, between Market and Solidarity

– Final Report –

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A. INTRODUCTION

I. The research

This research project addresses the general issues of sustainable development. Its objective is to analyse fair trade and its potential extension as a sustainable and responsible means of production and consumption from the point of view of North-South relations, economic fairness and also as a new ethical way of consuming in the North.

We examine all the stages of fair trade in terms of their economic, social and marketing aspects. This interdisciplinary research was conducted by three teams, the *Changement Social et Développement* (CSD) service and the *Centre d'Economie Sociale* (CES) of the *Université de Liège* (ULg) and the Department of Marketing of the University of Antwerp (UAMS). It aims to provide a new and scientific basis for fair trade, both theoretical and empirical, by combining different technical approaches.

Our interdisciplinary method has the following stages:

- Evaluation of producers:
 - An analysis of the socio-economic conditions experienced by the producers, how they are organised and their businesses environment;
 - Field studies on the effect of fair trade, on its efficiency in reducing poverty and comparison of this form of aid with typical development projects. The comparisons involve two different cultural regions: sub-Saharan Africa and Latin America;
 - Theoretical projection of fair trade effects (institutional economy, sociology of social movements...).
- Evaluation of industry sectors:
 - An economic evaluation of the sectors of fair trade: analysis of prices and added value through the collaborative application of the new Fairtrade Labelling Organisation method for determining prices (the products studied are coffee and bananas);
 - A marketing analysis of the distribution strategies for fair trade products;
 - Theoretical projection using modelling and conceptualisation of fair trade;
 - Analysis of voluntary workers and human resources in sales points.
- Evaluation of consumers:
 - Analysis of the demand for fair trade products, consumer profiles and their purchasing behaviour;
 - Theoretical projection of fair consumption as a social engagement / responsibility.

II. Objectives of the research

Having recognised that there was little scientific basis for describing the dynamics of fair trade, our main objective was to demonstrate that it is a field of analysis that is relevant to economists and sociologists and that economic and social theories can shed new light on the subject. The method involves exploring the existing theoretical information that may

provide a conceptual basis for fair trade. At the same time, we felt it was necessary to associate an inductive phase with this in order to identify the specificities of the sectors. As part of this, we conducted an in-depth analysis of the fair trade sectors by means of field studies conducted by mixed teams. During meetings with the management committee, two industries were chosen because their characteristics made them suitable for a strict methodological approach: coffee and bananas. At the same time, a different method was used to study the honey sector.

Through a combination of theoretical analysis, field studies and a marketing analysis, the main objectives of this research are as follows:

- Analyse fair trade throughout the sector (from producer to end-consumer) and its potential for extension as a sustainable and responsible means of production and consumption within the context of North-South relations, fairness in economics and as a new ethical mode of consumption in the North;
- Compare the fair trade approach with typical development projects and analyse its strengths and weaknesses as a means of preventing poverty and providing fairness in North-South relations;
- Provide a reliable conceptual and theoretical basis for fair trade combining its economic, social and marketing aspects;
- Conduct a marketing study of fair trade;
- Produce scientifically justified recommendations relating to fair trade support policies.

III. Expected results from the research

- Provide a conceptual basis for fair trade, as much from an economic perspective (analysis in terms of government economics, non-profit organisations (NPO) theories, the social economy and the solidarity-based economy and putting it in perspective alongside theories on conventional international trade) as from a sociological perspective (sociology of industrial relations, sociology of consumption).
- Develop a method that is appropriate for the research's objectives based on proven methods used for evaluating development projects which can be adapted to the different situations found in the field and which allow an in-depth analysis of the various experiences.
- Shed light on the socio-economic realities of the production environments based on field studies that examine both the economic and socio-anthropologic aspects of fair trade at a local level. These evaluations are different from traditional studies on effects because, firstly, they are based on a strict method and, secondly, they are aimed at providing information for the theoretical analyses that were done.
- Evaluate fair trade as a development project, i.e. in terms of efficacy, efficiency, effect, viability and relevance criteria.
- In collaboration with the Fairtrade Labelling Organisation, prepare comments on the new method for determining fair prices and analysing the price elements that they create.
- Provide an in-depth understanding of the market for honey.
- Contribute to a view of fair trade in terms of international trade standards.

- Develop profiles of consumers of fair trade products and of the commitment to fair trade (voluntary workers, human resources in world shops¹) and, possibly, a typology.
- Conduct a marketing study to define different types of consumer profiles and to provide a better understanding of the optimal distribution and communication strategies for fair trade products.
- Produce conclusions concerning the potential and the conditions for extending fair trade.

¹, World shops' are called *Magasins du Monde* in the French-speaking part of Belgium and *Wereldwinkels* in the Dutch-speaking part of the country.

B. RESULTS

I. Theoretical approaches to fair trade

1. Conception and scale of fair trade

1.1. Conception, protagonists and origins of fair trade

According to FINE², 'Fair trade is a trading partnership based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.

Fair trade organisations (backed by consumers) are actively engaged in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade. (...). The strategic objective of fair trade is:

- deliberately to work with marginalized producers and workers in order to help them move from positions of vulnerability to security and economic self-sufficiency;
- to empower producers and workers as stakeholders in their own organisations ;
- actively to play a wider role in the global arena to achieve greater equity in international trade.' (FINE, October 2001).

For the European Fair Trade Association (EFTA, 1998), fair trade has the following characteristics:

- 'A production price that allows producers and their families to reach an adequate living standard (this means a **fair price**, advance payments when necessary and a long term trading relationship);
- A production environment that does not weaken the producers physically, psychologically or their welfare in the short or long term;
- Production that is sustainable economically and environmentally, in other words, that satisfies the needs of the current generation without putting at risk the needs of future generations;
- Use of the most efficient distribution routes between producer and consumer that eliminate speculators and useless intermediaries;
- Preferential treatment for production, trade and sales that involves local production from small or medium companies and a fair distribution of revenues;
- A communication campaign in the North to raise awareness of the relationship between consumer choices and living and working conditions in the South;

² FINE is a network that was created in 1998 by FLO-I: Fairtrade Labelling Organisations International; IFAT: International Federation for Alternative Trade; NEWS!: Network of European World Shops ; EFTA: European Fair Trade Association.

- An awareness campaign to try and change the unfair structures of international trade.' (EFTA, 1998: 5-6).

Based on these concepts³, for the purposes of this report we have considered fair trade to be a trade relationship based on the idea of a partnership between social players in the North and South aimed at changing normal trade practices by fixing new trade rules (determining a fair price, advance payments, stable relations...) and making northern hemisphere consumers and governments aware; these changes should contribute, *in fine*, to improving the economic (campaign against poverty), social (human themes, welfare) and environmental (cf. sustainable development) conditions for producers in the South.

Fair trade organisations can be divided into five types (Krier, 2001):

- Producer organisations: they produce a variety of marketable products and export them to the market countries.
- Fair trade importing organisations: they buy products from producer organisations, paying them a fair price.
- World shops: non-profit making specialist shops for fair trade products. They sell the products to their customers and provide a variety of information and education oriented activities.
- Fair trade labelling initiatives: they promote the labels and they bring fair trade products into mainstream sales outlets such as supermarkets.
- Fair trade related organisations: organisations that aim to help (product development, skills...), financial organisations (ethical investments...), Non-Governmental Organisations managing awareness-raising activities.

Next to these fair trade organisations, there are also four European fair trade networks (Krier, 2001): International Federation for Alternative Trade (IFAT), European Fair Trade Association (EFTA), Network of European World Shops (NEWS!), Fairtrade Labelling Organisation (FLO International).

In Belgium, a number of importing organisations are active (Krier, 2001):

- Oxfam World Shops (Wereldwinkels and Magasins du Monde).
- Fair Trade Organisatie (a subsidiary of a Dutch fair trade organisation).
- Maya Fair Trading, an organisation focusing on honey and honey-based products.
- Max Havelaar Belgium is a fair trade labelling organisation, accrediting coffee and bananas in more than 1,000 supermarkets.

There is no formalized national fair trade forum, but many Fair trade organisations meet on a regular basis in order to develop closer relationships.

Theoretical basis

In terms of theoretical basis, fair trade seems to have inherited two philosophies. Firstly, a rejection of the operating principles of free trade. Fair trade has its roots in the

³ A broader definition of 'fair trade' (MORI, 2000; Verschoor and Alberts, 1999) is very similar to what is also known as 'social responsibility' of companies: putting their social responsibility alongside their economic responsibility. These companies have a certain kind of openness (transparency) and/or take care of social problems, fair trade, animal welfare, etc.

solidarity-based economy approach that first appeared in the Middle Ages (guilds, brotherhoods, warden ships, apprenticeships and corporations) and which inspired 18th and 19th century Utopian sociologists (Saint-Simon, Fourier, Proudhon, Owen, Blanc...) and Christian socialists (F. Le Play et A. De Melun). In this respect, it is aimed at correcting the harmful effects of a failing economic system that is incapable of meeting its promises of satisfying the needs of all (cf. Laville, 1994). Secondly, the movement for a more equal trade is part of backlash against modern liberal economic policies that have led to the appearance of 'third-worldism'. This second inheritance introduces the North-South component to social criticism of the market. Whilst negative comments about the inequality of North-South trade started to appear before the end of the colonial period (cf. the book 'Max Havelaar' from which the certification fair trade organisation takes its name), the relationship with cepalian reformism and its rejection of the '*termes de l'échange*' or the even more radical version from Marxist theories on dependence (Amin, Franck and Emmanuel, with their concept of unequal exchange) seems obvious even if less explicit nowadays. Today, whilst the partisan element has been reduced (to avoid anti-Marxist reactions), themes related to the changing way in which we think of the South have been added to the issue of unequal trade between the 'central' countries of the North and the 'peripheral' countries of the South: themes relating to environmental issues, sustainable development and gender are important themes for the main non-governmental organisations today.

Fair trade was part of economic globalisation long before the anti-globalisation movement⁴ appeared and is an alternative to normal trade, a way that could lead to '*more fairness and greater solidarity in the world*' and has the advantage of having already proven its feasibility and a degree of efficacy. Despite this, there is no reference to fair trade in any of the founding texts of the anti-globalisation movement, nor in the communiqués issued by different alternative summits, from the podium of ATTAC to the demands of social organisations participating in Social Forums. The subject is very rarely discussed in the specific anti-globalisation spheres.

Whilst there is no question that the players in fair trade are also part of the anti-globalisation sphere, they are clearly not amongst the founders of the main events of the anti-globalisation network. Whilst they quickly joined the anti-globalisation movement on a massive scale once it had become capable of creating huge media events, the promoters of fair trade and economic solidarity were generally almost absent when they were formed and developing their central themes⁵. This is why, even though it seems easy in theory, the partial convergence of guidelines (Snow D. *et al.*, 1986) did not occur until later. One had to wait until Cancun 2003 and the World Social Forum in Bombay to observe the meeting, albeit partial, between these two great international networks.

A second differentiating factor is the tendency for fair trade to be part of a 'more reformist' and more institutionalised fringe than most of the pure anti-globalisationist. The latter recognise the relevance of fair trade but also point out its limitations⁶. It has to be

⁴ In French, the term 'altermondialisation' is more and more often used instead of that of 'anti-mondialisation' (anti-globalisation). It refers to 'another globalisation', with a more human and social dimension. A close notion is that referred to by the World Social Forum, in its Charter of Principles, as 'globalisation in solidarity'.

⁵ Fair trade seems to be more developed in the English-speaking world than in Europe or Latin America whose alliances led to the formation of the Social Forums.

⁶ The position adopted by a think-tank close to ATTAC clearly shows this view: 'developing a society with solidarity will not be achieved by creating islands of solidarity in the middle of an ocean of profits because the profitability argument will quickly stifle the rest. (...). It is therefore necessary to talk about new practices such as production controlled by workers and users, supportive loans, fair

said that the very businesslike language used by fair trade exponents during Social Forums is completely foreign to the concepts usually presented in these meetings. Far from the conception of another world as sought by anti-globalisationists, it is more a question of 'creating added value to the local revenue and its distribution' (a delegate from the Kenyan Federation of Fair Trade, FSM 2004).

1.2. Scale of fair trade

The 'fair' market shows regular growth almost everywhere in Europe. In Belgium sales revenues for fair trade products grew by 82% between 1996 and 2001 (Idea Consult, 2002)⁷. During this period, importing and wholesale companies involved in fair trade had significant revenue growth: from 77% (Max Havelaar) to 29% (Fair Trade Organisatie)⁸. Fair trade products increased their market share during this same period. According to the Office Belge du Café⁹, fair trade coffee market share grew from 1% to 1.11% whilst, according to Max Havelaar, fair trade bananas accounted for 1.33% of the Belgian market in 2001.

According to data provided by the note from the European Commission (1999), growth is regular in Europe. In 1994, the total sales within the European Union of fair trade products were estimated at about 175 million euro. In 1997 (figures also confirmed by EFTA), this figure had climbed to 200 – 250 million euro. Tristan Lecomte, founding president of Alter Eco, provides even more recent figures, according to which fair trade would only represented 0.008% of international trade, that is to say 350 million euro for fair trade compared to 4,000 billion euro for international trade (Lecomte, 2003:21). Hudson & Hudson (2003) remind us of an estimate from the Fair Trade Federation (USA umbrella organisation) according to which fair trade products only represented 0.01% of world exports in 2002.

The success of fair trade in Europe varies greatly between the countries. A. Sanjuro observes that the Netherlands 'has kept their lead because nowadays, with sales of 71.5 million euro for fair trade products, only Germany is ahead of them (101 million). France is a long way behind with 9.7 million compared to 16.1 million for Italy, 51 million for Switzerland and 70 million for the United Kingdom. These values are poor compared to the potential. Fair trade coffee, the indisputable fair trade star, accounts for only 3% of sales in Switzerland and Luxembourg, the two countries where its penetration has been greatest.' (Sandjuro, 2001). The most optimistic statement about fair trade claims that 'fair trade is growing by an average of 5% per year', but one notes that even though coffee is the fair trade star, it accounts for only 1.7% of the European market for coffee¹⁰.

Belgium has a special place within the fair trade movement. The main players in the movement are the *Magasins du Monde-Oxfam* (in Walloon) and *Oxfam Wereldwinkels* (in Flanders, where there is also the sales department of the Dutch organisation 'Fair Trade Organisatie'). *Magasins du Monde-Oxfam* and *Oxfam-Wereldwinkels* are combined buying

trade, etc. whilst questioning the general movement of capital, blind free trade, liberalisation of community services and social protection...' (Harribeij J.M. *et al*, 2004).

⁷ A more recent assessment extrapolate by the Belgian Fair Trade Centre suggests that in 2003 the Fair Trade sales revenues was 26.5 million euro (a grow of 58% from 2001).

⁸ 69% for Oxfam-Wereldwinkels, 75% for Magasins du Monde-Oxfam and 31% for Maya Fair Trading.

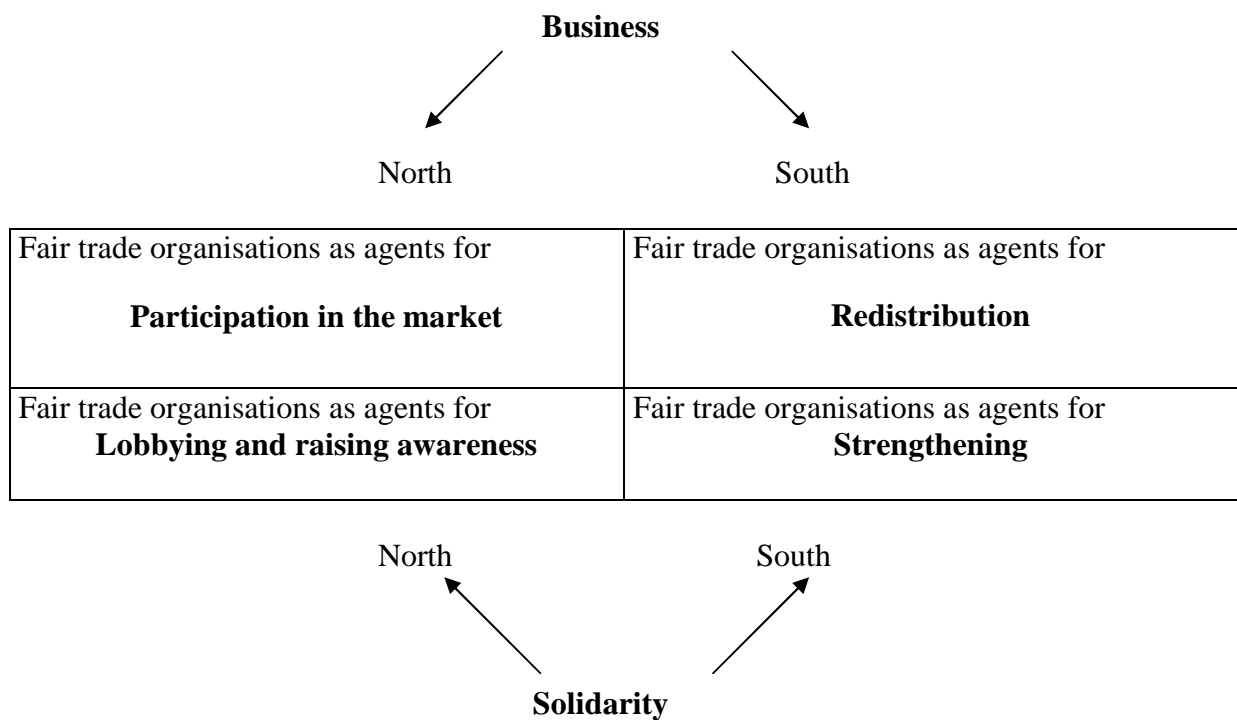
⁹ Data extrapolated from market research conducted by AC Nielsen increases this figure to 1.2% for 2001. For more detailed sales figures for fair trade products (coffee, wine and tea).

¹⁰ These figures are also developing differently depending on the country. In the Netherlands, the market share for Max Havelaar coffee is 2.3%, not even half its sales in Switzerland. The Swiss are the fairest European consumers according to Michael Barratt Brown and Sophie Adam (1999) (they spend 4.5 US\$ per year per person) and fair trade honey has an even greater share of the market (about 8%).

organisations and distributors. The two organisations differ mainly in the type of products that they import: mainly crafts for *Magasins du Monde* and food for *Wereldwinkels*. Both organisations sell both types of product in their shops and both are involved in awareness campaigns and lobbying.

Magasins du Monde has 80 shops that are run by 3,000 volunteers¹¹ to which can be added the 'Jeunes Magasins du Monde' (about 60) that are run by young volunteers and organised at the level of secondary schools. *Wereldwinkels* has 175 stores and 5,750 voluntary staff (more than twice as many as in the French-speaking part of the country). Only the 15 largest *Wereldwinkels* rely on salaried staff. *Magasins du Monde* and *Wereldwinkels*, as importers and distributors, are members of both the EFTA (importation) and NEWS! (distribution). Max Havelaar Belgium is the national certification organisation. It is supported by a coalition of 28 member organisations. In addition to the fair trade movement's 250 shops, the main supermarkets also sell fair trade products. In 2001, 1,050 supermarkets throughout Belgium offered fair trade products. The sector now employs 71 salaried staff (compared to about forty two years ago). Sales income (*Oxfam Wereldwinkels* + *Magasins du Monde* + *Maya Fair Trading*) is estimated to be 8.1 million euro.

The title of our research, 'A Fair and Sustainable Trade, between Market and Solidarity', expresses well one of the most important tensions that the movement is currently experiencing. Overall, the movement seems to be polarised between a *business pole* and a *militant pole* and every member of the movement takes a position somewhere on a continuum between these two extremities. This comment is based on a study conducted by the DFID (Department for International Development) in June 2000 that divided the fair trade organisations according to a four-squared grid depending on the nature of their activities in the North and the South:



¹¹ Hence the importance of voluntary workers and management of human resources in these shops.

Based on the above table, we can see that there is a tension between the role of agents of *advocacy* (lobbying and raising awareness) and that of *participant in the market*. The former implies more militancy, wherein one tries to create or strengthen trans-national solidarity. The latter role implies economic objectives that can be directly measured, e.g. market share. The fair trade movement appears to be currently quite divided as to which path to follow. A first tendency is to sell as much as possible, if necessary through working with the main economic players (as in France and Switzerland, with a fast food chain) who are examples of the globalisation that is despised by a section of fair consumers. The logic of 'sales at any price' is justified by an increasing gap between the available food and craft products that meet fair trade standards and the absence of current openings on the North's markets. For some supporters of this business tendency, the solidarity-based discourse also generates a strong feeling of guilt, to such an extent that one should sometimes consider abandoning any reference to the principles of fair trade when commercialising these products. The second tendency is inherited from the 'third-worldism' of the sixties and seventies that was an essential driving force for the movement up until the eighties. Guardians of the temple, the representatives of this tendency highlight the importance of a solidarity network linking the marginalised producer from the former 'third world' to the consuming citizen in the North. In this scenario, fair trade becomes a movement that gets its strength from the participation of thousands of volunteers. The ethical principles that were central to the movement probably led to fair trade being initially shut in a ghetto of those in the know, a ghetto which it is now leaving. However, fair trade cannot operate without balancing these two tendencies that make sense of its objectives, interests and values.

The same methods cannot be used to evaluate the movement's success for its solidarity (social in the broadest sense) and economic roles. For example, recent research works (Hopkins, 2000; OPM/IIED, 2000; Lake & Howe, 2000) have suggested that the most important effect of fair trade is not necessarily a fairer payment to the South's producers but an improvement in their skills, the support of managing organisations (non-governmental organisations) and associated developments (e.g. improving the quality of life for the local community). In other words, the benefits of fair trade are perhaps more easily evaluated by viewing it as a development project – which is what fair trade, as a whole, claims to be – rather than simply by their economic benefits.

2. Fair trade from the point of view of third sector approaches

Before dealing with the theme of fair consumption then later that of fair production conditions in the South, let's look at fair trade in a more theoretical way. Within the following section we are going to use a social economy perspective to try and provide a conceptual basis for fair trade.

The organisations that are partners in fair trade are part of what we call the third sector. The third sector is different from the capitalist sector, because it is composed of non-profit organisations, and from the public sector, because it brings together organisations that have escaped to some extent from public control. These two conditions are both necessary and sufficient and define a third sector that is distinct from the private capitalist sector and the state sector. This third sector is analysed using two different concepts depending on the environment in which it has developed. NPO (non-profit organisations) theories reflect the

realities of the English-speaking world whilst the social economy or solidarity-based economy approaches represent the realities for French speakers.

2.1. The existence of fair trade organisations as explained by non-profit organisations (NPO) theories

This section tries to apply theories related to non-profit organisations (from Weisbrod, Hansmann and Ben-Ner & van Hooymissen) and social economy and solidarity-based economy¹² to fair trade. According to Hansmann (1980), non-profit organisations are private organisations characterised by the non-distribution constraint. A non-profit organisation cannot distribute its profits to those who control it (members, directors, board members...). If profits are made, they are completely reinvested to finance the company and help it achieve its objectives. Weisbrod (1974) observed an increase in the number of non-profit organisations when part of the population are unsatisfied with the quality or quantity of the supply of public goods¹³ by public authorities. Government usually provides enough public goods to satisfy the median voter¹⁴. They use majority voting to decide on this quantity. This political process leads to an unsatisfied demand from individuals who have greater needs than the median voter for a specific item. Non-profit organisations are also better when a service is only required by a small part of the population. Public authority provision of these types of goods/services is not very efficient. It is what Weisbrod calls 'state failure'. Fair trade products may currently be in a situation that resembles this last example. The average consumer is still little concerned by issues of fairness and the environment, despite the movement's great growth and awareness-rising policies.

One can question whether fair trade products can be considered to be public goods. It is obvious that they are not pure public goods but we have already indicated that the concept of pure public goods has very limited application in reality. Fair trade products can be split into two distinct elements. Firstly, their physical characteristics make them private goods, characterised by exclusion and rivalry: they are consumption products for which a price has to be paid (exclusion by price is possible). They are also goods whose consumption by an individual reduces the amount available for others (they are divisible goods, subject to rival consumption). On the other hand these goods have an ethical component related to the respect of fair trade criteria. This ethical component is neither detectable nor controllable by the consumer. Fair trade products can be considered public goods in terms of this ethical added value. In reality, respect for the environment, increased education levels or improved healthcare infrastructures are benefits for everyone and not just those who consume the products (non-exclusion). It is impossible to stop an individual from benefiting from these advantages because they have not made an active contribution

¹² For another approach to fair trade using NPO theories in relation to the new standard theory of international trade, see the working paper by Jean-Michel Delaval, Fair trade: a challenge launched against economic theory, (2003).

¹³ Public goods are goods that are not divisible so the production cost cannot be charged to an individual. It is impossible to prevent those who refuse to pay for the goods from consuming them. This is the 'non-exclusion' criterion. When an individual consumes such goods it does not reduce the quantity available for others. This is the 'non-rivalry' criterion. This defines an extreme situation that is not often found in reality. There are many goods that do not have all the criteria of pure public goods but which have some of them to varying degrees. This is what we call quasi-public goods or mixed goods. Jurion, B. (2003) *Cours de Finances Publiques*, Université de Liège.

¹⁴ The median voter is in the middle of all the voters: 50% of voters want a greater quantity of public good and 50% want less than the median voter wants. Jurion, B. (2003) *Cours de Finances Publiques*, Université de Liège.

to paying for them. Additionally, the fact that an individual takes advantage of these benefits does not in any way reduce the quantity that is still available for other individuals (non-rivalry). Depending on which characteristics are used, a fair trade product can be either a public or a private good.

The supply of public goods creates the problem of free-riding. Individuals refuse to reveal their preferences so as to avoid having to contribute to the cost. They rely on payments by others for the availability of the goods. Because of the non-exclusion characteristic of public goods, they can then take advantage of it without having made any contribution to its production costs. The minority of consumers who purchase fair trade products do not behave in such a way. They are committed persons who want to do something to help the movement. They have decided to demonstrate this desire and contribute to fair trade by paying a surcharge compared to the price for similar products from the normal distribution chain.

According to Hansmann (1980), when a consumer is incapable of evaluating the price or quality of products that they want to purchase, a profit making company is tempted to apply a higher price for a lower quality. Consumer welfare is thereby affected. To correct this problem of information asymmetry, consumers choose to address a non-profit organisation, that is not allowed to distribute profits. The managers of these non-profit organisations are less likely to take advantage of the consumer because they cannot personally benefit from the organisation's profits. The non-profit organisations are a response to the contract failure produced by information asymmetries, in other words the inability of consumers to monitor companies via normal contracts. In the framework of fair trade, the consumer does not have the means to check if the fair trade organisation's criteria are being respected in the South. The non-distribution constraint guarantees to the purchaser that the amount paid will not simply be used for the personal gain of the organisation's senior staff. They are happy to pay a higher price because the non-distribution of profits provides assurances as to how the money is used.

When purchasing a fair trade product, the buyer and the person who gets the benefit of the ethical added value (the increased payment to the producer) are separated. Because of this geographic distance and the lack of contact between the parties, consumers are not able to verify if the ethical criteria are being respected or not. Consumers therefore prefer to rely on non-profit fair trade organisations because they provide additional protection as a result of the non-distribution constraint. Hansmann (1980) notes however that the non-distribution constraint does not only have advantages and, importantly, it limits access to capital. It has been observed that this limitation can sometimes prevent fair trade organisations from making the ideal choice. For example, their use of loans is limited because they do not meet the conditions required by lending institutions. This can be a major disadvantage compared to the multinationals that are their competitors on the world markets.

Non-profit organisations are limited not only by the non-distribution constraint but also by the standards they set themselves. Within non-profit organisations there is a respect for social standards that reinforces the legal rules concerning their profits. These standards determine their behaviour (disapproval of opportunistic behaviours by managers). Fair trade has developed from the Christian movements and is based on respect for each other and justice in international trade. It is based on values such as honesty, solidarity and sharing. Consumers often believe that people who share these same convictions manage the organisation in a decent and honest way. According to Hansmann (1980), there is a staff selection process that strengthens the non-distribution limitation. People who work in such organisations agree with their social objectives and are more interested by the quality of service they can provide than by the level of their salary. They get satisfaction from

their work because it has more sense and usefulness to them than a higher salary in a normal company. We have written an article that aimed to thwart detractors of fair trade. This article considers these different factors and shows that they do not falsify competition. We found this dynamic in the published data. This shows the efficacy of the non-profit organisations compared to profit-making organisations in this respect. If governments introduced a legal minimum for quality (in the present case, in matters of respect of environmental and social standards), the for-profit organisations implied in 'corporate social responsibility' could also be effective in fair trade.

2.1. Fair trade as an experience within the social economy sector

The social economy approach has its roots in the associations that developed within industrial companies in the 19th century. These historical roots give them a strong dynamism. The movement was inspired by different philosophers such as Charles Fourier in France and Robert Owen in England. These Utopians supported associations and the socialisation of the economy through associative organisations. They believed it was necessary to give social direction and objectives to the economy. According to them, associations of workers and peasants would provide better control of the local economy. They would be 'on-the-field' associations that would better take into account the considerable social and human problems of their time – a period when capitalism was at its paroxysm.

At the heart of the fair trade movement, one can easily find these dynamics and desire to change the current rules of the capitalist markets. The movement's initial objectives were to get the basic needs of the populations of the South taken into account. The South's producers are isolated and have no power on the world market. The fair trade movement encouraged small marginalised producers to organise themselves so as to have greater strength in international trade. United, they could defend their basic freedoms and rights when confronted by the multinationals that controlled the markets for basic products.

The social economy is usually described as having three main components: mutual organisations, associations (NPOs) and cooperatives. The latter two participate in fair trade. NPOs are by definition subject to the non-distribution constraint and have been discussed in the previous section; we will thus not dwell further on them. Cooperatives, which are a required legal structure for producers, are very interesting for our analysis of fair trade. Many of their characteristics can help us understand this movement. For the producers, being part of a cooperative means that they can better negotiate their relations with intermediaries and raw material suppliers (fertiliser, seeds, feed...). Additionally, the three inherent principles of cooperatives¹⁵ lead to greater democracy and fairness in financial transactions¹⁶, which explains why this type of partnership is preferred by the fair trade organisations, which view them as a form of organisation that corresponds to their required criteria. These criteria include the limitation of voting power (one person, one voice) to ensure greater democracy, limitation of salaries and profit redistribution to producers, which provides more fairness by better payments to producers. Finally, it should be emphasized that cooperatives also stimulate a re-investment of profits in development projects. This can be in improved production methods in terms of yield or quality or even local community projects (schools, hospitals...).

¹⁵ The cooperative movement was born in England in 1844. Its founders called themselves the 'Rochdale Equitable Pioneers'. They gave birth to a social movement seeking a more democratic and fairer society.

¹⁶ See Section b. for a criticism of this movement in respect of the realities of the South.

The concept of the social economy does not imply clear-cut boundaries with the public and private sectors. There are interactions between the different sectors. Similarly, we find charities and cooperatives, other components of the social economy, in the fair trade movement. These organisations can be supported in different ways by public authorities and international bodies or work with private companies. Obviously, whenever possible they prefer to work (for subcontracting, distribution or transport) with private companies that agree to respect fair trade criteria, at least for the transactions with them. In the eighties, we saw the introduction of fair trade products into the main supermarket chains, partly to improve the availability of fair trade products and partly to improve the image of these chains. The same is seen at the producer level where they sell to the fair trade organisation but always retain part of their production for the mainstream commercial market so as to avoid being dependant on a single buyer¹⁷.

Based on an analysis that compared social economic initiatives over the last two centuries, J. Defourny (1999) deduced the essential conditions for the emergence and development of a social economy. The first is necessity and the second is a group identity.

- a. *An acute problem or the pressure resulting from unsatisfied essential needs incites people to create social economy organisations.*

The problems currently seen in the South are similar to those that we knew in the 19th century in the North (incomes fixed by strong intermediaries that do not take account of the producer's needs, the quality of production, environmental protection...). In fact, sometimes the price paid for some commodities (coffee, cocoa....) does not even cover their production costs. Producers are in situations that are unsustainable in the long term and are unable to satisfy the basic needs of their families (food, shelter, healthcare...). Production or distribution cooperatives for agricultural or craft products provide the producers with a degree of control over their production.

The economic crisis in the developing countries, heightened by the attitude of the World Bank and the structural reform programmes of the International Monetary Fund, has caused governments to reduce expenditure. Some essential development sectors are threatened and poverty and exclusion are increasing. As the state is unable to perform its role of redistribution, new forms of solidarity are emerging. This incertitude has led to a recognition and re-emergence of the social economy. A strong social movement supports the desire for a democratic and fair society. However, we should remember that fair trade began in the North under the influence of a cohesive and dynamic group, aware of the acute problems experienced by people of the South.

- b. *Feelings of group identity and of a common destiny incite people to create social economy organisations*

These feelings of group identity and of a common destiny led to the creation of the fair trade movement. On one side there is the fair trade movement that originated from a Christianity-based movement (social group bonding through a group identity and common spirit) in the North. There was a strong group conscience amongst several religious leaders and the non-governmental organisations. These groups were militants committed to the South. The leaders made their communities aware of the social and financial difficulties experienced in the Southern hemisphere which were due to the behaviour of powerful industries and the consumerism of the Northern hemisphere. This led to the creation of a

¹⁷ It should be noted that many producers want to increase their sales to fair trade organisations, but the latter do not have sufficient demand in the North to accept such volumes.

small but active movement, based on a civic initiative committed to seeking fairness and justice in global trade.

On the other side there are the peasant populations of the South that is a dominated but united social group and is suffering from a significant lack of recognition. These producers are also linked by a common future. They all live under the same conditions of risk and insecurity. This agricultural and rural population is entirely dominated by unscrupulous intermediaries. Cooperatives give them an opportunity to control their production and their economic development. It should however be noted that not all of the cooperatives developed in the South correspond with this description. During and after the colonial period, governments created large cooperative organisations. The capital came from public funding and civil servants did the work. In the seventies, these organisations started coming in for heavy criticism. The state control severely reduced their responsiveness and workers' initiatives. As a result, the new projects in the social economy were developed on very different plans, created by groups of producers with no state involvement. Their operation was decentralised and they were part of local developments. It is belonging to the same village group or having the same socio-economic conditions that create these social economy dynamics.

2.2. Fair trade in the perspective of the solidarity-based economy¹⁸

The concept of the 'solidarity-based economy' (in French, *économie solidaire*)¹⁹ was developed by J-L. Laville, a French sociologist, and is based on the works of Karl Polanyi. The latter studied primitive societies and identified three economic principles concerning the production and distribution of goods and services. We will return to this in a moment. According to Laville, the solidarity-based economy is found somewhere between the public, private and domestic sectors, whereas the social economy is considered as a 'true' third sector alongside the public and private sectors. The solidarity-based economy has two important features: joint development of the supply and the demand, which makes it very dynamic, and resource hybridisation as its means of finance. One speaks of the joint development of the supply and the demand because it is unsatisfied demand that leads people to take this initiative.

As we have just stated, Laville's approach is based on the works of Polanyi in traditional societies. The latter considered three basic economic principles that are present in traditional societies.

Firstly, the *market principle*, where supply and demand for goods or services meet and this meeting determines the price. There are contractual relations between players in the market. However, there is no need to establish social relationships. Fair trade is part of the international market where it competes with normal companies. Whilst the fair trade organisations are in competition with normal companies, this does not stop them collaborating or establishing partnerships with them from time to time. They require and purchase products produced by the producers in the South at a 'fair' price. They also satisfy the demand for fair trade goods from consumers in the North. They therefore have the role of intermediary between these two groups.

Secondly, the *redistribution principle*, where a central authority is responsible for managing goods and services. A procedure defines the funding rules and the objectives to

¹⁸ Evers, A. & Laville, J.-L. (2004); Defourny, J., Develtere, P. & Fonteneau, B. (1999).

¹⁹ Also called the tripolar approach because it is based on the stresses that exist between the three economic axes (market, non-market and non-monetary economy). We will discuss this in more detail later.

be achieved. There are relations between players and the authority with the latter imposing the conditions.

Finally, the *reciprocity principle* defines the way in which goods and services are voluntarily exchanged between individuals as part of their social relationships. They are non-contractual relationships where social links dominate. Polanyi developed the principle of giving and counter-giving. According to this principle, the receiver is expected to give back but is not obliged to do so. It is a choice, the receiver's personal decision. In other words, it is not an obligation imposed by a central authority. The gift is neither altruistic nor free and the desire for recognition and power are important in this principle.

Based on the three principles above, a contemporary economy can be broken down into three parts (tri-polar approach). Firstly, there is the *market economy* in which the production of goods and services satisfies those seeking material returns. The market fixes prices so as to balance supply and demand. Trade exchanges occur on a contractual basis. Secondly, there is the *non-market economy*, in which the distribution and production of goods and services are the responsibility of the state (usually). The redistribution allows players to get social security allocations or aid in the event of extreme poverty. Finally, there is the *non-monetary economy*, that organises the distribution of goods and services based on the reciprocity principle and domestic administration. These contributions are created by the civil society (households) and come from self-production. It is the market economy that currently dominates whilst the non-market economy has a major complementing role and the non-monetary economy only plays a residual role. The specific nature of the third sector lies in the fact that it is a hybrid of these three economic axes. It is created by the stresses between these different axes. It is a component of the economy that is based on solidarity and on a 'mix' of the different economic principles.

This approach highlights the mixed nature of a movement such as the fair trade movement. In reality, this movement does not have clear frontiers between the different parts of the economy. This flexibility accounts for the realities of fair trade organisations: they sometimes cooperate with the private sector, specifically for introducing fair trade products into supermarkets, or they receive public aid. Fair trade organisations live on financial resources provided by the sale of fair trade products, subsidies from public organisations and also use of non-monetary resources such the voluntary participation of workers. It is this resource mix and interactions between different sectors of the economy that creates the unique nature of a movement like the fair trade movement and which ensures its reactivity and economic efficacy.

In conclusion, fair trade is part of and is justified by the different economic theories relating to the third sector. In the following section, we will compare NPO theories with the neo-liberal theories that are the current paradigm. The aim is to reply to a widespread critic addressed to fair trade, namely that the fair price generates economic inefficiency.

2.3. Fair trade: a challenge to economic theory?

The existence of fair trade raises questions and scepticism among many economists. Doesn't the standard theory of international trade teach that any distortion of prices on world markets will result in an irreversible inefficient allocation of resources? This price distortion, by falsifying market signals, is supposed to prevent from obtaining the maximum benefit from the exchanges provided by international trade.

In our first article, 'Fair trade: a challenge to economic theory?'²⁰, we showed that far from resulting in an inefficient allocation of resources, fair trade provides a response to the

²⁰ Jean Michel Delaval (2003), 'Fair trade: a challenge to economic theory', CES Working Paper.

heterogeneity of the demand and in so doing increases the satisfaction of consumers. We have shown that the existence of fair trade is fully compatible with economic efficacy and that it is not a contradiction to market conditions. Furthermore, we show that only fair trade organisations are capable of overcoming the information asymmetry resulting from this type of trade.

In our second article, 'Applying Shapiro's model "Premiums for high quality products as returns to reputations" to fair trade'²¹, we completed our analysis using an approach based on a model conceived by Shapiro (1983). The main addition, compared to the first article, is based on the hypothesis that a minimal legal framework can be established. We show that private companies are quite capable of operating fair trade provided there is a defined legal framework that defines the production and commercialisation practices that have to be respected. Fair trade organisations would still have a role to play since they increase consumer welfare, by reducing the difference between the price and the marginal production costs, a difference due to the information costs linked to the establishment of a fair trade reputation. In this hypothesis, we could expect fair trade organisations to concentrate their efforts on market segments composed of the groups of consumers who are the most sensitive to fairness in North-South relationships. However, such a legal basis does not currently exist very often and when it does exist, it is very weak compared to the moral expectations of western consumers. This implies that only fair trade organisations are able to produce fairness characteristics. However, recent developments, such as the social label in Belgium, show that things are slowly improving. The approaches in the two articles are therefore complementary: the first article allows us to understand the dynamics of fair trade in the current environment whilst the second is looking more towards the future.

II. Fair consumption, solidarity-based commitment and public policies

In this chapter, we are now going to look at fair consumption using two methods. The first is marketing, which examines the demand for fair trade products amongst Belgian consumers, fair consumer profiles and buying behaviours. We also consider potential commercial strategies for fair trade products and labelling policies. In the second method, we try to evaluate fair trade as a socio-political commitment to a cause, a trade that is more ethical with greater solidarity. We will partially test the theory that responsible consumption exists, which provides support for this analysis.

1. Consumer behaviour and marketing with respect to fair trade

1.1. Objectives and methodology of the marketing study

The key objectives of the consumer behaviour marketing part of this project were (i) to gather existing literature and previous empirical research with respect to ethical consumer behaviour in general and fair trade consumer behaviour in particular, (ii) to

²¹ Jean Michel Delaval (2003), 'Applying Shapiro's model "Premiums for high quality products as returns to reputations" to fair trade', CES Working Paper.

complement and to elaborate on this information by means of focus group discussions, (iii) to identify underlying dimensions as knowledge, attitudes, intentions and behaviour and measure them in a representative sample of Belgian consumers, (iv) to estimate an integrated behaviour model of fair trade buying behaviour and (v) to gain insight in the distribution and promotion aspects of fair trade products and the importance of ethical product labels.

In 2002, a *literature review* was completed with the focus on fair trade in general and the consumer behaviour and marketing aspects of it in particular (the ethical buying decision-making process and consumer profiles). Also in 2002 four *focus group discussions* (two in Antwerp and two in Liege) with eight persons each were conducted and reported (in total 33 respondents, since one group consisted of nine persons). For the composition (quota) of the groups demographic factors (region, gender, educational level and stage in family life circle) as well as socio-psychological factors (open mindedness and knowledge/interest in fair trade) were taken into account. The moderators were briefed and received a topic guide that they could use during the discussions. The focus groups were audio- and videotaped, and notes were taken. The objective of the exploratory focus group studies was to corroborate and complement the findings in earlier research and to collect information on variables and factors to be included in the conclusive quantitative studies.

In May-June of 2003, a conclusive and quantitative *survey* was carried out. Questionnaires were sent by postal mail to a representative sample of 5,000 Belgians who were responsible for the daily purchasing of consumer goods. In addition, 1,200 of the same questionnaires were distributed among consumers of 40 Oxfam world shops: 30 questionnaires were sent to each of 20 Oxfam shops in the Dutch-speaking part of Belgium and each of 20 Oxfam Shops in the French-speaking part. A total of 1,141 questionnaires were received: 799 from the Belgian sample (response rate of 16%) and 339 from the world shops sample (response rate of 28%). The data collection was subcontracted to a marketing research agency (& Compagnie). After cleaning the data file there were 615 respondents for the Belgian sample and 243 for the world shop sample. The study mainly focused on the Belgian respondents (non Oxfam respondents). Where relevant, the results for the Oxfam respondents were also analysed. The purpose of this study was to measure knowledge, attitudes and behaviour with respect to fair trade issues, products and marketing practices.

The questionnaire contained five parts. In the first part, the respondents' knowledge of the fair trade concept was measured. In the second part of the survey the respondents' attitude towards fair trade was tested. Four different dimensions were measured, i.e. 'perceived consumer effectiveness', 'attitude towards fair trade in general', 'attitude towards fair trade products' and 'attitude towards fair trade specialty shops'. Next, the study examined which fair trade products the respondents were already buying or were planning to buy in the future. In this part buying intention and buying behaviour towards fair trade products were measured. In a fourth part of the survey respondents were asked about the quality and quantity of fair trade information and communication. In the last part of the survey, the respondents had to answer questions with regard to their personal values and socio-demographic characteristics.

During the summer of 2004 an *explanatory model of fair trade buying behaviour* was built, using the dimensions measured in the survey (knowledge, attitudes, intentions and behaviour, information, perceived consumer effectiveness) as determining factors. This model was applied to a representative Belgian sample and to a sample of Oxfam World Shop customers. To design and test this model (examining which variables have an effect on other variables and to what extent) a structural equation model (SEM) was estimated, using AMOS (SPSS). Based upon the literature study and previous findings a

number of different models were designed and tested. One model was withheld and is discussed in this report.

To gain insight into the aspects of fair trade distribution and communication (promotion) and the relative importance of different types of labels, a conjoint analysis by means of a *web-based survey* was organised in June 2004. The web survey was constructed using the SKIM Software (SSI Web/ACA Web). This web survey was sent to a sample of 5,500 Belgians, including all employees of the University of Antwerp (N = 3,000), all employees of the Vlaamse Uitgevers Maatschappij (VUM, N = 500) and all employees of the University of Liège (N = 2000). A total of 750 completed surveys were received: 402 employees from the University of Antwerp (response rate of 13.4%), 34 employees of the VUM (response rate of 6.8%) and 314 employees of the University of Liège (response rate of 15.7%). In the first part of the web-based survey respondents were asked to rate the importance of each of a number of attribute levels (characteristics) of coffee. Subsequently, they had to rate their preference for one product description compared to other product descriptions. The product descriptions were based on underlying levels of attributes such as labels, issuers of labels, type of promotion and distribution, etc. In the second part of the survey the respondents were presented 25 different statements about 8 dimensions reflecting their PCE (perceived consumer effectiveness), their attitude towards fair trade in general and towards fair trade products in particular. Finally, the respondents also had to answer a number of socio-demographic questions. Conjoint analysis was used to assess the relative importance of product characteristics. These different preferences towards product characteristics were related to consumer attitudes and socio-demographic characteristics.

1.2. A literature review

In this preliminary research, literature on fair trade marketing and consumer behaviour was studied. In the first section we drew the structure of the market for fair trade products in Belgium. In the second section models of the ethical decision process of consumers and the actual fair trade buying behaviour were discussed. In the third section, the ethical consumer profile was explored. Finally, the impact of marketing communication efforts on fair trade buying behaviour was discussed, with special emphasis on ethical labels and communication strategies.²²

1.2.1. Fair trade in Belgium (sales figures)

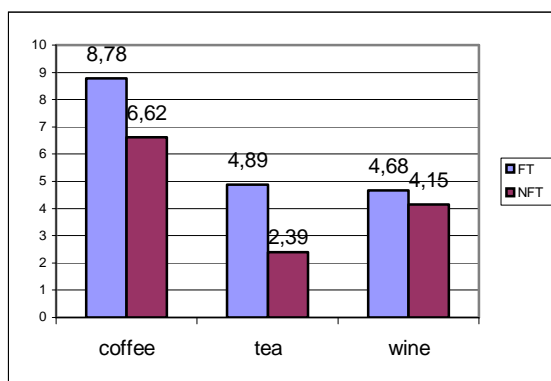
To gain insight in the sales of fair trade products, fair trade sales data were obtained from ACNielsen. Analysis was only useful for three product categories, namely coffee, tea and wine (there is only a limited amount of fair trade sugar and chocolate products in Belgian supermarkets). Below we provide an analysis for the product category coffee²³. ACNielsen uses 2 kinds of differentiation of the shops it monitors. On the one hand, there is a division in four different shop types (F1 = mass distribution, F2 I = Integrated mid-distribution, F2 NI = Non-integrated mid-distribution, F3 = all self-service shops with a surface of less than 400m²). On the other hand, there is a division in districts (Nielsen I = Oost-Vlaanderen and West-Vlaanderen, Nielsen II = Antwerpen, Limburg and Vlaams

²² A complete overview with more detailed information can be found in 'Fair trade marketing and buying behavior: a literature review', working paper for DWTC-PODO II-project, 22 p. (Mielants, C., P. De Pelsmaker & W. Janssens, 2003).

²³ The analyses of tea and wine can be found in Appendix 2 - Sales figures of fair trade products in Belgium.

Brabant, Nielsen III = agglomeration Brussel, Nielsen IV = Henegouwen and the Nijvel area, Nielsen V = Namen, Luik and Luxemburg)²⁴.

Figure 1: Average fair price in Euro (Belgium, January), based on Nielsen data.



According to Nielsen, total (roasted) coffee sales of mainstream distribution channels in Belgium (2001) amounted to 35,381,665kg. This means, at an average price of 6.62 (Figure 1), a turnover of 234.604.980EUR. Fair trade accounts for 1,489,952EUR (169,686kg.), which implies a market share of 0.6% (0.5% in terms of volume). A detailed analysis of these Nielsen data can be found in table 1. Figures of Max Havelaar²⁵ (representing almost the total fair trade coffee market, including the Oxfam sales) show higher and probably more accurate sales figures for fair trade coffee, namely 582.203kg in 2001. Since Max Havelaar coffee sold through traditional channels was already included in the Nielsen data (169,686kg.), we first have to deduct them from the total (roasted) coffee sales figures. Adjusting the sales figures of Nielsen to those of Max Havelaar, results in a total of (roasted) coffee sales of 35,794,182kg, which implies a market share of fair trade coffee of 1.6 % in terms of volume. However, this is an overestimation since direct sales of (roasted) coffee to companies and governmental institutions are not included in the total (roasted) coffee sales figures from Nielsen, whereas Max Havelaar includes these kinds of sales of fair trade coffee. Including direct sales to companies and governmental institutions would add the total (roasted) coffee sales up to 52,778,000kg²⁶ in 2001, which implies a market share of fair trade coffee of **1.1%** in terms of volume. In 2001 Oxfam shops (Wereldwinkels and Magasins du Monde) sold 264,377 kg fair trade coffee, which is 45.4% of the fair trade coffee sales. Oxfam sales increased to 295,390kg in 2002 and 349,836kg in 2003²⁷. The sales of Max Havelaar also increased: to 640,482kg in 2002 and 762,000kg in 2003. However, the overall coffee consumption decreased to 50,751,000kg in 2002 and 51,005,000kg in 2003, resulting in an increasing market share of fair trade coffee of **1.26 %** in 2002 and **1.49%** in 2003 (in terms of volume).

Table 1: Average price and market share of fair trade coffee - total Belgium and splitting up according to type of shops and sale area

²⁴ For more information on the Nielsen classification see Appendix 2 - Sales figures of fair trade products in Belgium.

²⁵ Max Havelaar sales figures are obtained from Oxfam Wereldwinkels vzw, Gent.

²⁶ Total sales figures are obtained from 'Koninklijk Verbond van koffiebranders': www.koffiebureaucafe.be.

²⁷ Oxfam sales figures are obtained from Oxfam Wereldwinkels vzw, Gent.

	Non fair trade	Fair trade		
	Price	Price	Market share (kg)	Market share (EUR)
Total Belgium	6.62	8.78	0.5%	0.6%
F1	6.72	8.84	0.8%	1.0%
F2NI	7.23	8.51	0.4%	0.4%
F2I	5.49	8.77	< 0.1%	< 0.1%
F3	8.24	8.64	< 0.1%	< 0.1%
Area1	6.64	8.89	0.5%	0.6%
Area2	6.80	8.76	0.5%	0.7%
Area3	6.75	8.72	0.9%	1.1%
Area4	6.32	8.81	0.3%	0.4%
Area5	6.57	8.66	0.4%	0.5%

Nielsen data shows that the price of fair trade coffee is on average 32.6% higher than non fair trade coffee. The same price difference can also be found when making subdivisions in types of shop and sales area. However, looking at shop types, we can state that there is not much price difference between shop types for fair trade coffee (range: 8.84-8.51), but there is for non fair trade coffee (range: 8.24-5.49). Integrated mid-distribution has the lowest prices whereas the F3 shops use relative high prices with respect to non fair trade coffee. It should also be noted that mass distribution accounts for a relatively large part in terms of turnover. Approximately 1.0% of total coffee turnover in F1 shops is fair trade coffee, whereas the national average is 0.6%. F2I and F3 shops' turnover is marginal. With regard to the different areas, inter-area price differences are rather small. It is area 3 (Brussels agglomeration) that has the highest turnover in fair trade coffee.

Although fair trade sales are rather small, we might want to know the division in the different shop types and investigate whether there is a difference with the non fair trade products. According to Figure 2, mass distribution accounts by far for the largest part of fair trade coffee turnover (84%). Not integrated mid-distribution accounts for 15%, whereas F2I and F3 are marginal. This is certainly in contrast with the situation of non fair trade coffee. Here, mass distribution accounts for only 50% of sales and F2I and F3 are substantial distributors. In conclusion, mass distribution is certainly important for fair trade, but F2I and F3 relatively unimportant.

Figure 2: Coffee turnover (Belgium) in the four Nielsen shop types

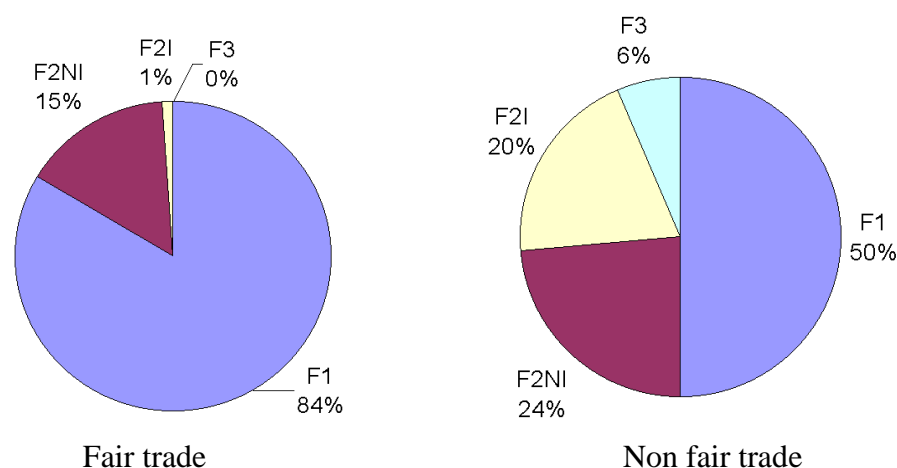
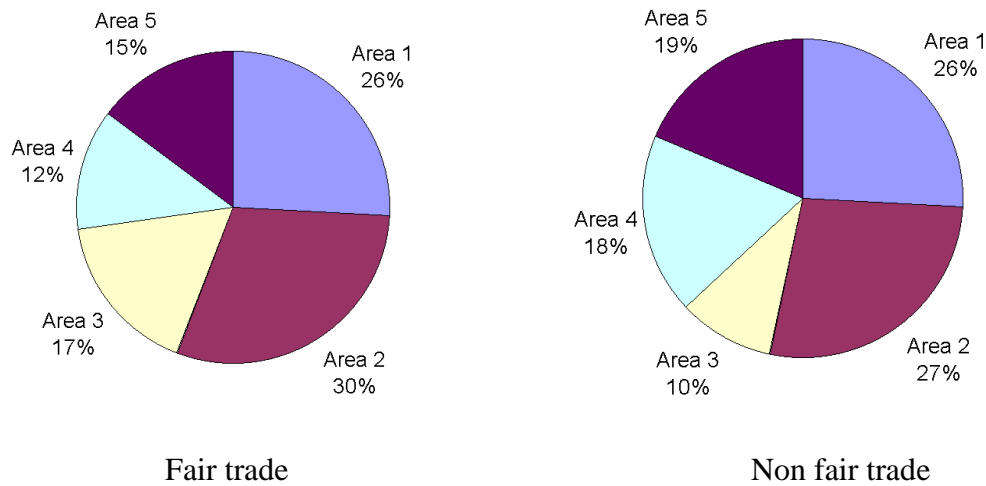


Figure 3 shows us that fair trade sales are rather homogenous over the five Nielsen areas.

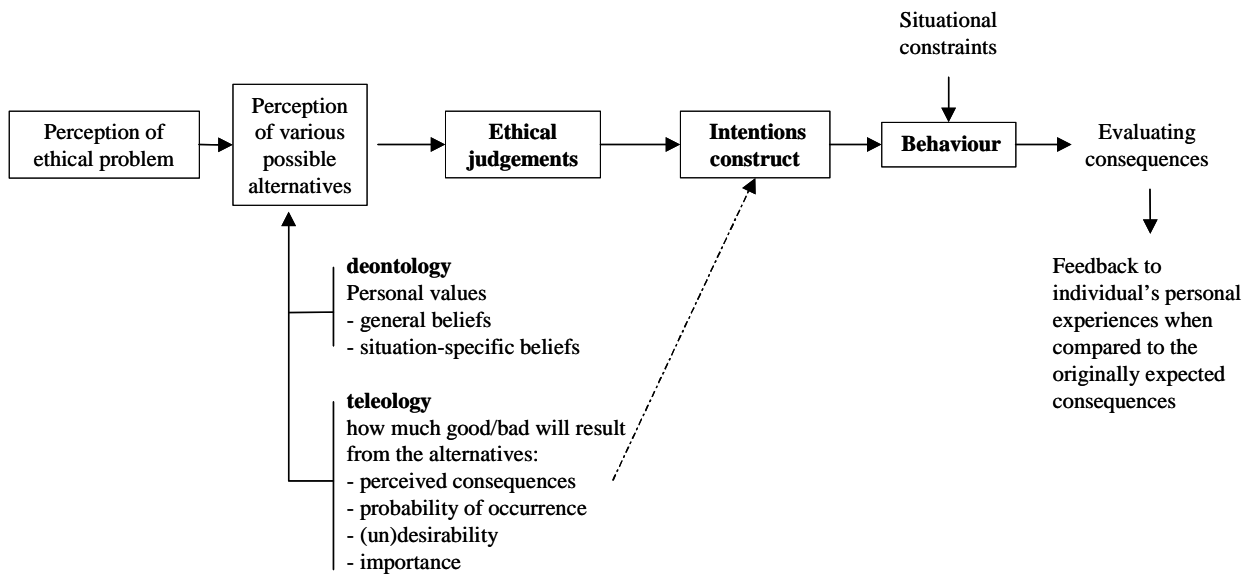
Figure 3: Coffee turnover (Belgium) in the five different Nielsen districts.



1.3. Fair trade buying behaviour

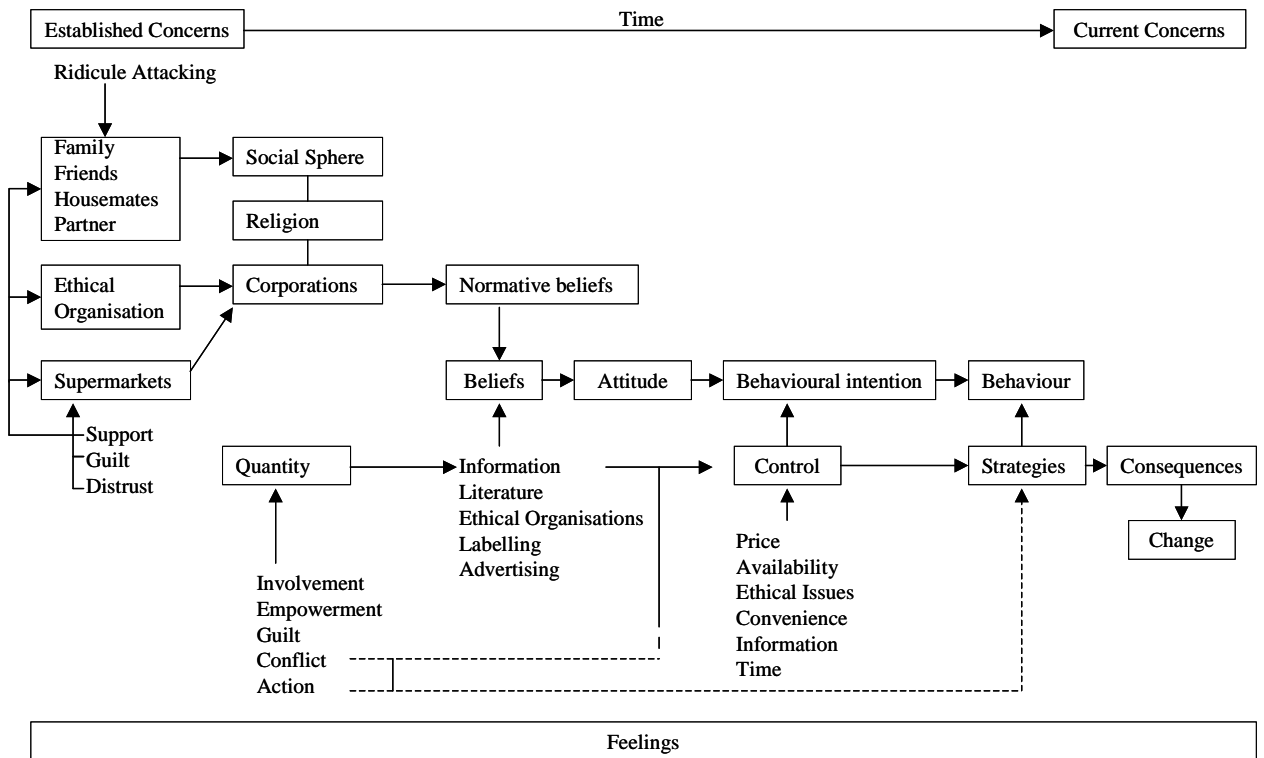
Based on research of Vitell, Singhapakdi and Thomas (2001), Figure 4 gives an overview of the determining factors of ethical consumption. The ethical decision-making process is influenced by the '*deontological evaluation*' (= the consumer's attempts to evaluate the inherent rightness/ wrongness of various alternatives) as well as teleological evaluation (= the consumer's assessment of how much good/bad will result from various alternatives). Therefore, consumer norms or consumer codes of ethic, as well as *labels*, may be established to help guide the behaviour of consumers.

Figure 4: The ethical decision-making process, based upon the theory of S.J. Vitell, A. Singhapakdi and J. Thomas (2001)



A more complex model is that of Shaw and Clarke (1999) in which the influencing factors surrounding *'beliefs'* play a significant role in actual behaviour (Figure 5). At the core of the framework is the deterministic view of consumer decision-making adopted by the multi-attribute models of consumer behaviour. Encircling these core elements is the development of concerns over time, and the distinction between those concerns 'established' in decision-making, and the evolvement of more recent considerations. All of the elements in decision-making also give rise to emotional responses among consumers, so these feelings can be seen as encompassing the choice process.

Figure 5: Belief formation: a conceptual framework (Shaw and Clarke, 1999)



Feeding into the first stage of consumer choice are the various normative and broader environmental factors which impact beliefs. Through their influence on this initial stage, these factors have a critical impact on the later stages of decision-making. This indirect effect occurs as broader 'information' sources impact beliefs and perceived behavioural control. Control factors have an important impact on purchasing intention. Often as a direct result of control problems consumers may act in conflict with their beliefs in order to attain a longer-term goal-change. This effect occurs directly through purchasing strategies, which stem from influences on ethical beliefs, and a desire to act on those formed belief. These various relationships are complex, develop over time and invariably affect consumer sensitivities (Shaw and Clarke, 1999). Ethical decision-making in practice seems somewhat different from the theoretical models. This is mostly due to the attitude-behaviour gap: consumers do not act according to their attitudes. Roberts (1996) suggests the following reasons for this gap between fair trade attitudes and fair trade buying behaviour:

- products are too expensive;
- price, quality and convenience are still the most important decision factors;
- low believability;
- confusion;
- lack of information.

These and other factors that may have an impact on the attitude-behaviour gap are crucial for a successful marketing of fair trade products, and will be focused upon in later stages of this study.

1.3.1. A profile of the ethical consumer

'Socially conscious/responsible consumer behaviour' is defined as consumer behaviour that takes into account the impact of private consumption decisions on the environment or/and current social concerns (Roberts, 1995). Many surveys showed that especially socio-psychological aspects can be seen as determining characteristics of ethical consumers. The level of concern about the issue at hand (+), status consciousness (-), personal competence (-) and perceived consumer effectiveness (+) seem to be very important. Also, religiosity (+) and a state of open mindedness (cosmopolitanism (+), dogmatism (-), conservatism (-), and alienation (-)) are significant important factors. Also a limited number of demographic variables are important: stage in the family life cycle, occupation of the household head (+), total family income (+), education of the household head (+) and the family socio-economic status (+) have an impact on the level of ethical consumption behaviour.

Perceived Consumer Effectiveness (PCE) has been identified as the most promising variable in explaining variation in socially responsible consumer behaviour. Therefore Roberts (1995) suggests that future research should focus on the possible antecedents of PCE and on the development of the most effective strategies for combating negative PCE. This variable will be incorporated in later stages of this study.

1.3.2. Disseminating credible information: the impact of marketing communication efforts (labelling)

Vitell, Singhapakdi and Thomas (2001) showed that ethical norms are a significant factor for both ethical judgments and ethical intentions. Therefore, consumer norms or consumer codes of ethic may be established to help guide the behaviour of consumers, for example by means of *labels*. Also, the CSR Europe and MORI (2000) study showed that only a small number of people actively seek information on ethical activities, but that most people agree that social activities should be more communicated and 'shared', preferably by means of 'information on products' and 'labels' or by 'proactive and voluntary communication by companies': league tables, posters and leaflets, compulsory environmental, social and community reporting, etc. Standard commercial-style advertisements are viewed with less enthusiasm.

The philosophy behind labels is that a product has several characteristics (price, quality, brand, label, etc.) and that consumers take these attributes into account when making a purchase decision. To be effective the label should relate to a subject that is relevant (important) for the consumers as well as for the intended beneficiary *and* it should have a clear impact (positive effect). Furthermore, it should be very clear, accessible (labelled products should be easy to find), and trustworthy (controllable). Research on the effectiveness of labels and marketing communication strategies is very scarce. However, effective labelling and marketing (communication) can be the key to fair trade marketing success. Therefore, the labelling issue will be one of the prime focus points further in this study.

1.3.3. Conclusions

After defining fair trade and presenting an overview of fair trade organisations and networks, as well as the market structure for fair trade products in Belgium, some important theoretical models were discussed. Roberts' (1995) definition of socially responsible consumers was stressed: 'those consumers that take into account both the impact on the environment of private consumption decisions and the use of purchasing power to express current social concerns'. Special attention was given on the S.J. Vitell, A. Singhapakdi and J. Thomas' (2001) model of the ethical decision-making process in which various philosophical theories explain a decision-maker's ethical judgment. Next, the model of Shaw and Clarke (1999) was discussed, in which the influencing factors surrounding beliefs play a significant role in predicting actual behaviour. Understanding these theoretical models, practice shows that there is a gap between fair trade attitudes and fair trade buying behaviour. Higher prices, unknown quality, convenience (shopping time), low believability, confusion and lack of information about fair trade are probably creating this gap.

The only demographic variables that seem to have a positive significant effect on socially responsible behaviour are the family socio-economic status and the occupation of the household head and education. This apparent lack of discriminating demographics could suggest that the market for such products and services is widening and that social and environmental responsibility has expanded or begun to expand to all segments of society. With respect to the socio-psychological variables, the following factors appear to have some segmenting power: religiosity (+), interest in third world problems (+), engagement in associations (+), level of concern about the issue at hand (+), dogmatism (-), conservatism (-), status consciousness (-), cosmopolitanism (+), personal competence (-), alienation (-), perceived consumer effectiveness (PCE, +), liberalism (+), awareness/knowledge of the problem (information). The Rokeach Value System measuring values (enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse one) seems to be an interesting scale.

Consumers' lack of information and inherent cynicism leads to a search for solutions. The impact of marketing communication efforts on fair trade buying behaviour with special emphasis on ethical labels and communication strategies should be stressed further.

Further in this study, important elements of fair trade consumer behaviour and marketing will be focused upon: relevant factors and models of fair trade buying behaviour, variables explaining the attitude-behaviour gap, personal values, and the impact of fair trade labels and fair trade communication and distribution strategies. But first of all, in the second stage of this study, a number of focus groups are conducted to corroborate and complement the issues found in the literature review, and to prepare a larger scale quantitative study.

2. Focus group discussions

First an overview is given of the kind of information that has to be gathered from the focus group discussions. Secondly, the methodology is discussed. In a third part the results are given, and in a final part conclusions are discussed²⁸.

2.1. Objectives of the focus group discussions (FGD)

Generally, the purpose of FGD is to generate information about a subject by means of a discussion with a limited number of relevant people. This survey was intended to give us a clearer view upon consumer's knowledge, beliefs, attitudes, intention and behaviour towards fair trade and to complement the findings of the literature review and to prepare a more representative quantitative study. First, the identification and exploration of the concept 'fair trade' is explored: what do people think fair trade is about? Do they know fair trade products and suppliers/distributors? What is ethical consuming? Secondly, the focus group discussions identified relevant ideas/opinions/attitudes, motivations and behavioural patterns towards fair trade: how do they feel about it? What affects their purchases? Do they trust fair trade products?... The third goal lies very close to the second: do people (consumers) have priorities within their ideas/opinions/attitudes, motivations and behavioural patterns? How would they rank the different aspects of the problems surrounding fair trade? Is, for example, environment more important than social rights? Finally, the respondents are asked for possible solutions for the problems concerning fair trade. How do they think fair trade can be stimulated? What about labelling? Which existing labels do they know? Which communication strategies could be used?

2.2. Methodology

Taking into account the objectives of the focus group discussions and budget restrictions, the decision was taken to organise four focus groups, each of approximately eight persons (two in Antwerp and two in Liège). This brought the total to 33 respondents (one group consisting of nine persons).

For the composition of the groups (quota), demographic factors as well as socio-psychological factors were taken into account:

- Demographic factors:
 - region: two provinces: Antwerp and Liège;
 - gender: mixed groups: each group consisted of 5 women and 3 men, all responsible for purchase decisions at home;
 - educational level: two groups were formed: one with high and one with low educated people;
 - respondents of each group were in different stages in their family life cycle.
- Socio-psychological factors:

Previous research shows that the state of open mindedness (cosmopolitanism +, dogmatism -, conservatism - and alienation -) is an important variable.

²⁸ Detailed information concerning the Focus Group Discussions can be found in Mielants, C., P. De Pelsmacker & W. Janssens (2003), Kennis, houding en gedrag van de Belgen t.a.v. fair trade producten. Conclusies uit vier focusgroeps gesprekken. [Knowledge, attitude and behaviour of Belgians w.r.t. fair trade products. Conclusions of four focus groups], working paper for DWTC-PODO II-project, 40 p.

Therefore we created a scale based upon an existing open mindedness questionnaire (Rokeach) and selected respondents with different scores on that open mindedness scale. While recruiting the respondents we also asked them about their knowledge/interest in fair trade, thus enabling us to get focus groups with respondents of high and low 'level of concern about the issue at hand', also an important variable.

The discussions (three hours) took place at evening hours between 19 and 22 pm, thus facilitating the recruitment of as many different kinds of respondents as possible. The moderators were briefed and received a topic guide²⁹ that they could use during the discussions. The focus groups were audio- and videotaped, and notes were taken.

2.3. Results

First of all, in general there were no important differences between respondents of Antwerp and Liège. Also, almost every respondent, whether high or low educated, was capable of giving definitions and opinions concerning fair trade. In general, lower educated respondents were less conceptual in their thinking and tended to form ideas based upon one singular experience or fact. Higher educated people gave profound ideas with a more critical look, and were more complete and accurate in formulating those ideas.

2.3.1. Identification and exploration of the concept of 'fair trade'

The topic of *responsibilities of organisations* resulted in an amount of clichés concerning 'doing business': organisations only want to gain profit, they are not human, etc. However, some nuance was made, as ethical business was considered to be a shared responsibility of organisations AND citizens: 'citizens complain a lot but barely act, and irresponsible organisations can only exist if they have consumers among these citizens!' Furthermore, 'companies act upon the economic climate, which is very much influenced by politics'. Some respondents stated that organisations currently tend to be more social and environmentally responsible.

Fair trade was easily defined; only a couple of low educated candidates had problems with it. Fair trade was directly and exclusively translated to 'eerlijke handel' (Dutch) or '*commerce équitable/honnête*' (French). The respondents talked about local producers ('small farmers') getting a better, fairer price than the world market price.

The respondents had a somewhat predictable *knowledge of fair trade producers/distributors*: world shops, Oxfam, Max Havelaar, Triodos bank, Delhaize, second hand shops and regional suppliers at local markets. They would like to find these products at more places, especially (other) supermarkets. Some participants stated that there is little controlled and correct information available on that subject, while others said that consumers have their own responsibility searching for such information.

Ethical consumers were defined by the respondents as people with a high income (they don't have to compare prices), a good knowledge of fair trade and with a lot of time (to buy their products at several locations). Some saw them as conscious buyers or idealists/dreamers, living with the idea that 'every person should do his best for a better world'. Others saw them as trendsetters or – more negatively – as fashion people.

²⁹ The manual (topic guide) can be found in Appendix 2.

2.3.2. Identification of relevant ideas/opinions/attitudes (and priorities within them), motivations and behavioural patterns

a) Identification and priorities of relevant ideas/opinions/attitudes

Almost half of the respondents claimed that there are Belgian people living in circumstances worse than those in for instance Africa. Therefore they want to give priority to Belgian people before helping people in other countries. Some other respondents did not agree at all, reminding of the high living standard in Belgium and the exploitation of natural resources and people in third world countries. All respondents agreed that *fair trade* should be the normal way of doing business, not just the alternative way. Still, some respondents have problems with how fair trade is done in some cases: to their opinion working with voluntary employees is not very 'fair' to similar companies like artisan shops, health or organic shops (creating unfair competition).

The respondents categorized six *subcategories of responsible/ethical entrepreneurship*: environment, wellbeing of animals, genetic technology, fair trade, organic production methods, and being open into two subgroups:

- i) Environment, ('is the base of all life'), including 'gen technology', 'wellbeing of animals' and 'organic production methods'.
- ii) Environment is strongly associated with health and more important to the average consumer than 'fair trade'
- iii) Fair trade (highest priority for higher educated respondents), because of its social dimension (especially with regard to 'child labour'). Inherent to fair trade is openness: an open dialogue between governments, companies and citizens.

The *believability of fair trade* was not very high: only Oxfam seemed to be trustworthy. Recent scandals concerning food have had a negative impact. Especially higher educated people saw bad politics (untrustworthiness of governments, world powers, corruption in organisations, etc.) as an excuse for doing nothing.

The respondents were not very enthusiastic about the price, supply and attractiveness of *fair trade products*. Some said that these products did not taste good. Lots of criticism was given towards the distribution of fair trade products because 'the products are so hard to find'. *Oxfam shops* were often seen as 'alternative' shops. Their location, opening hours, voluntary employees, etc. 'are not really from this time'. Furthermore these shops 'are not very accessible for new customers as they are small and may therefore frighten some potential customers' and 'have a too limited range of products'. There also seemed to be an association with Agalev/Ecolo which caused antipathy with some participants. Others characteristics that were linked to Oxfam were exotic, natural, neutral, very personal and direct, and employees with great knowledge of products.

b) Identification of relevant motivations

Most respondents felt that they had no influence whatsoever on fair trade problems so they saw no reason to buy fair trade products. Other respondents were keen on buying those products and did not care having that feeling of lack of influence.

c) Identification of relevant behaviour patterns

It clearly appeared that a positive attitude towards fair trade was no guarantee for *buying fair trade products*. Most of the respondents admitted that they only bought fair trade products accidentally, when buying bananas, rice, sugar, honey or fruit juices. Only a few people did not matter the extra efforts for buying fair trade. Fair trade purchasers mostly bought fruit juice, wine, rum and chocolate.

Almost all the respondents were against *charity*. They deeply believed that this only led to a lowering of self-esteem, and did not deal with the poverty problem. Only *organisations* clearly showing their realisations could possibly get some chance of support. Higher educated people preferred large, well-structured organisations (Greenpeace, WWF, AZG, etc), while lower educated people chose organisations from their neighbourhood. Some respondents never donated money, but worked actively for a good cause. Fair trade was seen as an acceptable charity because you got something in return, i.e. the product you purchase. Most respondents did not have a standard year budget for charity or fair trade. They supported what they were interested in and what they thought was good. They did not make choices among the organisations, so charity organisations and fair trade were perceived to be competitors.

2.4. Conclusions

The respondents stated that part of the responsibility for unethical production (and consumption) lay with the *government*: organisations which are not socially or environmentally friendly should be obliged to pay higher taxes and not the other way round. Being able to buy *fair trade products in supermarkets* was seen as a positive first step: consumers would not have to visit several shops for their purchases anymore and therefore more fair trade products would be bought. Their own behaviour towards ethical consumption could only be positively influenced by increasing their knowledge through *information*. Even die-hard fair trade purchasers stated that they needed regular reminders of fair trade to keep their fair trade purchase behaviour on a higher level. Informing potential fair trade purchasers seemed to be very important. Besides word-of-mouth communication, informative documentaries on television seemed to be the best way to achieve this. Commercial mass communication like TV-commercials would cause too much resistance, because this is known to be very expensive (= not very fair!) and may remind consumers too much of multinationals.

The actual supply of *labels* is cluttered. Therefore it was not surprising that the existing labels were badly known. Half of the respondents recognised the label of Oxfam, but that of Max Havelaar and Maya were hardly known at all. Lots of people did not trust the practice of giving labels: 'who controls the ethical entrepreneurship and who controls the controllers?' As a last comment the respondents claimed that they would like to receive a handy brochure (for free, delivered at home) explaining all the labels and which consequently could give more confidence in them.

In subsequent parts of this study the important factors that emerged from the literature review and the focus group discussions will be investigated in a more formal and representative quantitative survey.

3. Knowledge, attitude and behaviour with respect to fair trade: A survey

The objectives of the survey were (i) to gain insight into the knowledge, attitudes, beliefs, intentions and behaviour of Belgian consumers with regard to different fair trade issues (fair trade concept and practice, fair trade products and fair trade shops); (ii) to investigate the attitude of consumers towards fair trade information and communication; (iii) to search for significant differences in beliefs, attitudes and behaviour between types of consumers and (iv) to define and validate a model that describes the fair trade behaviour process³⁰.

These research questions were investigated in a representative sample of the Belgian population. Measurement instruments for the relevant concepts were developed based on the focus group discussions and the literature review.

3.1. Data collection

3.1.1. Sample

In May-June of 2003, questionnaires were sent by mail to a representative sample of 5,000 Belgians who are responsible for the daily purchasing of consumer goods. In addition, 1,200 of the same questionnaires were distributed among consumers of 40 Oxfam world shops: 30 questionnaires were sent to 20 Oxfam shops in the Dutch-speaking part of Belgium and to 20 Oxfam Shops in the French-speaking part. A total of 1,141 questionnaires were received: 799 of the Belgian sample (response rate of 16%) and 339 of the world shop sample (response rate of 28%). The data collection was subcontracted to a marketing research agency (& Compagnie). After cleaning the data file (e.g. deleting respondents who were not responsible for the purchases in their household and deleting the data of respondents who did not fill in 10% or more of the scale-questions) there were 615 respondents for the Belgian sample and 243 for the World shop sample. The study mainly focused on the Belgian respondents (non Oxfam respondents). In some analysis, also the Oxfam sample was analysed.

3.1.2. Content of the survey

Based on the focus group discussions and the literature review, eight relevant concepts with regard to fair trade were identified: knowledge, perceived consumer effectiveness, attitude towards fair trade (general), attitude towards fair trade products, attitude towards fair trade shops, purchase intention, purchase behaviour and attitude towards fair trade information. These concepts were measured by means of relevant statements (items).

The questionnaires contained five parts. In the first part, the respondents' knowledge of the fair trade concept was measured. This part included, among others, the dimension 'knowledge of fair trade'. In the second part of the survey the respondents' attitude towards fair trade was tested. Four different dimensions were measured, namely 'perceived consumer effectiveness', 'attitude towards fair trade (general)', 'attitude towards fair trade

³⁰ Detailed descriptive analysis can be found in 'Beliefs, attitudes and buying behaviour of Belgian consumers towards fair trade products', working paper for DWTC-PODO II-project, 22 p. (Sterckx E., Janssens W., De Pelsmacker P. & Mielants C., 2004).

products' and 'attitude towards fair trade specialty shops'. Next, the survey examined which fair trade products the respondents were already buying or would plan to buy in the future. In this part, the concepts 'buying behaviour' and 'buying intention' towards fair trade products were measured. In a fourth part of the survey the concept 'fair trade information' was examined where respondents were asked about the quality and quantity of fair trade information and communication. In the last part of the survey, the respondents had to answer questions with regard to their personal values and socio-demographic characteristics³¹.

3.2. Data reduction

3.2.1. Scale development

Knowledge, perceived consumer effectiveness, attitude towards fair trade (general), attitude towards fair trade products, attitude towards fair trade shops, purchase intention, purchase behaviour and fair trade information were measured by means of multiple-item scales. Subsequent analysis indicated (sub-)dimensions which were tested for their reliability and validity³². The eight concepts with their underlying subdimensions could be described as followed³³:

(a) Knowledge of fair trade

The literature showed that authors and organizations use different definitions, and also consumers have difficulties to exactly define fair trade³⁴. This is one of the main problems in fair trade marketing, as was also reported in earlier studies. In our research three knowledge dimensions arise. First, the dimension '*Narrow*' encompasses items that stress the core aspects of fair trade. Respondents with high scores on this dimension know how to define fair trade very correctly. A second dimension is *Environmental* which also measures components of Corporate Social Responsibility (CSR), but has nothing to do with fair trade as such. The last dimension is *Social* which deals with the socially oriented components of Corporate Social Responsibility (CSR), although these items are not the core business of fair trade.

(b) Perceived Consumer Effectiveness (PCE)

Respondents can react negatively or positively in their belief of how effective consumer actions can be. Two dimensions were identified. The first dimension is *Resignation* where high scores indicate the belief that all (personal) efforts are in vain. The

³¹ The complete French survey can be found in Appendix 2 – Questionnaire (a Dutch version can be obtained from the researchers).

³² An overview of the methodology, statistics and more detailed information about the formation of the constructs/concepts can be found in Appendix 2 - Development, reliability and validity of the fair trade constructs.

³³ A list of the French statements per dimension can also be found in Appendix 2 - Development, reliability and validity of the fair trade constructs (Table 1). A Dutch version of this table can be obtained from the researchers.

³⁴ The definition of fair trade used for this survey can be found in Appendix 2 - Development, reliability and validity of the fair trade constructs (Table 2).

other dimension is *Inclination to action* reflecting the belief that a person has the power to act with real results.

(c) Attitude towards fair trade in general

Two dimensions arise. The negative dimension is labelled as *Scepticism*, reflecting the disbelief of respondents in the concept of fair trade because it leans too closely to charity and colonialism, or because they just do not believe fair trade 'can work in this world'. The positive dimension is defined as *Concern*, indicating the concern about the fair trade issue and the willingness to generalize this way of trading.

(d) Attitude towards fair trade products

With respect to this concept, four dimensions can be identified. First, *Indifference* reflects the idea that respondents are not interested in fair trade products at all (e.g. they can be too attached to more familiar brands). *Product likeability* deals with the belief that fair trade products are healthier, tastier and of better quality than 'normal' products. High scores on the *Attitude towards price* dimension reflect the desire for fair trade products to become cheaper. High scores on the *Effort* dimensions express the belief of respondents that they have to make too much effort to buy these products.

(e) Attitude towards fair trade specialty shops

The *Staff professionalism* dimension measures the liking of the personal service and knowledge of the employees of the fair trade shops. *Shop soberness* reflects the belief of respondents that fair trade shops are sober and have a limited assortment of products. Finally, respondents scoring high on *Shop unfamiliarity* indicate that fair trade shops are not very accessible (too unfamiliar) and too 'alternative'.

(f) Fair trade buying intention

This dimension measures the intention of buying fair trade products if certain conditions are fulfilled (more information, more advertising, larger assortment).

(g) Fair trade buying behaviour

High scores on this dimension indicate that respondents buy relatively more fair trade products.

(h) Fair trade information

High scores on the *Lack of information quality* dimension indicate that respondents believe that fair trade information is bad or incomplete and should be improved. High scores on *Lack of information quantity* indicate that respondents think that there is not enough information about fair trade and 'fair' companies.

Table 2 gives an overview of the eight different dimensions, each with their underlying subdimensions. The table also provides a way to interpret the score of the dimensions with respect to fair trade (positive or negative). The significant different scores on the subdimensions for the Belgian as well as the Oxfam sample are given.

Table 2: Dimensions and sub-dimensions (and directions) with respect to fair trade

Dimension	Sub-dimension	Direction with respect to fair trade	Belgian sample*	Oxfam sample*
Knowledge of fair trade	Narrow	+	5,83	6,31
	Environment	-	5,09	5,39
	Social	-	5,84	6,18
Perceived Consumer Effectiveness	Resignation	-	3,07	2,29
	Inclination to Action	+	4,78	6,36
Attitude towards Fair trade in general	Scepticism	-	3,39	2,68
	Concern	+	5,38	5,81
Attitude towards fair trade products	Indifference	-	3,46	2,28
	Product likeability	+	3,87	4,15
	Attitude towards price	-	5,27	4,33
	Effort	-	4,33	3,61
Attitude towards fair trade specialty shops	Staff professionalism	+	4,83	5,16
	Shop soberness	-	5,11	4,81
	Shop unfamiliarity	-	4,08	3,42
Buying intention	Buying intention	+	4,53	3,83
Buying behaviour	Buying behaviour	+	4,03	5,10
Fair trade information and communication	Lack of information quality	-	4,38	3,53
	Lack of information quantity	-	5,79	5,32

* Scores are on a 7 point Likert scale, where '1' is the lowest score on the sub-dimension and '7' the highest score

3.2.2. Definition of different types of consumers based on personal values³⁵

The respondents' personal value system was measured by means of the Rokeach Value System (RVS). The RVS consists of 18 terminal value items ('end states of existence') and 18 instrumental value items ('modes of conduct'). Factor analysis resulted in six basic dimensions: *competence* (e.g. competence, independence), *sense of public responsibility* (e.g. obedience), *emotional tranquillity* (e.g. inner peace, happiness), *comfort* (e.g. pleasure), *being sympathetic* (e.g. being helpful) and *idealism* (e.g. a peaceful world). For each of these variables, a summated scale (mean of scores) was calculated and used to

³⁵ An overview of the methodology, statistics and more detailed information about the formation of the cluster-groups can be found in Appendix 2 - Definition of different types of consumers based on personal values (Rokeach).

carry out a cluster analysis that revealed four clusters or subgroups of respondents, based on their personal value system: cluster one includes people scoring high on each of the six value dimensions and can be labelled as *Value conscious people*; in cluster two people have a relatively average score on four dimensions, but they score high on idealism and low on comfort, and can be labelled as *Ascetic idealists*; these average scores can also be found for cluster three, but these people score high on comfort and low on idealism, therefore cluster three can be labelled as *Hedonic self-seekers*; finally, cluster four represents people scoring relatively low on all value dimensions and hence can be labelled as *Value-sceptics*.

Within the groups of the value conscious people and the ascetic idealists, significantly more women than men are found. The hedonic self-seekers and value-sceptics contain significantly more French-speaking respondents. The group of the value conscious people consists of significantly more people that have a lower income level than the other value groups.

3.3. Results of the descriptive analysis

The dimensions identified made it possible to examine the answers of the respondents in a more structured and summarized way (not necessary to look at each individual statement). In what follows, the scores for the eight different dimensions and their subdimensions will be examined. The remaining survey questions will be discussed together with the dimensions they are related to³⁶.

Significant differences within each dimension between multiple socio-demographic groups and also between the different types of value groups will be explored. Table 3 gives an overview of the independent variables that will be used to examine group differences. The relationship of each concept with the independent variables is studied.

Table 3: Independent variables

Independent variables				
<i>Oxfam sample</i>	Yes		≤ 34 years	
	No		35–54 years	
<i>Gender</i>	Male		≥ 55 years	
	French		<i>Income level</i>	- 2500 €
<i>Level of education*</i>	LS		+ 2500 €	
	HS		<i>Type of value groups**</i>	VC
	HE		AI	
	HE(U)		HS	
			VS	

* Level of education: LS = lower secondary school, HS = higher secondary school, HE = Higher education (non university), HE(U) = Higher education (university).

** Types of value groups: VC=value conscious people, AI = ascetic idealists, HS = hedonic self-seekers, VS=value sceptics.

Before explaining the dimensions in detail, it has to be stressed that a validity check (face validity) of the dimensions is obtained by looking at the scores of the respondents of the Oxfam sample. These scores differ significantly from the scores of the respondents of

³⁶ More detailed results of the descriptive analysis can be found in Appendix 2 - Detailed descriptive results.

the Belgian sample *on every dimension* (for an overview of the scores see Table 2)¹. Oxfam customers have a better knowledge of fair trade, they incline more to action (resign less), they are less sceptical and are more concerned about the fair trade issue. Furthermore, they are less indifferent on fair trade products and they like them better. For Oxfam customers, price and effort are less problematic. They like the personal service and knowledge of the employees of the fair trade shops and do not think these shops are too sober (limited assortment of products), too unfamiliar or too 'alternative'. Oxfam customers' attitude towards the quality or quantity of fair trade information is significantly more positive than in the reference sample. As could be expected, purchase intention and purchase behaviour is significantly better compared to the respondents of the Belgian sample.

a) Knowledge of fair trade³⁷

The respondents seem to have a rather good knowledge of the fair trade concept. However, most respondents have difficulties to place fair trade against other (sometimes social) components of CSR. Oxfam respondents are significantly better in defining the fair trade issue than the non Oxfam respondents, but they also add social and environmental issues to the definition. Within the Belgian sample, female respondents have a significantly better knowledge of the fair trade concept than men but they are also more tempted to include other components, especially social components. The same is true for the Dutch-speaking respondents. Lower educated respondents have more problems with defining fair trade. Furthermore, they also add other CSR components (environmental and non-genetic manipulation) to the fair trade issue. Within the different age groups, mid-life respondents (people between 35 and 54) have the best knowledge of the fair trade concept although they also like to see environmental issues as part of the fair trade definition. Respondents with a higher income level are less able to eliminate social elements from the fair trade concept than respondents with a lower income level. The most significant differences are found between the four value groups. The ascetic idealists and value conscious people are defining fair trade most correctly but they are also most inclined to add social components to the fair trade issue.

Concerning this dimension, the respondents were presented a list of fair trade producers, suppliers and distributors on which they had to indicate the ones they recognized. The most well known, across all groups, are the fair trade specialty stores like the Oxfam world shops. Max Havelaar was recognized by 74% of the Oxfam respondents and by 56% of the Belgian sample. A very small percentage of respondents of the Belgian sample were familiar with Maya Fair Trading whereas this supplier is known by almost one third of the Oxfam respondents. Female respondents are significantly more familiar with organic and nature-shops whereas more men than women had heard about Triodos Bank. Taking a closer look at the French-speaking respondents, the only fair trade contributor that they recognize more than their Dutch-speaking counterparts are the specialty shops. Respondents with a higher level of education are more familiar with most of the fair trade related organisations. The percentage of ascetic idealists who know Max Havelaar, Triodos bank and Maya Fair Trading is significantly higher than for the other value groups. The most important introduction to fair trade products for the respondents is by means of a world shop visit or by seeing the products in a regular supermarket.

³⁷ The definition of fair trade used for this survey can be found in Appendix 2 (point 1.3).

b) Perceived Consumer Effectiveness (PCE)

All respondents are leaning towards a more positive approach than a negative one, meaning that they believe that their consumer behaviour towards fair trade products can be effective and can make a difference instead of doing nothing. The group of people that is most convinced of the positive effect of their consumer behaviour on fair trade products are the Oxfam respondents whereas the Belgian sample is less convinced but still tending to a positive approach. In the Belgian sample, significant differences are found between the two language groups. French-speaking respondents are more positive than their Dutch-speaking counterparts. This means that the French-speaking respondents believe more than the Dutch-speaking respondents that their buying behaviour can influence fair trade business. Higher educated respondents seem to be less negative than lower educated respondents. People over 55 have a strong belief in their consumer effectiveness whereas the younger respondents tend to agree least with the positive dimension and also score significantly higher on 'resignation' compared to the mid-life respondents. Respondents with a higher income level are less negative than the respondents with a lower income level. Across the different value groups, the ascetic idealists have the most positive attitude: their inclination to action is highest and their resignation is lowest. On the contrary, the hedonic self-seekers score significantly higher on the negative dimension and lower on the positive dimension, meaning that they have a more negative perception of their consumption effectiveness.

c) Attitude towards fair trade in general

Oxfam respondents are less sceptical towards the fair trade concept compared to the general Belgian population. Also, their willingness to generalize this way of trading is significantly higher. Within the Belgian sample, French-speaking respondents as well as older respondents (over 55) are more concerned about the Fair trade issue. Lower educated respondents have a higher disbelief of the Fair trade concept and their concern is lower than that of the higher educated respondents. Although their concern about the Fair trade concept is almost equally strong, respondents with a lower level of income are much more sceptical towards the Fair trade issue than the respondents with a higher income level. The hedonic self-seekers are the most sceptical towards the Fair trade concept whereas the ascetic idealists are the most concerned and their willingness to generalize this way of trading is the strongest.

The respondents were also asked about how they viewed the role of a company in society. Almost every respondent of the Belgian sample claimed that companies have their own responsibilities in society. They stated that social responsibilities (i.e. respecting human rights, protecting employees' health and safety,...) should be the top priority of any company, more than environmental (i.e. not polluting the environment, using alternative sources of energy,...) and economic responsibilities (i.e. making profit, striving for economic growth...). According to the Belgian sample, the most important task for a company is to ensure its employees' health and safety. Also important was the fact that companies have to respect human rights. Surprisingly, to strive for the company's economic growth and to make profit was found of least importance for a company to focus on.

d) Attitude towards fair trade products

The overall attitude of Oxfam respondents towards fair trade products is more positive than the attitude of the Belgian respondents. Oxfam respondents are less indifferent towards fair trade products and they like the products more. They also have fewer problems with the effort they have to make to buy these products. The desire of the Oxfam respondents to make fair trade products cheaper is not as outspoken as for the Belgian respondents. Within the Belgian sample, women are more interested in fair trade products than men and they are not so negative towards the effort that has to be made to buy fair trade products. The Dutch-speaking respondents do not like the products as much as the French-speaking respondents. The French-speaking respondents experience the effort they have to make to purchase these products as more demanding. Lower educated respondents are more indifferent towards fair trade products and they have a greater desire for fair trade products to become cheaper. Comparing the different age groups, it is clear that the wish for fair trade products to become cheaper is significantly higher for younger respondents than for older ones. Respondents with a lower income are more indifferent towards fair trade products although they like the products more and their desire to make the fair trade products less expensive is stronger than that of the other respondents. Looking at the different value groups, the ascetic idealists are the most in favour of the fair trade products. In comparison with the other clusters, their indifference is lower, they like fair trade products more, price is not so much of an issue and the effort to buy fair trade products is not seen so much as a hurdle. The opposite can be said of the hedonic self-seekers.

The respondents were asked about their preference towards the shelf position and presentation of fair trade products in the supermarket. Respondents could choose out of three options. The first option was that all fair trade products are concentrated within the supermarket on one shelf or department, away from the 'normal' products. The second option is that all fair trade products are put on the same shelf with other products belonging to the same product category, e.g. fair trade coffees are presented on the coffee shelf but clearly distinct from the 'normal' coffee. The third option is that the fair trade products are put together with products of the same brand, e.g. fair trade coffee of Delhaize is put together with the other types of Delhaize coffee. The respondents had to rank the three options from 1 to 3, where '1' means most preferred, '2' means second preferred and '3' means least preferred. Both the Oxfam sample and the Belgian sample gave the highest preference to the second option, i.e. placing the Fair trade products on the same shelf as the other products of the same product category. Across all subgroups, this same line of thought was repeated.

e) Attitude towards fair trade specialty shops

The Oxfam respondents are significantly more positive towards fair trade specialty shops than the Belgian sample: they like the personal service and knowledge of the employees more than the Belgian respondents. They also have fewer problems with the shop soberness and they do not think that fair trade specialty shops are too unfamiliar. The professionalism of the shop employees is more appreciated by the female respondents. The same goes for Dutch-speaking respondents who like the personal service and knowledge of the shop employees more than their French-speaking counterparts. Also, Dutch-speaking respondents are not so negative towards the limited assortment of products. Lower educated respondents are experiencing specialty shops less unfamiliar than higher educated respondents. The limited product assortment and the sober interior are perceived more

negatively by older respondents than by younger ones. Also, people with a lower income level are less negative towards the fact that there is only a limited assortment of products. The value conscious people and the ascetic idealists are significantly more enthusiastic about the staff professionalism than the hedonic self-seekers and the value-sceptics. The hedonic self-seekers, more than the ascetic idealists, are experiencing the shop as too unfamiliar and too alternative.

f) Fair trade buying intention

Oxfam respondents have lower *conditional* buying intentions than the Belgian respondents, which means that they are not that much influenced by conditional factors such as price changes. The buying intention of the Dutch-speaking respondents is significantly lower than that of French-speaking respondents. No significant differences are found between the other socio-demographic groups or the value groups.

The respondents were asked about the reasons why they buy or would buy fair trade products. The respondents were given 20 possible reasons for them to buy fair trade products. They had to mark the most important reasons and no more than four marks were allowed. According to the Belgian respondents, the most important reason to buy fair trade products is because it gives a fair price to the Third World manufacturers. Also important is the fact that the fair trade products imply a safe and honest production process for the farmers and manufacturers (no child labour, etc.). Of third importance is the fact that buying fair trade products gives the Third World producers the chance to retain their dignity and autonomy. These three reasons are similarly classified by all the subgroups as the most important ones to buy fair trade products.

The respondents were also presented 19 possible reasons that could prevent them from buying fair trade products. They had to mark the most important ones and no more than three marks were possible. 49% of the Belgian sample is not buying fair trade products because there is not enough information available. Another 45% of the respondents are reluctant to buy fair trade products because the price of the fair trade product is too high. Across all the subgroups, these two reasons are indicated as most relevant. In comparing genders, male respondents especially think 'information is too scarce', whereas for female respondents 'the higher price level' is equally important. The Dutch-speaking respondents view the high price level as most important reason for not buying fair trade products. For the French-speaking respondents it is the scarcity of the information.

The respondents had to indicate which initiatives would stimulate them to buy more Fair trade products. They had to score 13 different possibilities to stimulate fair trade on a 7-point Likert scale. Because of the high scores for each of the statements, it can be concluded that all possible actions could result in more fair trade buying. Looking at the Belgian sample, the respondents claim that they would be stimulated to buy more fair trade products if the products were more available in regular supermarkets, away from the alternative scene. Offering the respondents a wider assortment of fair trade products would be very stimulating too, as well as getting more formal guarantees that the Third World farmers effectively get better from fair trading. Lowering the price of the fair trade products would be significantly more stimulating for women than for men. Stimulating younger respondents (< 34) could be achieved by offering fair trade products in regular supermarkets as well as lowering the price of these products. Older respondents (over 55) would like to have more guarantees and more relevant information. This fair trade labelling is also of importance to French-speaking respondents. All measures to stimulate fair trade buying are significantly different across the different value groups. The value conscious people and ascetic idealists would be more stimulated to buy fair trade products if,

amongst others, a wider assortment was presented, shops were more accessible and more formal guarantees stating that the Third World farmers and manufacturers are gaining from fair trade were given.

g) Fair trade buying behaviour

The Oxfam respondents buy significantly more fair trade products than the Belgian respondents. Other significant differences are found between the different age groups: younger people tend to buy less fair trade products than older respondents. The buying behaviour of the hedonic self-seekers is lower than for the other value groups. Ascetic idealists are buying fair trade products more frequently. No other significant differences between the subgroups were found.

The respondents were asked where they already bought fair trade products in the past. In general, Colruyt and Delhaize are getting the highest scores. As expected, a high number of Oxfam respondents already bought fair trade products in a specialty shop. On the other hand, fair trade products sold in Colruyt or Delhaize were more actively bought by the respondents of the Belgian sample. Comparing the Dutch and the French-speaking respondents, only 32% of the French-speaking respondents already bought fair trade products in an organic/nature shop against 60% of the Dutch-speaking respondents. Only 48% of the French-speaking respondents did a fair trade purchase in a specialty shop against 59% of the Dutch-speaking respondents. Significantly more women already bought fair trade products at an organic and nature shop. 72% of the ascetic idealists already purchased fair trade products in an Oxfam Worldshop against only 42% of the hedonic self-seekers.

Within the Oxfam sample 43% of the respondents had bought fair trade products 20 times or more during the last year. This figure is significantly more than amongst the Belgian respondents. Most of the younger respondents had bought a fair trade product no more than 5 times during the last year. Also, the percentage of young respondents that purchased more than 20 times a fair trade product is relatively lower than the percentage of older respondents in the same situation. This is in line with previous results on buying behaviour where younger people tend to buy less fair trade products than older respondents. The ascetic idealists have purchased most frequently fair trade products whereas the hedonic self-seekers score poorly on buying behaviour. Older respondents spend relatively more money on fair trade products than younger respondents. The same is true for the Oxfam respondents. When looking at the different value groups, the results indicate that the ascetic idealists are those spending most money on fair trade purchases. The hedonic self-seekers have the highest percentage of people spending no money at all on fair trade products. In the specialty shops, mostly coffee, wine and fruit juices are bought, whereas in the mainstream supermarket coffee, bananas and chocolate are most popular. When fair trade products are purchased directly from the producer, it is mostly wine, honey and fruit juices. Only two respondents from the whole sample had ever bought Fair trade products on the internet.

The most important reason to buy fair trade products in a specialty shop is to support the World shop organization. A second reason to go to a specialty shop is because of the proximity of the shop. Buying fair trade products in the supermarket is more popular than buying them in a specialty shop because of the nearness of supermarkets and the better accessibility (opening hours, parking facilities...). The wide assortment that is offered by a supermarket is the third most important reason to purchase fair trade products at a mainstream supermarket. A mainstream supermarket scores high on nearness, accessibility and assortment whereas the specialty shop scores higher on the quality of the service.

h) Fair trade information

Examining the survey results, it is found that the Oxfam respondents are more positive towards fair trade information than the Belgian respondents. Lower educated respondents perceive the quality of fair trade information more negatively than higher educated respondents, meaning that they think that fair trade information is bad and incomplete and should thus be improved. This line of thought is the same for the older respondents and the respondents with a lower income. With regard to the quantity of fair trade information, female respondents have more the impression that there is not enough information available, compared to the male respondents. The same is true for the French-speaking respondents. The value conscious people score highest on both dimensions meaning that they are least satisfied with the quality and the quantity of the fair trade information. According to the ascetic idealists, the quality of the information is rather good but they are dissatisfied with the amount of fair trade information available. It appears that a lot of respondents are dissatisfied with the amount of information received. They claim they would be stimulated to buy more fair trade products if more general information about the fair trade concept or more package information, like a label, were available.

The respondents were asked how they would like to receive fair trade information. In general, the Belgian sample is most enthusiastic about a good indication of fair trade information in the department store or the supermarket. Next, the use of product labels is highly liked. An informative brochure would also be an option. Least appropriate would be the use of posters but still the score is very high. Women are significantly more in favour of a brochure, a TV documentary, the use of product labels or posters to receive fair trade information. The Dutch-speaking respondents are significantly more positive towards a media campaign supported by the government, television advertising or word-of-mouth advertising whereas the French-speaking respondents are more in favour of an informative brochure. Lower educated respondents compared to the higher educated ones think that a brochure or a poster is more appropriate to spread fair trade information. In comparison with the older respondents, the young ones would like to have television ads to inform them about the fair trade concept. A fair trade documentary on TV, word-of-mouth advertising, indications in the store or a media campaign supported by the government are significantly more appreciated by the value conscious people and the ascetic idealists than by the hedonic self-seekers and the value-sceptics. The use of product labels and posters or the attendance of the fair trade organization to events, festivals or fairs is significantly less liked by the hedonic self-seekers and value-sceptics in comparison with the value conscious people.

3.4. A model of fair trade buying behaviour: results

The dimensions knowledge, perceived consumer effectiveness, attitude towards fair trade (general), attitude towards fair trade products, attitude towards fair trade shops, purchase intention, purchase behaviour and fair trade information and their sub-dimensions that were earlier developed, are now used as variables in an explanatory model of fair trade buying behaviour. To design and test this model (examining which variables have an effect on other variables and to what extent) a structural equation model (SEM) was estimated using AMOS (SPSS). Based upon the literature study and previous findings a number of different models were established and tested. The best model is discussed here. This model has acceptable fit measures: discrepancy/df = 2.360; Tucker-Lewis index = 0.921;

Comparative fit index = 0.931 and RMSEA = 0.04. See Appendix 2 for further presentation.

3.4.1. Results of fair trade buying behaviour

The more people know about fair trade, the more they care about it. The more this interest/concern about the fair trade issue increases, the less indifferent people become about fair trade products, the more they like these products and the less they think they cannot make a difference (PCE). The general attitude 'interest / concern' also has a direct impact on buying behaviour: a more positive attitude leads to increasing buying behaviour.

Knowing more about fair trade results in a less sceptic attitude towards this issue. This is very interesting since 'being less sceptic' about fair trade leads to lower degrees of resignation (PCE), lower indifference towards fair trade products and a less negative attitude towards higher prices. The only remarkable result is the positive loading of 'scepticism' on 'product likeability', indicating that the more sceptic a person is, the higher the product likeability. A possible explanation for this contra-intuitive result might be 'patronizing', i.e. one does not believe in the fair trade principle in its general form, but think it is about nice, funny products for 'alternative' people. Buying behaviour is only indirectly affected by scepticism (via attitudes towards the product), not directly as is the case with interest/concern.

The less indifferent people are towards fair trade products, the more they tend to buy them. But negative attitudes towards prices of fair trade products results in lower buying behaviour.

PCE and the quantity and quality of information do not have direct effects on buying behaviour. But the information variables have a strong indirect effect on buying behaviour through general attitudes and product attitudes.

People with a good knowledge of the exact definition of fair trade have more problems with the *perceived* shortage of information on the issue. Less information leads to a more concerned and less sceptic attitude towards the fair trade concept. Low perceived quantity of information also results in more indifference, higher likeability and more problems with the high prices of fair trade products. People with a good knowledge of fair trade do not think the information at hand is bad or unclear. There is a significant relation between the perceived quality and the perceived quantity of information: it seems that the better the quality of the information is, the more appreciation there is of the amount of information. If the perceived quality of information about fair trade is bad, people think there is not enough information. Low perceived quality of information results in higher degrees of scepticism and lower levels of interest/concern about fair trade. So we may conclude that if the quality of information is good, people think there is enough of it. This may be explained by the subject of this study itself: it is not very 'fair trade' to overwhelm people with information. People prefer small amounts of very good information.

Directly or indirectly fair trade buying behaviour is influenced by product knowledge, the perception of the quality and quantity of fair trade information, general concern and scepticism, the indifference towards fair trade products and the attitude towards the price level. General attitude, scepticism and the indifference towards fair trade products seem to be the most important explanatory variables.

3.4.2. Multiple group comparison between Belgian sample and world shops customers sample

The general behavioural model obtained was developed and tested for the Belgian sample (615 subjects). In the study we also collected information in an extra sample of 243 world shop customers. A multiple group analysis study for the two groups (Belgian and world shop sample) was carried out. By means of a nested model comparison, it appears that structural weights across the models are not equal (chi-square difference = 106,449 with d.f. = 31, $p < .001$). This implies that the model for the Oxfam sample is significantly different from the Belgian sample. The results (standardized loadings with respective p -value) can be found in Table 3. In Figure 1 only those paths that are significant (at the 90 per cent cut-off value) for the Belgian or Oxfam sample are shown.

Overall, a similar path pattern is found for both the Oxfam customers and the Belgian sample, although some interesting differences emerge. First, it appears that the knowledge and information dimensions are of less prominent importance in the world shop customers sample as compared to the Belgian sample. For instance, in the world shop sample there is no significant relation between 'Knowledge' and 'Scepticism' and there is no effect of 'Info quantity' on 'Interest and concern' and 'Product likeability'. Moreover, there appears to be no significant effect of 'Info quality' on 'Product indifference' or on 'Product likeability'. A possible explanation is that the knowledge and perceived information attitude of world shop customers is so positive that a change in the scores will have no impact on other model dimensions. This 'saturation' concept can also be a reason for a second difference. The dimension 'General fair trade interest and concern' has no significant effect on 'Product likeability' or 'PCE'. As 'PCE' has no subsequent influences in the model, this non-significant path is of no further interest, except that the non-significance of the effect on 'Product likeability' means that in terms of general attitudes, only 'Scepticism' has a significant influence on 'Product likeability'. Hence, the less sceptic world shop consumers are, the higher the product likeability. Here, a third difference can be noted. In terms of valence, a same relationship between 'Scepticism' and 'Product likeability' was expected. But a negative loading was found for the Oxfam sample, indicating that the more sceptic a person is, the lower the product likeability. This result is certainly more intuitively correct than the result of the Belgian sample, but the difference is remarkable. A possible explanation might be that Oxfam customers do not have problems with 'patronizing', because they believe in the fair trade principle in its general form, and they do not think it is about nice, funny products for 'alternative' people. A fourth difference is the significant effect of 'Product likeability' on 'Behaviour'. For world shop customers, the likeability of the product appears to play a substantial role in determining their behaviour. All in all, also in the Oxfam model general attitude and scepticism towards the fair trade issue and the indifference towards fair trade products play a prominent role.

3.5. Conclusions

The results of the survey indicate that the respondents seem to have a rather good knowledge of the fair trade concept. However, most of the respondents are adding other components (social and environmental) to the issue of fair trade. When asking the respondents about their knowledge of the different fair trade contributors, their recognition was modest. The Oxfam world shops were best recognized. Most respondents are leaning more towards a positive approach than to a negative one with regard to their perception of consumer effectiveness. The concern with Fair Trading is more present than is scepticism. The overall likeability (taste, health, quality) of fair trade products is moderate.

Furthermore, most respondents find the fair trade products too expensive. The respondents of the survey agree on the fact that they have to make too much effort to buy fair trade products. The distribution of the fair trade products is experienced as very poor. Respondents are most in favour of putting the fair trade products on the same shelf as products of the same product category. The specialty shops are perceived to be too sober and too unfamiliar. A positive point is the personal service and the knowledge of the staff. The most important reason for the respondents to buy fair trade products is because it gives a fair price to the farmers and manufacturers of the South. Also important is the safe and honest production process (no child labour, etc.). Of third importance is the fact that buying fair trade products gives the Third World producers the chance to retain their dignity and autonomy. An important reason to hold the survey respondents from buying fair trade products is the lack of information: they would be stimulated to buy fair trade products if they were better informed (hence, more general information on the fair trade concept or more package information) and if products were more available in regular supermarkets. Another reason to hold the respondents from buying fair trade products is because of the higher prices.

Exploring the differences between subgroups of the Belgian sample, it seems that there are no significant differences between *males and females* with respect to PCE, attitude to fair trade in general, buying intention and buying behaviour. Female respondents have a better knowledge of the fair trade concept and they are less indifferent to it. They like the fair trade specialty shops and buying fair trade does not seem to cost them as much effort as it does for the male respondents. The only thing in which females are more negative than males is their perception of the amount of available fair trade information. Except for buying behaviour, *Dutch-speaking respondents* answer differently than the *French-speaking respondents*. They have a better knowledge of the fair trade concept, they do not have an effort-problem, they like the specialty shops, they have fewer problems with the soberness of the shops and with the small amount of available info. However, they incline less to action (resign more), are less concerned about the fair trade issue, like the products less, they have smaller buying intentions. Differences in *educational level* do not seem to cause differences in buying intention or behaviour. Lower educated respondents have more problems with defining fair trade: they add other CSR components (environment and non-genetic manipulation) to fair trade business. They appear to be more sceptical towards the fair trade concept and indifferent to the products. They tend to resign more and they have more problems with the quality of available information on Fair trade. Respondents with a university degree are less sensitive to the price of fair trade products than the other respondents. There also appear to be some differences among *age groups*. Respondents over 54 think the shops are too sober and the quality of information is bad. Mid life respondents (people between 35 and 54) have the best knowledge of the fair trade concept. Young respondents (under 35) are less concerned about the issue than older people. They incline less to action and they tend to resign more. They also think fair trade products have to be cheaper. Young respondents buy fewer fair trade products. *Having children or not* does not seem to be a differentiating variable, except for the fact that people with children have more problems with the limited assortment of products. Differences in *income level* do not seem to cause differences in buying intention or behaviour. Respondents with lower income have more problems with defining fair trade, they are more sceptical towards the fair trade concept, indifferent to the products and they tend more to resign. They have more problems with the price of fair trade products and the quality of available information. Respondents with higher income have lower product likeability.

The behavioural model shows that knowledge is an important factor (+) for determining the general attitudes towards the fair trade issue. The quality and quantity of

information has a lot of influence on buying behaviour, but only in an indirect way (via product attitudes). People prefer small amounts (low quantity) of very good (high quality) information. The general attitude (interest/concern) towards fair trade is significantly influencing (+) buying behaviour directly, as well as indirectly (via product attitudes). Scepticism has an indirect influence on buying behaviour via product attitudes. The product attributes 'indifference' and 'price' significantly determine buying behaviour. Conversely to what was expected from literature, the focus group discussions and even the Belgian survey, the behaviour model shows that perceived consumer effectiveness has no significant positive effect on buying behaviour.

4. Labelling as an effective marketing tool – a web survey

With regard to fair trade, labelling can be used as a marketing tool to inform and encourage consumers to make more ethical choices. The purpose of this study was to investigate consumers' attitude towards labels and to study the impact of different label aspects. A web survey examining different aspects of labels, deduced from previous literature review and focus group discussions, was conducted in June 2004.

First, the conceptual framework is discussed, giving an overview of information on labelling from literature and setting objectives for this study. Second, the methodology (sample and content) of the survey is described. Third, the results of the survey are examined. Finally, a discussion and conclusions are presented.

4.1. Conceptual framework

Labels on packages and products are primarily aimed at informing final consumers. They are more visible at the point of purchase than other devices such as company reports, campaigns or codes of conduct (Zadek, Lingayah and Forstater, 1998).

Focus group discussions in earlier research pointed out three important issues concerning labelling:

- most of the existing fair trade labels are misinterpreted or not recognized by the respondents;
- fair trade/ethical labels are being mistrusted by the respondents;
- the respondents claim that the fair trade labelling scene is chaotic and confusing.

In general, only a few studies examine consumers' reaction to labels (be it eco-labels, social-labels, fair trade labels or other labels). The following issues arise from literature:

a) Package information:

The amount of information on the package should be ideal (explanatory but purchase-relevant), not interfering with the visibility of the label and making it easily understandable.

b) Credibility of label issuer:

In order for a label to be effective, the issuer of the label should be trusted by the public. The label should also be checked by a third party, a reputable certification agent whom consumers can trust.

c) Marketing and media attention:

An overall marketing campaign can contribute to increase the effectiveness of fair trade labelling.

These aspects are used as attributes in our study, together with other relevant attributes as type of label (issue at hand), distribution of the labelled product and brand of the labelled product.

4.2. Methodology

In the web-based survey respondents were asked to rate products, thus enabling researchers to rate the inherent attributes (conjoint analysis). Respondents also had to answer a number of socio-demographic questions, which are used in this research.

4.2.1. Conjoint analysis

In this study descriptions of labelled coffee were shown. The package was described by means of several characteristics (attributes) and each attribute had several levels. Different packages of coffee, with different attribute levels were presented to the respondents. The respondents were then asked (on 7 and 9-point Likert scales) to indicate their preference towards the different descriptions given the different attribute levels. Table 4 gives an overview of the different attributes and levels.

Table 4: Attributes and levels used in the conjoint analysis

Attribute	Level
Type of label	Fair trade label
	Social label
	Organic label
	Eco label
Issuer of the label	The label is issued and controlled by the Flemish, Walloon or Belgian government
	The label is issued and controlled by the European government
	The label is issued and controlled by an independent non-governmental organisation
Package information	The pack of coffee only has a label on the front of the package
	The pack of coffee has a label on the front and reference to a website
Distribution	The coffee can be bought in a separate department of the supermarket together with other fair trade/social/organic or eco products, distinct from the 'normal' coffees
	The coffee is grouped with the other 'normal' coffees
	The coffee can be bought in specialty stores (e.g. Oxfam world shop)
Label campaign	The label is advertised on radio/TV/papers and magazines
	An informative folder is sent by mail
Brand	Manufacturer brand (e.g. Douwe Egberts, Rombouts,...)
	Private label (e.g. coffee of the GB or Delhaize mark,...)

4.2.2. Data collection

In June 2004, a web survey was sent to a sample of 5,500 Belgians, including all employees of the University of Antwerp (N = 3,000), all employees of the VUM (N = 500) and all employees of the University of Liège (N = 2,000). A total of 750 completed surveys were received: 402 employees of the University of Antwerp (response rate of 13.4), 34 employees of the VUM (response rate of 6.8%) and 314 employees of the University of Liège (response rate of 15.7%). The web survey was constructed with the use of SKIM Software (SSI Web).

Respondents were told that average completion time was about 25 minutes. As an incentive, it was mentioned that coupons of 25 euro from a well-known book and CD store in Belgium would be offered to 20 respondents.

Table 5: Sample description

Whole sample (N = 750)		
<i>Gender</i>	Male	40.7%
	Female	59.3%
<i>Language</i>	Dutch	58.1%
	French	41.9%
<i>Level of education*</i>	LS + HS	12.3%
	HE	17.6%
	HE(U)	70.1%
<i>Age</i>	< 34 years	53.6%
	35–54 years	37.9%
	> 55 years	8.5%
<i>Income level</i>	- 2500 €	58.4%
	+ 2500 €	41.6%
<i>Coffee</i>	< = 5 cups/day	82.5%
	> = 6 cups/day	17.5%

* Level of education: LS + HS = lower and higher secondary school, HE = Higher education (non university), HE(U) = Higher education (university)

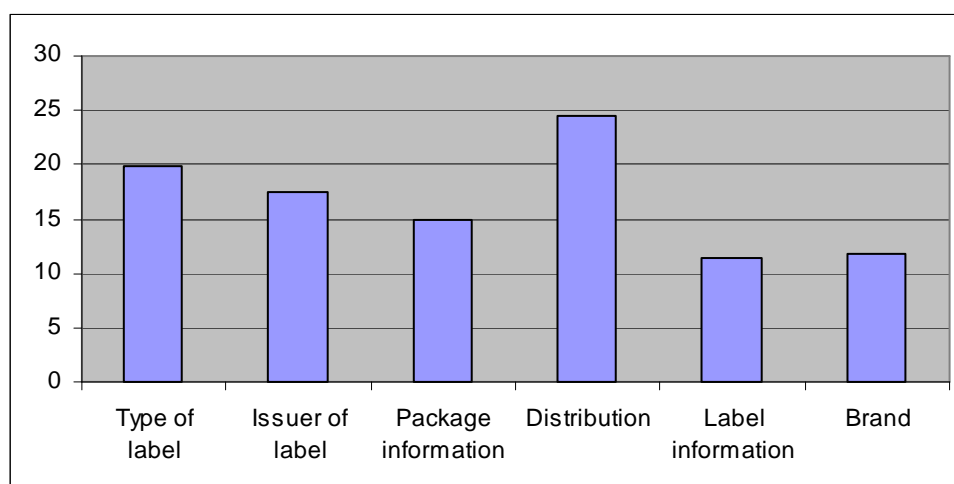
4.3. Results

(i) Conjoint analysis

Whole sample

As indicated in Figure 1, the 'Distribution' attribute generates the highest average importance (24.54%), followed by 'Type of label' (19.82%), 'Issuer of label' (17.48%), 'Package information' (15.00%), 'Brand' (11.79%) and 'Label information' (11.37%).

Figure 6: Averaged importance of product attributes (in %)



Paired sample t-tests indicate that all average importance differences between the attributes are strongly significant (all $p < .001$) except for the difference between 'Label information' and 'Brand' which is not significant ($p = .448$).

Table 6: Attribute level utilities and within-attribute significant differences*

	Whole sample
<i>Number of respondents</i>	750
Type of label	
Fair trade label ¹	23.39 ^{2,3,4}
Social label ²	8.55 ^{1,3,4}
Organic label ³	-20.75 ^{1,2,4}
Eco label ⁴	-11.19 ^{1,2,3}
Issuer of label	
Belgian government ¹	-6.85 ^{2,3}
European government ²	3.63 ¹
Non-governmental organisation ³	3.22 ¹
Package information	
Label only ¹	-41.90 ²
Label + website ²	41.90 ¹
Distribution	
Distinct department ¹	-1.47 ^{2,3}
Same department ²	45.60 ^{1,3}
Specialty store ³	-44.13 ^{1,2}
Label information	
Publicity on radio/TV/magazines ¹	12.45 ²
Informative folder ²	-12.45 ¹
Brand	
National brand ¹	16.74 ²
Domestic brand ²	-16.74 ¹

* Significant difference are indicated per attribute, per level by a superscript number indicating with which level it significantly differs ($p < .05$)

Within the 'Distribution' attribute (Table 6), respondents indicate that they prefer a situation where the pack of coffee is grouped with the other 'normal' coffees (utility = 45.60). This attribute level scores significantly better ($p < .001$) than the situation where the pack of coffee can be bought in a special fair trade/social/organic/eco store department (utility = -1.47) and much better ($p < .001$) compared to buying coffee in a specialty store (utility = -44.13). Also, the specialty store scenario scores significantly worse compared to the special fair trade/social/organic/eco store department situation ($p < .001$).

The second most important attribute is 'Type of label'. Within this attribute a fair trade label is indicated to generate the highest utility (23.39). The second highest utility is attributed to the social label, which in turn outperforms the eco label (utility = -11.19) and the organic label (utility = -20.75). The reported utility scores are all significantly different from each other (all $p < .001$).

Of third importance is the 'Issuer of label' attribute. When the issuer is the Belgian government, a significantly ($p < .001$) lower utility is attributed as compared to the European government ($p < .001$) as well as to a non-governmental organisation (3.22, $p = .008$). The latter does not differ from the European government ($p = .914$; utilities: -6.85 versus 3.63 and 3.22 respectively). The 'Package information' attribute is of fourth importance. Explanatory information on the back of the package besides a front label generates a significantly higher utility (41.90) compared to the situation with only a front package label (-41.90, $p < .001$). With regard to the 'Brand' attribute, a manufacturer brand generates a significantly higher utility (16.74) than a private label (-16.74, $p < .001$). Finally, for the 'Label information' attribute, it appears that advertising the label on radio/TV/newspaper and magazines generate a significantly higher utility (12.45) than sending a folder to customers (-12.45, $p < .001$). Differences between socio-demographic groups are minor. Detailed results can be obtained from the authors.

4.4. Discussion and conclusions

Although literature and focus group discussions pointed at the importance of package (label) information, credibility of label issuer and marketing and media attention; it seems that especially distribution of the labelled product and type of label (issue at hand) are the most important factors. The brand of the labelled product and package (label) information are of lesser importance.

Respondents indicate that they prefer a situation where the fair trade product (in this study a pack of coffee) is grouped with the other 'normal' coffees. A special fair trade/social/organic/eco store department and especially a speciality shop are welcomed with much less enthusiasm. The second most important attribute is the type of label. Within this attribute a fair trade label is indicated to generate the highest utility, followed by the social label, the eco label and the organic label. Of third importance is the issuer of label attribute. Respondents trust the European government as well as a non-governmental organisation the most for issuing and controlling a label. When the issuer is the Belgian government, credibility of the label decreases substantially. The package information attribute is of fourth importance. Explanatory information on the back of the package besides a front label generates a significantly higher utility compared to the situation with only a front package label. With regard to the brand attribute, a national brand generates a significantly higher utility than a domestic brand. Finally, conversely to what was concluded earlier (in literature and focus group discussions), results of this web survey showed that advertising for the label on radio/TV/newspaper and magazines generates a significantly higher preference compared to an informative folder that is sent to customer.

5. Fair trade as a solidarity-based commitment

5.1. Method details

We would like to remind an essential element for understanding the data that will be presented hereinafter. We approached the two populations being investigated in two different ways: one was a representative sample based on quotas, while the other was more random and involved respondents who had in common the fact that they had visited one of the selected Magasins du Monde or Wereldwinkels (Oxfam) during the study period. Neither of these methods is without bias. The Oxfam sample certainly has more 'purchasers' than the 'Belgian Consumer' sample and consumers who were more motivated to complete the questionnaire. Furthermore, the low rate of replies within the 'Belgian Consumer' sample has without doubt created significant bias (read later). It should not be forgotten either that amongst the sample of Belgian consumers, there can also be some regular Oxfam clients. This significant factor limits the comparison options.

5.2. Fair consumption and civic commitments

When reflecting in the North on the consumption of fair trade products, one may be surprised by the fact that, despite the efforts made by fair trade organisations, the share of these products in world trade remains very small. Nowadays the sale of fair trade products is no longer limited to specialized stores and fair consumption is no longer only an act of (gastronomic) courage or Christian charity. However, although it is not a covert act, the consumption of fair trade products is not always done openly, as the main players in the movement can confirm. In 2002, fair trade did not even account for 0.01% of world trade, i.e. 350 million euro for fair trade compared to 4,000 billion euro for international trade (Lecomte, 2003:21)

One notes that efforts have been made within the fair trade movement to get the products out of their traditional distribution networks (causing questions of conscience for some of the most committed members). Whilst few fair trade products are sold by mail order or on the Internet in our country (our work specifically highlights this), fair trade products have a distribution network that is equivalent to that of a multinational petroleum company³⁸. In Belgium, fair trade products are sold through 227 Oxfam stores (160 Wereldwinkels in Flanders and 67 Magasins du Monde in the French-speaking Community) and several hundreds of supermarkets belonging to the 8 largest chains.

Whilst sales and consumption of fair trade products are not very significant, this is not due to a lack of consumer interest. Surveys regularly show that there is a significant increase in awareness of the movement, its principles, its participants and the products. In a pan-European survey conducted by EFTA in 1998, about 62% of Belgians were aware of the existence of fair trade products but only 17% said they were ready to purchase fair trade products. The telephone survey conducted by IDEA Consult in June 2002, involving 1,005 Belgian consumers, showed that 52% of those questioned did not know the fair trade principles whilst 15% were actively aware³⁹ and 33% were passively aware.

³⁸ According to figures from Laure de Cenival based on an EFTA study, 'Fair trade products are available in 70,000 sales points: 3,000 specialist shops but also 33,000 normal shops and 50 supermarket chains. Nutritional products account for 66% of sales and coffee is responsible for half of this.' (De Cenival, 1998: 21).

³⁹ Active awareness: the respondent provides an answer without the interviewer having to provide any prompts or choices.

Amongst our neighbours in France, surveys show very similar results but with a few differences. Tristan Lecomte, when studying recent opinion data (IPSOS October 2000 and October 2002, IFOP July 2001 and January 2002, Alter Eco May 2002, cf. Lecomte, 2003), identified a significant tendency: a significant rise in awareness of fair trade. The first four surveys show that there is a large increase in fair trade's prompted recognition⁴⁰. In October 2000, 9% of respondents knew about fair trade. In May 2002, they were 24%. Recognition of fair trade falls with age. For people 0 and 59, the rate is around 35% (over 36% amongst the 0 – 25 years old). For people over 60, it drops to 25%. In the October 2002 IPSOS survey, the rate of recognition rose to 32%. More importantly, the recognition is improving. In October 2001, the largest group of respondents (41%) associated fair trade with the campaign against child labour. Two years later, a new consensus (39%) associated fair trade with the issue of a new commercial balance between North and South. 31% of respondents thought that fair trade was a way of dealing with poverty in the South. These opinion surveys also clearly demonstrate the difference between the buying intentions for fair trade products that are always very high – an indicator of the social attractiveness of the movement – and actual purchases, which, as we have just emphasised, are weak.

Multiple factors can be proposed as explanations for the size of the fair trade market share at the consumer level (and also at the production level). These factors can include the identification of products, the consequences of purchasing fair trade products, the price, the flavour, the packaging, the perception or not of the labels, etc. These are the questions usually investigated in fair trade market research. The overall sociological hypothesis that we want to test involves presenting fair consumption principally as an action that demonstrates a commitment to a cause (greater justice and solidarity in international trade). For fair consumption to be considered as a commitment, there has to be an assumption that the consumer has specific resources and competences that are not equally shared amongst all the social players.

Sociological analysis of commitment shows that interest and commitment for 'someone far away' requires that a person have various resources, with knowledge and experience of the South being the most important. However, few people have in-depth knowledge and experience of living in a developing country, factors which could prove fundamental to understanding fair trade product purchases. How else can we explain that more than 80% of employees and volunteers in Belgian cooperation and development non-governmental organisations consume these products (Stangherlin, 2004)?

This analysis might account for the small share of market held by fair trade in the western world and the difference between awareness of the movement and purchasing behaviour.

Despite the current widespread availability of fair trade products, it is possible that the purchase of fair trade products remain a not straightforward action because, in addition to issues related to their characteristics (price, quality, packaging, distribution), fair consumption is a way of showing a commitment to a specific cause. Fair consumption could imply that one has first acquired specific resources that result in a tendency to act in accordance with the movement's principles. This may provide an explanation for the fact that greater fair trade product availability has not resulted in an explosion in demand for these products; it might be due to a specific social reality in which purchasing fair trade products would remain reserved to a special type of client. We need to define this clientele in greater detail so as to understand their specificities and the potential obstacles and facilitators for increasing their numbers. We will use three levels to study this clientele, according to the plan below:

⁴⁰ In a broad sense, i.e. referring to themes that are more remote such as international solidarity, ethical trade, global craftwork sales, etc.

Level 1	Sociological profile
Level 2	Commitment to fair trade
Level 3	Tendency to commitment

Tableau 7: Summary table of the central hypothesis (hypotheses 1, 2 and 3 and indicators)

Level of analysis	Hypotheses	Indicators
Sociological profile	1. Oxfam clients have sociological characteristics different from those of Belgian consumers.	Sex; Age; Education level; Socio-professional status & Employment; Education and religious practices; Region / language; number of children and age of youngest; marital status; income; political position.
Commitment to Fair trade	2. Oxfam clients are not simply different in their sociological profile but also by a more committed relationship with fair trade.	<i>Means of access</i> to fair trade; <i>Reasons for buying</i> fair trade products; <i>Frequency of purchasing</i> ; <i>Budget used</i> for buying fair trade products.
Type of commitment	3. This profile difference also involves different types of commitments specifically in favour of the South based on different perceptions of the causes of under-development.	Involvement in the associative network; Types of 'committed' actions; Perception of the problems in developing countries favouring a commitment for the local populations (causal attribution).

5.3. Results⁴¹

5.3.1. First level of analysis: the profiles

Whilst the preliminary surveys (EFTA 1998 in Belgium or IPSOS 2002 in France) usually suggested that a fair consumer is generally a highly educated female, our work has not shown significant correlation between sex or education and being an Oxfam client. Furthermore, there is no correlation between education and religion and being an Oxfam client, which could show – at the level of the clients at least – the distance between the movement and its initial religious starting point. On the other hand, our survey showed a number of factors of influence between being an Oxfam client and some of the variables:

⁴¹ For the full results, see the appendices to the second intermediate report.

- Age ($\text{Chi}^2 = 0.016$): young people (between 18 and 24) and older age groups (**45-54; 55-64; 65-74; 75 and +**)⁴² are over-represented amongst Oxfam clients;
- Socio-professional status: students (**3.6% compared to 0.3%**) and retired people (**16% compared to 9.9%** $\text{Chi}^2 = 0.000$)⁴³ are over-represented amongst Oxfam clients;
- Marital status: ($\text{Chi}^2 = 0.000$) **divorced, widowed and single people** (particularly) are over-represented amongst Oxfam clients. E.g. 17.2% of respondents are single in the Oxfam sample compared to 1.72% of Belgian consumers.
- Incomes: ($\text{Chi}^2 = 0.001$) low incomes (< 1,000 euro) and high incomes (> 5,000 euro) are over-represented amongst Oxfam clients

These results lead to two profiles of people who go most often to Oxfam shops:

'Young' profile	'Over 45' profile
Young (18-24 years)	> 45 years
No children	> 2 children (> 25 years)
Low income (< 1,000 euro)	High income (> 2,500 euro)
Single	Widow/widower or divorced

This does not mean that the 25 – 44 age group are not part of the Oxfam clientele but, compared to an average sample of Belgian consumers, they are seen less frequently in Oxfam shops. This seems to be consistent with personal resource commitments and uses, especially time, knowledge and money. This might provide us with an explanation for the under-representation of the group of people between 25 and 44: it is a time of their lives when their active life is beginning, they are creating a home and a family and consolidating their career choices. These are biographical events that tend to limit the mobilisation capacities of individuals.

We also observed that the Oxfam clientele is more Flemish than French-speaking ($\text{Chi}^2 = 0.021$) and that they claim to be politically more to the left ($\text{Chi}^2 = 0.000$) than ordinary Belgian consumers. 57.4% of the Oxfam clients claim to be to the left compared to 31.2% of Belgian consumers.

5.3.2. Second level of analysis: different commitments to fair trade

In terms of purchases, Oxfam clients are more frequent users of fair trade products. 42.9% of them have purchased fair trade products more than 20 times during the previous 12 months compared to 9.8% of Belgian consumers. Nevertheless, nearly 9% of Oxfam clients had purchased no fair trade product within the last year. Oxfam clients are not only

⁴² As regards the number of children, two groups are over-represented amongst the Oxfam clients ($\text{Chi}^2 = 0.025$): **none** and **more than 2 children**.

⁴³ In terms of profession (past or present), the difference between the two samples (relatively significant in the Chi^2 test with $\text{Chi}^2 = 0.035$) are weakly significant with perhaps the exception of salaried staff (administrative or non-administrative roles) that are over-represented and specialist or qualified workers that are under-represented amongst Oxfam clients.

more regular buyers of fair trade products but they also spend more. More than half the sample of Oxfam clients had spent more than 101 euro (101 – 250 euro and >250 euro) on fair trade products during the previous year compared to 13.4% of Belgian consumers.

In terms of fair trade product availability, both samples gave Oxfam world shops as the main access channel. 47.6% of Oxfam clients discovered fair trade through... Oxfam shops compared to only 8.6% through supermarkets. These shops are also the main access channel to fair trade products for Belgian consumers (24.6%) but only just ahead of the supermarkets (21.9%). Mail order or Internet sales are not yet significant amongst Oxfam clients. The press (8.14%) and media campaigns (5.6%) do not get a much higher score. Amongst Belgian consumers, new technologies and the Internet have not had any greater success (0.5%).

These statistics seem to confirm the idea that purchasing in an Oxfam shop is an action that goes beyond a simple consumption action. At a time when the number of outlets for fair trade products is increasing, nearly one in two Oxfam clients claims to have first become aware of these products in these shops. There is a considerable difference within this group between this means of access and others. The press (8.14%) and publicity campaigns (5.6%) do not really score very well whereas amongst the Belgian consumer, these channels are the third largest (12.4% and 8% respectively) before friends (9%), the family (8.5%) and schools (6.2%).

The questions about what motivates purchases also shows that Oxfam clients are more acutely aware of the consequences of their purchase. Responses from Oxfam clients can be divided into three main reasons: payment of a fair price to the producer in the South (75.8%), respect for working conditions (64.4%) and the dignity and self-sufficiency of the peasants in the South (62.5%). These three items correspond fully with the messages that fair trade organisations (and especially Oxfam) try to get across to consumers. This confirms the results of the market survey that showed a high level of understanding of fair trade by Oxfam clients. Conversely, replies from Belgian consumers are spread across a greater number of subjects even though the above-mentioned categories also dominate their responses (61.5%, 56.2% and 50.4% respectively). The Belgian consumers are more interested than the Oxfam clients in the product characteristics without any specific link to the fair trade movement. As a result, the more important reasons for purchasing for Belgian consumers are the product's quality (19% compared to 9.8%), environmental respect (24.7% compared to 17.4%) the product's flavour (15.4% compared to 8.6%) and health aspects of the product (15.1% compared to 5.8%). The association of fair trade products with a cause is not absent amongst Belgian consumers. They give a higher result in terms of purchasing fair trade products for a 'good cause' (23.4% compared to 14.8%). But they are more likely than Oxfam clients to purchase the products due to simple curiosity (14.6% compare to 5.6%).

One can however presume that Oxfam clients consider the consumption as a political commitment. This is suggested by the over-representation of the 'fair trade', 'working conditions' and 'producer's dignity' replies for this group and also the over-representation of 'bring about political and social change' (38.7%) and the 'alternative consumption' aspect (10.5%) that were less apparent amongst the Belgian consumers (15.7% and 5.6% respectively). One should also highlight the importance of 'world shops' for their role of informing consumers and increasing their awareness. This can be seen through a question where we asked Oxfam clients and Belgian consumers to comment on the advantages of different distribution channels. The Oxfam clients emphasised the quality of the welcome in the shops (32.4% compared to 2.73% for supermarkets) but also mentioned the information available in the shops (14.8% compared to 1.95% in supermarkets).

5.3.3. Third level of analysis: the types of commitment

We wanted to test the theory that Oxfam clients are more committed citizens than ordinary consumers. For this we wanted to evaluate if they had a greater degree of involvement in associations, were more active in public actions (petitions, demonstrations, gifts, ethical investments...) and more oriented towards the issues of the South. Finally, as the IDEA Consult survey showed that people with an unprompted awareness of fair trade were more attentive to the problems of the South, we linked this commitment to a different way to perceive the problems in these countries.

First, we asked respondents if they were members or not of any association and, if yes, which one(s)⁴⁴. There is greater non-involvement in associations ($\text{Chi}^2 = 0.000$) amongst Belgian consumers (35.2%) than amongst Oxfam clients (22.3%). This leads us to assume that **Oxfam clients are more involved in the associative sector** than normal consumers. The types of associations most often mentioned by Oxfam clients were cooperation and development associations (24.2%, $\text{Chi}^2 = 0.000$), cultural and artistic associations (23.1%, $\text{Chi}^2 = 0.000$) and environmental associations (16.4%). There was an over-representation amongst Oxfam clients of environmental associations (16.4% compared to 8.2%, $\text{Chi}^2 = 0.000$), pacifist movements (5.9% compared to 1.1%) and human rights associations (7.8% compared to 3.8%, $\text{Chi}^2 = 0.012$).

As they seem to be more involved in associations, are Oxfam clients also more involved in civic actions or, in other words, in activities during which they publicly display their commitment to any cause? One notes that there is an over-representation of Oxfam clients in the response 'product or service purchased because it is linked to a good cause' or 'support of an activity for a good cause' (very broad answer). Some replies can be considered as an extension to those given earlier. As a result, the ecologic element of activism (buy organic products: 58.6%, support ecologist organisations: 36.9%) indicates a greater level of participation by Oxfam clients in ecologic organisations; the same applies to cooperation and development activities (awareness of problems of developing countries: 20.7%, voluntary work for a non-governmental organisation: 34%). We also observed that the Oxfam client is also more 'restless' than the Belgian consumers: whilst **12.4%** of Belgian consumers have taken part in a protest during the previous 12 months, this figure climbs to **30.1%** amongst Oxfam clients. Compared to civic actions of Belgian consumers, Oxfam clients are more likely to give financial support (financial donations, ethical investments, purchase products, 'adopt' children) than giving in kind (e.g. gifts of clothes). It appears that Oxfam clients are more oriented to relations with others based on justice (protests) and solidarity (financial support) than on aid (gifts of clothes), the traditional form of relationship with the South.

The analysis may be fine-tuned by using a typology of the types of solidarity relationship with others at a distance which was initially described by W. Kersting (1998) and tested empirically by G. Stangherlin (2004) as part of a thesis on militants in development NGOs in Belgium.

⁴⁴ These results should be used with caution. The question was not precise (what is an 'active' member?) and may have influenced the results (cf. low level of no reply and no associative commitment).

Table 8: Typology of the types of solidarity relationship

Solidarity-based relationship	Principles	Empirical translations
Aid	Universal standards. Context of another's suffering. Unilateral. No response from the person helped.	Charity. Gift of clothes, food, medicine, 'adopting' children.
Solidarity	Specific standards. Exchanges between equals. Reciprocity.	Financial support (loan, gift distribution /counter-gift). Development projects.
Justice	Universal standards. Defence of inalienable rights.	Manifestation. Petitions. Lobbying. 'Political action'.

If we group some items (cf. the table below) using this typology, we observe that Oxfam clients and Belgian consumers participate, in terms of frequency, most often in a commitment that takes the form of charitable aid. We also observe that Oxfam clients developed this type of activity less than Belgian consumers. However, they are – sometimes – very greatly over-represented in the other forms of solidarity-based commitments, preferring more political or more egalitarian actions. One also observes that for a given type of activity, Oxfam clients prefer actions targeted at developing countries. This is most evident in financial support (48.1% for developing countries and 29.7% for the disadvantaged in Belgium) and to a lesser extent in their gifts of clothing, food and medicines (57.8% for the South and 56.6% for Belgium).

Table 9: Types of commitment

	Items	OXFAM customers	Belgian Consumers
Aid	- Give clothes, food, medicines for developing countries	57.8%	65.6%
	- Give clothes, food, medicines for Belgium	56.6%	71.6%
Solidarity	- Financial support for the developing countries	48.1%	24.7%
	- Financial support for the poor in Belgium	29.7%	19.9%
	- Ethical investment	18.6%	3.4%
Justice	- Take part in a demonstration	30.1%	5.4%
	- Take part in awareness-rising campaigns	20.7%	4.9%

To explain the commitment to fair trade, we believe that we must analyse the perceptions of the socio-economic and political realities in the developing countries, since the most disadvantaged fringes of their populations (especially small producers) are

usually the targets of fair trade actions⁴⁵. We looked at how the problems of developing countries are perceived by the two consumer groups. We asked them if they agreed with a number of statements about the causes of the under-development of these countries. We identified two main families of explanations: those related to internal factors from within the societies of the South (including political and economic corruption in developing countries, the mentality of the people, climatic conditions, demographic conditions) and those related to under-development for external reasons (developing country debt and dependence on the North; unequal economic exchanges that are unfavourable to developing countries; the consequences of colonialism). It seems logical to consider that giving greater importance to external factors will increase the commitment to the South whilst considering internal factors more important will tend to limit the commitment (on the 'what good will it do?' mode). We also thought that identification of the causes would determine the types of commitments (aid, solidarity and justice).

Compared to Belgian consumers, Oxfam clients are more likely to cite **causes that are external** to the developing countries to explain why they are under-developed. Oxfam clients are more radical when considering the subject of dependence – debt of Southern countries, the colonial experience or North-South relations. 43.3% of Oxfam clients claim to be in total agreement with the view according to which unequal North-South trade is a cause of under-development of developing countries. There are 35% (compared to 17.9% of Belgian consumers) who completely agree that debt is the cause of under-development in the developing countries. Amongst internal causes, there is a general consensus that corruption amongst the political and economic elites of the countries of the South is a cause of under-development. Apart from this item, between a quarter and a third of Oxfam clients do not agree that internal causes are causes of under-development. They seem to be more likely to give internal causes a lower importance than external causes, as the table below shows.

Table 10: Internal and external causes explaining under-development

<i>Internal causes</i>	Do not agree (1+2+3)		Agree (5+6+7)	
	Oxfam	Belgian consumers	Oxfam	Belgian consumers
Climate	31.3	23.5	47.8	58.3
Demography	23.1	13.9	53.7	72.2
Corruption	4.8	2.3	87.2	92.6
Mentality	30.2	13.5	53.1	71.3

<i>External causes</i>	Do not agree (1+2+3)		Agree (5+6+7)	
	Oxfam	Belgian consumers	Oxfam	Belgian consumers
Colonialism	14.0	20.8	70	51.2
Debt	11.6	18.1	79.2	61.5
Dependence / Economic trade	5.0	10.4	84.9	72.2

5.3.4. Different commitment profiles amongst Oxfam clients?

Finally, we studied the type of commitment amongst the Oxfam clients so as to define commitment profiles. To this end, we analysed replies to questions that correspond to our

⁴⁵ These results should be looked at in conjunction with the comments in the market analysis concerning the probability of consumers changing.

theoretical differentiation between the types of aid (solidarity, aid, justice) and compared them with identification variables. We noted the following:

- Amongst the clients who favour an aid / charity relationship, retired people and households in the 34–44, 55–64 and 65–74 years old groups are over-represented as are all the incomes over 1,000 euro.
- Amongst clients more inclined to solidarity, there is an over-representation of those who give high importance to external causes of under-development and who claim to be to the left politically. More specifically, clients who are involved in giving financial aid to the developing countries are better educated, more religious and practicing whilst having incomes above the average (2,500–5,000 euro and > 5,000 euro). They also give high importance to the external causes of under-development.
- For clients who favour justice, the profile is more masculine, better educated and more to the left. They also give high importance to the external causes of under-development.

5.4. Oxfam human resources

Following this study of Magasins du Monde-Oxfam and Wereldwinkels-Oxfam clients, let's stay with this special organisation but mainly in the French speaking region of Belgium and further explore the question of commitment to a distant cause by looking at the human resource management of these retail stores for fair trade products. More specifically, in this section we will look at Magasins du Monde-Oxfam volunteers.

From the South to the North, fair trade remains first of all a form of... trade. It is a form of business activity based on a different type of trade that is presented as an alternative to the mainstream economy. However, in the North, where the fair trade products are mainly consumed, fair trade is represented by a number of different labelling organisations (Max Havelaar, Transfair...) or importers/distributors (Magasins du Monde-Oxfam...) which organisations belonging to a social movement seeking, with the public authorities, to get changes that favour fair trade onto the political agenda and, with the general public, to continue to increase market share for fair trade products. One of the traditional characteristics of the movement is that products are mainly sold in shops that are run by volunteers. In Europe there are more than 2,500 world shops grouped together within NEWS! (Network of European World Shops) which are run by 100,000 volunteers. In Flanders, Oxfam-Wereldwinkels has over 200 shops that are supported by the action of 6,500 volunteers. In the French-speaking part of Belgium, Oxfam-Magasins du Monde have more than 90 shops and outlets and 65 Jeunes Magasins du Monde (small shops in schools run by pupils with supervision by teachers). In the south of the country the movement relies on more than 3,000 volunteers. The popularity and interest in favour of fair trade is not measured simply by the consumption of labelled products but also by the commitment fair trade organisations, such as Oxfam, can stimulate in the volunteers. Without doubt, these volunteers are a significant advantage in the commercialisation of fair trade products (at a time when new sales routes are appearing for fair trade products). But this advantage may be fragile as it is based on commitments of variable intensity both in terms of nature and motivation but which are also very real for thousands of individuals who support distant peoples. We thus need to investigate the sustainability of this atypical model of voluntary commitment.

We organised two discussion groups so as to investigate some of the issues relating to the human resources management within Oxfam. We sought to constitute a mixed group (which had more women than men) of 8 – 10 people who are Oxfam managers (they call

themselves 'coordinators'), split into three age groups (<30 years; 30 – 50 years and >50 years old) and whose shops would be spread throughout Wallonia and Brussels, in large, average and small towns.

- Human resource management⁴⁶:
 - o Attracting and raising awareness of volunteers, motivation for their commitment to Oxfam, role played;
 - o Within Oxfam, task sharing, competences and training needs, professionalisation;
- The shop within the fair trade movement (principle of action and principle of participation):
 - o Relationship between the shop and the movement (relations with the Regional Office, relationship with the main warehouse)
 - o How is the shop positioned within the field of fair trade product distribution?

But firstly, who are these volunteers? To answer this question we have used the results of a survey by questionnaire conducted by Grégor Stangherlin on volunteers in development cooperation non-governmental organisations in Belgium. We extracted the data that relates only to volunteers of Magasins du Monde-Oxfam (the French-speaking counterpart of Wereldwinkels)⁴⁷ from his total sample. These volunteers are generally quite old (65.7% of respondents are over 55 years old) and mainly female (84.5% of respondents). 68.3% of them are married. Over half the respondents have at least 2 children. Three-quarters (73.3%) are currently not working. They are quite religious and church-going: 91.2% have had a religious education and 42.3% regularly practice their religion. In terms of education levels, the volunteers can be divided into three almost equal groups; 35% have a qualification that is below higher education level, 32% have a non-university higher education qualification and 30.1% have a higher university, post-university or long non-university qualification.

Two types of volunteer commitments

An internal survey (De la Fuente & Bastin, 2001) on volunteer's training needs in Oxfam identified the existence of two commitment profiles: firstly, there are volunteers who are active in the second hand shops (20% of respondents) and sales staff within Oxfam shops (52% of respondents). They are older (60 – 61 years old compared to 52 and 45 years old) and less militant than the managers of the shops or the coordinators and trainers. They are much less active within the movement, except for their specific role in the shop. Sales staff and volunteers in second hand shops spend about 2 hours per month at Oxfam meetings and 3 additional hours doing other activities within the movement. Secondly, there are the managers and team leaders who spend 3.5 and 5.5 hours respectively per month in meetings and give a further 5.5 and 6 additional hours respectively to actions supporting the movement. The volunteers in the second hand shops spend most time in the shops (28 hours) compared to 10 – 12 hours for the others. In summary, this survey seems to highlight the existence of two commitment profiles with volunteers who are very supportive of their shop (the first categories) and other volunteers who have a greater and broader involvement in the movement.

⁴⁶ A copy of the interview guide is available in Appendix 4.

⁴⁷ This net sample contains 100 respondents which we separated out.

We found this same division during the group discussions that we conducted. Most participants presented the management of their shop as being centred on a 'leading group'. This small group is generally composed of two (often a couple), three or four people who ensure the daily activity in the shop. It is this leading group who represents the shop to the exterior and who positions it within the movement. The second type of volunteer is a 'relief group' that is regularly mobilised but which does not get involved in the movement outside the shop⁴⁸. A manager from a Brussels world shop emphasised this: '*At the end of the day, the most important or urgent tasks are always done by the same people. The others are there and if they have a driving force, they get things done... Or rather, they get some things done. A bit like kids, you have to tell them everything: you do this, you do that... They won't take the initiative.*' Whilst the reactivity of a small core group is doubtless quite effective (providing they can motivate the volunteers in the relief group), it is no less dangerous in the long-term as it can rapidly use up the energy available in this little group⁴⁹.

To understand why volunteers act

There are three main reasons that explain why volunteers work for world shops. Firstly, there are *moral reasons* that give priority to either the historic responsibility of Belgium and the West for the misery in the world or a certain moral duty to help the less well off. Secondly, there are *personal reasons* related to the volunteer's life experiences: the commitment provides an opportunity to create relations or to become useful again. Finally, there are *political reasons* related to promoting a collective cause.

During our interviews, we discovered that a commitment to the South was not initially a significant motivating factor but appeared later as more time was spent in the movement. It seems that the main reason for the volunteer's initial involvement is more related to a 'need' to be involved in a local public space than a desire to change the realities of the South. The third world, the developing countries, the under-developed are the linking thread running through a commitment that is more oriented by the need to be involved personally and can later be added to an initial commitment that is very pragmatic: responsibility for running a shop, solidarity through solid commercial relationships rather than traditional charitable acts⁵⁰. One notes that prior to entering the movement, volunteer's knowledge of developing countries is mainly gained from the press and most of the

⁴⁸ Some participants identify a further group of volunteers who are less involved and emphasise the occasional intervention of sympathetic volunteers who are mobilised very sporadically and who have relatively weak links with the movement.

⁴⁹ Periods of low motivation are frequent and require regular visits from the movement's direction to prevent the business from declining. The problems of recruiting volunteers and their often sudden departure give shop managers the most difficulties. One manager observed: 'The problem that we have is that we are always operating on a knife edge with the volunteers; it becomes almost miraculous.' Another commented: 'I went through a period where I was very de-motivated a few years ago. At the time, the regional team was being renewed. I was faced with a high staff turnover rate in the shop and all the usual requirements of managing a shop and I had the impression that I was not getting enough support.'

⁵⁰ This is what is illustrated by this comment from a volunteer manager of a Brussels shop: 'At the start, my own motivation was more to find something useful to do for the South but in the North. I never thought of leaving. It's a movement with strong ethical values and I simply had a shop near where I live. The movement has a very pragmatic aspect and well, it's perhaps just a drop in the ocean but one feels that you can change things. The interest in North / South relations came later as I became more involved. I have still not been to a Southern country and don't think I will. What interested me at the start was the commercial support and to be able to speak to people to rise their awareness of the problem. Personally, I discovered fair trade here.'

participants in the discussion groups can point to an article or a report on the South that struck them. Sometimes their knowledge of the South has also been gained through their business or social relationships but travel (business or tourism) features more rarely.

Volunteers suggest three important reasons to explain why their commitment lasts. The *value of the work* for society is a first significant aspect for volunteers in development non-governmental organisations⁵¹. Secondly, it is important to have the *possibility of personal achievement* without any pressure. Thirdly, we must note the importance to the volunteer of developing a *relational network*.

It should also be noted that even though people enter the movement for pragmatic reasons and its local issues (increase the consumption of a certain type of product by consumers in their district or borough), it seems that, for the very committed volunteer, the political aspects of the movement becomes a dominant factor over time. As a result, the world shops' managers tend to view the new distributors of fair trade products (supermarkets or local shops⁵²) as a good thing. One of them illustrates this: *'If we stop selling? It's very simple; we will become a political movement. Personally, I do not consider the shop to be very important'*.

Stangherlin's work shows that the volunteer's degree of commitment varies mainly in relation to their *socio-economic status* and the *role assumed in the organisation*. Retired people and those who have taken early retirement are particularly active. Some tasks require greater responsibility from the volunteer and lead to them becoming more intensively involved. A positive evaluation of their efficacy is another fundamental factor in determining the degree of a volunteer's commitment (Stangherlin, 2005).

Recruiting new voluntary staff

It seems that recruiting new volunteers has become difficult for world shops for several reasons. The volunteers that were questioned consider it to be related to issues of competence and ideology. When potential volunteers arrive at the shop, they are not simply required to be able to manage a shop (accounting, stock management, window displays) but they also have to get involved in the movement and understand the issues and mechanisms of fair trade so as to be able to communicate them to the clients. Voluntary work in the second hand shops is more concrete and less ideological. As one manager said: *'There is this aspect of second hand that attracts housewives more easily because it's something that does not raise questions. Iron, fold, see if the clothes are OK... It's all a bit like the work one does at home...'* and another qualified this with: *'In the second hand business, It's very practical work. One does something. One receives clothes, they are sorted, and they are classified. As a result, volunteers for the second hand and the fair trade sections have different profiles'*.

Two concepts of volunteers have therefore appeared. On the one side, there is the need for competences so that the commercial activity is as effective as possible *'From the moment that one commits to a task, that one has a shop to run, the people have to be responsible, come, run the shop...'* In this environment, the volunteer must be able to develop the necessary competences, which, as someone suggested, could be 'centrally organised training'. On the other side, it is more important to start with the existing competences and learn on the job. 'You have to respect each and every one' confirmed a

⁵¹ Heard during a discussion *'Personally, I think it is important for the partners. I often wonder why I do it and I say to myself that it's to allow the small producers to live with more dignity. It's just a drop in the ocean, everything that I can do, but I know that it will let a few people live with more dignity.'*

⁵² Mention should be made of Citizen Dream which sell fair trade labelled products in their shops that are not in the 'Oxfam-Solidarité' movement.

manager, 'we have all had two or three volunteers who worked very hard, then they started complaining because they saw that no one else was doing anything but we hadn't ask them to do anything. Therefore, my philosophy is that each gives what they can give and you have to respect the different levels of commitment of the volunteers'. This is doubtless a sign of the well known dichotomy between voluntary work experiences that are mutually enriching and the commercial requirements of the organisation which one represents and which has to sell as much as possible.

The problem of recruiting volunteers is greater in the large towns, such as Brussels, than in the smaller towns. The reason is mainly due to the greater opportunities available in the employment market and for voluntary work. 'I would like to say that in respect of staff turnover in Brussels, we have lots of youth, students and unemployed people. There are many opportunities in Brussels. They are people who are looking around and finding out about themselves. You have to let people try. Their motivation is not always well defined. It's a big problem.' As for recruitment, it seems sometimes that the shops are left to their own devices too often. This is even more apparent in the event of a major staff shortage when they can count on the help of the regional manager who calls upon the solidarity of nearby shops. 'When we don't have enough volunteers we ask the regional or the national centre who sometimes pass the word to another shop in the same region so that a volunteer comes and helps us for a bit. But it's true that we could use a more external solution.' This 'external' solution could be best assumed by the management team through regular campaigns to promote voluntary work in the shops.

The shops in world shops

Relations with Magasins du Monde-Oxfam (the national centre) are within a framework of a well-organised decentralisation (we can almost call it a delegation). To be precise, the national centre tends to delegate responsibility and autonomy as much as possible to the world shops and their managers. The regional managers give advice rather than instructions and are not there to exercise even a small amount of stewardship⁵³. This giving of responsibility and significant autonomy to the shops and their managers is seen as a positive thing. For some, 'the teams of world shops, they are the last bastion of May 68 style of self-management. It's very important. We have a nucleus that takes the initiative to open a shop, that takes charge of important decisions and tasks, that manages the political project and, within this project, decides whether or not to work with some of the most hopeless cases.'⁵⁴ But this taking of responsibility is not sought by all of the volunteers and it rather seems to concern the team leaders and shop managers⁵⁵.

However, the managers that we met mentioned poor communications at two levels: between the shop and the national centre and among the shops in the different regions. Firstly, they complain that they do not get enough feedback on their results or recognition of their volunteers' activity (*'when we send in our sales figures, we get no feedback from*

⁵³ A manager confirmed: 'The regional manager has come to see us several times to see how we are organised but it's really the local culture that determines it, the shop team. There are things that they suggest but we say 'No, we will not do that' and at the same time we hear the regional manager who says: 'If that works like that for you, it's fine, it's up to you to define your priorities.'

⁵⁴ This empowerment seems to go hand in hand with the initial need to become personally involved. As a result a Brussels's volunteer commented: '*One develops by becoming manager of a shop. I take my place in the world. One can open out.*'

⁵⁵ They observe: 'At our shop we have volunteers who have nothing to do with any political project because they have other worries in their lives, in their social or economic lives, and who come to our shop because they had to answer a call but who certainly do not want to take responsibilities and never will.'

the national centre, for example') such as the results of campaign runs by Oxfam (*they do not tell us enough about the results of the campaigns that we conduct. For example, with the footballs. Now it's OK because we have made the producers of balls who use child labour think again. But they tell us nothing, we have to find out for ourselves*'). Secondly, they would like to have more exchanges of experiences with volunteers from other shops, especially shops in other regions.

Finally, through our questions on the relationships between the shops and the movement, it seems that the tension between a principle of participation (the activities that are needed to be successful must be done by involving voluntary members) and a principle of results (which is translated by a process of professionalism and new human resource management techniques) that are inherent to large international non-governmental organisations (Pêche et Padis, 2004) are also present. On the one hand, there is the possibility of 'helping differently without simply giving charity', of 'playing the cashier', of 'finding a good atmosphere' then (often much later) there is an awareness of social injustices and the need for North / South solidarity, which makes them more involved in solidarity actions despite being faced with the need to produce results. For example, when confronted with the policy applied by some shops of social re-integration through voluntary work for some types of social problem cases, the volunteers fluctuate between solidarity ('We are trying to help the workers of the third world but we also have to help those who are next to us, of course!' said one manager) and the need for results ('Yes, but not if it reduces productivity in the shops.' replied others in the group). From producers to consumers via the volunteers, the tensions between business and solidarity are constantly present and at every level of the fair trade movement.

5.5. Public policies

We have studied various options for supporting fair trade that are available to public authorities. Firstly, as a large consumer, the State can stimulate the market for fair trade products. This is why we have looked at how measures in this field have developed, both at the European and Belgian levels. We also supported the lobby created by fair trade players throughout the procedure⁵⁶. Secondly, we examined support opportunities within the frameworks of the Cotonou Agreement and the EU Generalised System of Preferences.

5.5.1. Public procurement and ethics: evolution of European directives and Belgian law

Civic economic commitment can take various forms, one of which is responsible consumption. This commitment contributes to the dynamics of sustainable development. This means it is important to ask whether there is room for a market ethic and whether the standards regulating the market and public procurement allow such ethical characteristics to be valued.

Given the significant share of public procurement (it represents 16 % of the GDP within the EU), its impact on the viability of some sectors is critical. Furthermore, procurement could become one of the instruments of economic policy if public authorities privileged consumption of fair trade products. Such responsible consumption could also set an example or have an educational role (e.g. schools buying fair trade products whilst

⁵⁶ For a more thorough analysis of this crucial question, see Appendix 5.

simultaneously conducting an awareness-rising campaign about them). A number of decision-making authorities have already ventured down this route because they are sensitive to ethical aspects or even to environmental and social aspects. However, this is still a dangerous approach despite the ethical motivation (in its broadest sense). The argument usually used is that it does not comply with the market principle required by national or EU legislation or the Agreement on Public Markets.

Introducing an ethical requirement to public procurement is technically possible at various levels: when defining the object of the market and the technical specifications, when selecting the enterprise (exclusion or selection criterion), when choosing the best offer (attribution criterion) or when executing the market (execution condition). However, these different elements are defined in law and any ethical clause must respect the legal constraints. It is not possible to evaluate the compatibility *in abstracto* of an ethical clause in tender specifications because each situation is specific. Nevertheless, there is a common issue involved in all these considerations: is there a place for ethical issues, in the broad sense⁵⁷, in public procurement? In reality, depending on whether ethical aspects are taken into account and subordinated or not to the purely financial aspects, there are many effective ways of considering the ethical component.

In this report, we present the concept of public procurement and the applicable laws, then analyse this question in relation to Belgian and European laws. We will review the options provided under Belgian law for introducing ethical clauses in public procurement procedures. Finally, we make some recommendations that take into account the changes that should occur following the transposition of new European directives into national laws.

Public procurement and applicable laws

Public procurement is a contract that is subject to special rules because the consumer who wants to acquire a product, a service, a supply / material is a public authority using public funds and must act in the general interest. Within the European Union, it is regulated by various sets of rules. For procurements which do not exceed thresholds (162,000 euro, 249,000 euro and 6,242,000 euro), the applicable legislation are national laws, which do not have to be exactly the same as European directives but must respect the general principles of the Treaties, such as the principles of non-discrimination, of freedom of movement, etc. Above these limits, European directives must be applied for intra-EU markets whilst the Agreement on Public Markets (APM) – agreed as part of the World Trade Organisation rules– must be applied for other markets if the company is subject to the jurisdiction of a signatory state⁵⁸. Apart from some technical differences, all these rules have the same general objectives: making public procurement open to competition; equal treatment and access to public procurement, such as the principle of non-discrimination; transparency, which includes advertising, decision criteria defined *a priori*...

⁵⁷ The questions are the same for social, environmental and ethical aspects as far as the principle is concerned; only the practical solutions vary according to the exact contents of the ethical aspect introduced.

⁵⁸ This report does not analyse the Agreement on Public Markets. First of all, we have to take into account current trends, such as the adoption of new directives in this field; secondly, the main lines of EU law are included in the Agreement on Public Markets concluded within the WTO. Finally, the field of application of the latter is little likely to concern a European buyer. The Agreement on Public Markets, which includes the EU, the USA, Canada, Japan, Norway, Switzerland, Korea, Singapore, Aruba and Hong Kong applies exclusively to the relations between the EU and third countries that are signatories of the Agreement on Public Markets, whereas the directives apply to intra-EU relations.

In terms of company selection criteria (selection) and tenders (attribution)⁵⁹, they must allow the 'best economic choice' to be made.

The definition of 'best economic choice' depends on the objectives of the public authorities. The answer to this question is therefore political, in the noble sense of the term, and not 'scientific', as suggested by some supporters (such as the European Commission) of an ultra-liberal position, who refer to the 'laws of market'. National governments refer to the guidelines of the European Commission or to its opinions for an interpretation of this concept and, in Belgium, they are usually applied⁶⁰ even if the tender value is below the thresholds that require that the European directives be applied. In principle, the European Commission only is responsible for supervising the implementation of directives. If it finds that a member state is not applying a directive, it can refer the matter to the European Court of Justice; the Court of Justice gives the official interpretation of directives. It should also be pointed out that the law is subject to the requirements of the Treaty and that the Council and the Parliament can modify directives⁶¹ within the joint decision-making process.

The European position

As far as the Commission is concerned, public authorities have to make the best choice taking into account the costs and specific short-term benefits. Apart from the intention of reducing public expenditures⁶², this process is based on the theory that maximising individual profit leads to the maximisation of the general interest. But this theory fails to take into account the possibility of market failure. In fact, even economic science is much less dogmatic on this point than some of the people who use it to justify their ultra-liberal position. Nevertheless, the Commission does not rule out ethical, social or environmental considerations, but the prominence of short-term financial aspects strongly limits the options for taking them into account, particularly ethical criteria.

This position is outdated. Since the Treaty of Amsterdam (1999) came into effect, the European Union has had sustainable development as one of its fundamental goals. This concept means that economic aspects, in the strict sense of the term, and environmental and social aspects (including ethical considerations) must be given equal consideration. Consequently, this requires a new approach to 'best economic choice' which should include factors that were previously ignored. This would allow these aspects to be evaluated at different levels in the process of public procurement (object of the market, company selection, attribution and execution of market), depending on the objectives and the clause's contents. This approach was confirmed by the European Court of Justice in two recent rulings⁶³ that questioned the Commission's position, which is inconsistent with the

⁵⁹ The market is divided into two important stages: contract award and execution. Contract award is divided into two sub-stages: selection and attribution. This moment is crucial, since it is at this stage that the contractor and the tender are chosen.

⁶⁰ Excepted – and this exception is important – in the amendments made to the Belgian law in 2003, which are based on the progressive left-wing orientated position of the Court of Justice (see below).

⁶¹ Which was the case in March 2004. For public procurement in standard sectors: directive 2004/18/CE of March 31st 2004; and for public procurement in special sectors, directive 2004/17/CE of March 31st 2004.

⁶² Which constituted the objective of the first directives in this field.

⁶³ European Court of Justice, ruling French Republic, September 26th 2000, C-225/98 qualifying social criteria as attribution criteria; European Court of Justice, ruling Concordia Bus, September 27th 2002, C-513/99 qualifying environmental criteria as attribution criteria 'in so far as these criteria are linked to the object of market, do not confer on the said adjudicative authority an unconditioned freedom of choice, are expressly mentioned in the specifications of the call for tender or in the advertisement of

Treaties and different commitments of the European Union. The Court of Justice admits that social and environmental criteria can be used to determine the best economic offer.

This questioning of the Commission's position forced them to admit that these criteria can be considered at different levels of the procedure but they impose limits that make their approach, at best, rather vague and the technical content of the condition of execution remains the criteria that they advise should usually be used. It should be pointed out that basing decisions on the condition of execution greatly limits the options for including effective ethical clauses⁶⁴.

The opinions expressed by the Commission, when revising directives, in response to liberal amendments proposed by the Parliament take it back to its earlier position. The Council followed the Commission's thinking and limited ethical attribution criteria to environmental criteria that had to be linked to the object of the procurement (interpreted as having to be an intrinsic characteristic of the product/service). The Council also rejected the text that introduced failure to respect the ILO treaties⁶⁵ as a reason for excluding a company during selection. The adoption of the new directives has confirmed this position. However, it has to be underlined that they considered the possibility of taking into account social criteria (understood in the broad sense of the term) as attribution criteria but in an extremely convoluted way, which leaves the door open to interpretations. They also propose to introduce references to ILO rules at the condition of execution stage but this is not very appropriate. Finally, they refer to the concept of sustainable development but appear to have limited it to environmental aspects.

To summarise this review of the evolution of European rules, the debate took a direction proposed by supporters of an ultra-liberal position even though some progress was made on issues relating to the environment and handicapped persons. In reality, no real progress was made in respect of social and ethical aspects and what little was decided is ambiguous⁶⁶.

The Belgian position

Belgium is favourable to an approach that allows greater consideration of environmental, social and ethical aspects. Various initiatives demonstrate this including the ruling adopted by the Chamber of Representatives on December 5th 2002⁶⁷, the amendments proposed to the European Council and Parliament as part of the process of revising the European directives and changes introduced to national laws which anticipated

procurement needs and respect all the fundamental principles of EU law, among others the principle of non-discrimination'.

⁶⁴ This concept must be linked to the execution of the market and so it must be possible for any company to implement it. Consequently, the conditions cannot impose pre-requisites on the company because it might be considered as disguised selection criteria. In practice, it is difficult to suppose that a company would be able to provide ethical goods only for executing of a procurement contract. The company must in principle already be engaged in this type of production before the execution of the contract in order to be able to carry it out.

⁶⁵ This requirement did not seem to us to be the best technique to promote. We think it is more useful to be able to favour the companies committed to responsible production processes.

⁶⁶ The radical nature of this position may include a backlash, which can partly be accounted for by the relative efficiency of using a legal approach to 'public procurement' as a way of achieving the 'goals' pursued by public consumers when purchasing. In other terms, pursuing ethical goals in public procurement when there is no legislation that imposes these considerations on the 'up-stream' production conditions for a product or on the behaviours of economic operators is a way of avoiding having to do what was promised. In reality, public authorities have more means than the public consumer.

⁶⁷ Cf. *Doc. Parl.* Chamber, DOC 50 1798/006.

this process in terms of including consideration of the European goal of sustainable development. Chapter XI of the Law-programme of April 8th 2003⁶⁸ amended the law of December 24th 1993 and introduced a requirement for sustainable development to be taken into account in public procurement. In respect of ethical criteria, we must not forget that the attribution must be based on an appreciation of the 'best economic choice'. The Law-programme adds, in article 16 of the law of December 24th 1993 that attribution criteria can include considerations of a social or ethical nature. We should not forget that this issue was the subject of heated debate during the revision of European directives but the final version of the European text does not mention this option⁶⁹. However the text does allow the possibility of including execution conditions that consider social integration or of ethical issues.

Belgium showed political courage in the field of public markets and made a big step forward in favour of sustainable development in general and of fair trade in particular. This evolution anticipated the results of the debate on the directives in order to highlight the Belgian position. These rules are now being revised because the law must be adapted to the new European requirements. One must hope that what has been achieved will be maintained.

Existing possibilities

Current rules on the subject are either very new and unclear (EU law) or under revision (Belgian law). This makes it difficult to decide what techniques to use today that could still be used in a near future. We underline here the techniques that should subsist.

Under current Belgian law, there are various options that encourage responsible consumption. First of all, simplified procedures are provided for below some thresholds. They allow positive discrimination for products or companies that respect the principles of fair trade. In fact for procurements under a value of 4,957.87 euro, the public consumer can conclude a market simply by placing an order. For all repetitive needs or perishable purchases, this procedure is clearly more practical for public authorities. If the estimated value of the market is below 61,973.38 euro (excluding VAT), public authorities can use a negotiation procedure that does not require advertising. In this case, there is no requirement to determine the qualitative criteria of selection or attribution. Conversely, above this threshold, it is compulsory to use a public adjudication procedure with call for tenders or a negotiated procedure with advertising. The awarding authority must then formalise the qualitative criteria of selection or attribution for the market. Belgian law currently allows ethical considerations to be taken into account as attribution criteria. This makes it possible to privilege an ethical product but not an ethical company. However, a technique that is often used involves preferring a labelled product, e.g. Max Havelaar, by specifying it in the object of the market and in technical specifications⁷⁰. We should not forget this freedom of choice regarding the object of the market, which is entirely up to the adjudicative authority. In all these situations, the criterion of fair trade has to be part of the object of the market. Conversely, the European Commission's recommended method,

⁶⁸ M.B. of April 17th 2003.

⁶⁹ It does not say anything on this subject, except in the 'evaluation' 33, where it proposes that ILO rules should be respected by the applying enterprise as a condition of execution.

⁷⁰ Many public authorities have engaged in this direction. Cf. for example the tender specifications issued by the city of Brussels: 'Market of provision, in two distinct lots, for the delivery, during 60 months, of coffee with the MAX HAVELAAR label'.

which will be included in Belgian law, requires that the ethical clause is a condition of execution of the market, which we think will be impossible to implement⁷¹.

Each adjudicative authority can decide how they use these options and they should be supported by the creation of a publicly funded support body and the development of awareness actions such as the memorandum of November 21st 2002 on sustainable purchases⁷². Additionally, we must keep a watchful eye on the changes that will be made to Belgian law. It is important that what has been obtained is preserved as much as possible⁷³, at least for purchases that do not exceed the thresholds that require the application of European law. Informing the responsible public authorities and monitoring the evolution of legislation are thus crucial issues and should unite all the supporters of sustainable development.

5.5.2. Fair trade and international law⁷⁴

1. *The potential of public policies supporting fair trade within the framework of the Cotonou Agreement.* The financial protocols attached to the Cotonou Agreement have been adopted for a five-year period. The first financial protocol provides for total aid of 15 billions 200 millions euro: 13 billions 500 millions euro within the framework of the 9th EDF⁷⁵ and a maximal amount of 1 billion 700 millions euro granted by the European Investment Bank in the form of loans on own resources. The cumulative unused amounts from the previous EDFs must be added to this amount; they represent about 10 billions euro. This means that about 25 billions euro of aid, spread over a five-year period, is available for African, Caribbean and Pacific (ACP) states. At the beginning of each period covered by a financial protocol, ACP countries that want to receive subsidies within this programme must establish, in cooperation with the EU, a 'project plan' that details their cooperation strategy. This must describe the proposed development plans and the financial aid applied for⁷⁶. It takes the form of a 'National Indicative Programme' (NIP).

The NIPs mainly focus on infrastructure issues (including road transportation which accounts for an average of 28% of allocations). Other chapters usually found in the NIPs are:

- the support of macroeconomic policies linked to poverty reduction strategies (liberalisation of markets; reorganisation and reform of public finances and of the public sector) (21% on average);
- education and health (11% on average);
- rural development and food security (11% on average);
- governance (9% on average);

⁷¹ This difficulty is illustrated by the attempt of the former minister of the public function, in the Total Fina affair. In practice, it is virtually impossible for a company (and its suppliers) to ensure that it does not have any activity in a country failing to comply with Human Rights, ILO conventions... only for the duration of the execution of the market. This condition generally implies that the enterprise be 'socially responsible' at the moment when it tenders. This clause submitted to the Commission was judged to be a disguised selection criterion, which is illegal because it does not refer to a purely economic feature of the company as in the recommended technique.

⁷² See <<http://www.guidedesachatsdurables.be>>, which concerns mainly the environmental aspects.

⁷³ European directives do not govern all the issues and thus leave some room for manoeuvre by the countries. In this respect, the ambiguities could open the door to varying interpretations of European requirements.

⁷⁴ See Appendix 6 for integral text.

⁷⁵ Which represents a very small increase compared to the 13.3 billions euro provided for in the framework of the 8th EFD.

⁷⁶ See articles 1 to 5 of the Vth attachment to the Agreement.

- water and energy (6% on average).

The Ghana NIP, for example, proposes that 80.85 millions euro will be allocated to rural development. Amongst this we find support for farmers in the Northern part of the country who are growing products that replace imported products. Conversely, the Tanzania NIP totally ignores the question of rural development. It only considers road infrastructure, education, macro-economic support and the promotion of good governance.

Most NIPs⁷⁷ include a 'rural development' section, sometimes coupled with food security. However, the contents of these sections vary greatly from one country to another.

Policies for supporting farmers could be included within the framework of this section. In fact, some NIPs propose support for export and non-traditional sectors that have development potential⁷⁸. The labelling of some products (such as coffee, which represents 79% of exports of Burundi)⁷⁹ as fair trade products could favour the development of their exports. European consumers are becoming more aware of the 'fair' aspects of production of the exotic food that they consume. The advantage would be twofold, benefiting both the country and its farmers: firstly, exports would increase; secondly, the living standards of farmers would improve since, by definition, these products will be purchased at a price that provides higher incomes for their producers and under conditions that allow producers to avoid running up debts to finance their production.

The form that these support policies should take (creation of state infrastructures, support to existing private or community institutions...) has to be examined on a case-by-case basis that takes into account the specific traditions of each country.

2. The possibility of offering a preferential tariff treatment to products labelled as 'fair trade' products in the framework of the EU Generalised System of Preferences (hereinafter referred to as GSP) could also be envisaged. A tariff of 0% is already applied to many basic products (such as coffee). For these products, the tariff preferences solution is therefore not relevant. Conversely, the tariffs applied to products such as honey and bananas are the normal custom duties of 16% and 17.3% respectively. The tariff for bananas is reduced to 12.5% for countries benefiting from the GSP and the tariff for both products is reduced to 0% for ACP countries.

An incentive regime would consequently be useful for some products. A review of the jurisprudence of the WTO⁸⁰ Dispute Settlement Body indicates that any incentive regime must not discriminate among beneficiaries and must be open to all countries benefiting from the GSP. There is a second problem that might hinder the implementation of preferential tariffs for fair trade products. In fact, article I of the 1994 General Agreement on Tariff and Trade (GATT) requires that similar products be treated in a similar way. The GATT definition of similar products is products having essentially the same final use and fair trade products have exactly the same final use as products which have not received this label, since they are fundamentally the same products – only the production method differs.

In the cases 'United States – tuna fish' and 'United States – shrimps', work groups have underlined the fact that the method for obtaining or producing goods could not justify measures aimed at restricting imports on the part of the importing state. But what is

⁷⁷ Exceptions include the case of Benin (where the Commission has stopped, since 1993, supporting agricultural production and has abandoned the 'integrated rural development' approach, reorienting its actions towards structuring rural areas – creation of socio-economic infrastructures: tracks, schools, health centres, markets – and institutional development) and of Tanzania.

⁷⁸ See for example the case of Burundi.

⁷⁹ Source: FAO.

⁸⁰ See the case WT/DS246.

proposed here is, conversely, to grant preferential tariffs to products obtained with certain methods, as is currently the case for the GSP rules for social and environmental clauses. This preferential treatment should consequently not cause any problem for the WTO, provided we are careful to make the benefits linked to the 'fair trade' label accessible to all developing countries.

III. Socio-economic analysis of conditions in fair production channels

Lets now look at fair trade from the third world perspective using the production conditions for coffee and bananas in fair trade projects mainly in Tanzania, Nicaragua, Costa Rice and Ghana. In this chapter we will present our study of 'fair' producers in these two product sectors (banana and coffee). We will present our socio-economic analysis of producers, their organisation and the environment in which they work as well as an economic analysis (price analysis and added value) of the fair trade sectors by participating in the implementation of a new FLO method for determining prices. We will also present the main results of our field studies on the effect of fair trade, its efficiency at reducing poverty and a comparison of this form of aid with more normal development projects.

1. Fair trade in the South and development projects

As we have pointed out above, fair trade players and analysts tend to split the work of fair trade organisations depending on whether their actions occur in the North or the South. In the first case, the Fair trade organisations have a role that is mainly to increase awareness amongst the general public and they are a pressure group on the authorities. In the second case, they are partly commercial partners for a special type of producers and workers and they are partly *development* operators seeking to improve the lives of these commercial partners. It is these two latter roles that are dealt with in the following pages.

As soon as one starts to examine fair trade in the South, a long list of questions arise concerning the combined commercial and development aspects of fair trade: what is a fair price and how is it determined? Who are the partners/beneficiaries of fair trade? How does the partnership work in the long-term? Over what period? How are the current intermediaries of normal trade avoided? But also: is fair trade a useful tool in the campaign against poverty? Is it really part of sustainable development? Does it really strengthen the Southern partners' abilities? If yes, what abilities are we speaking about? How are fair trade experiences viewed by the local small producers? Are we sure that the little supplement that one gives when buying a fair trade product in the North provides a direct benefit to the small producer in the South? Etc.

2. Brief description of the research areas

Our research was conducted on two fair trade industries, bananas and coffee, from two African countries (Ghana and Tanzania) and two Latin American countries (Costa Rica and Nicaragua)⁸¹.

2.1. Coffee industry

Total Tanzanian coffee production only represents a small part of world production. Even if we compare it to Nicaragua, which is left behind by its Central American neighbours, **Tanzania produces only 2/3 as much coffee as Nicaragua but uses 10 times more labour!** As in Nicaragua, small producers - **who own on average 0.4 ha** - produce

⁸¹ See Appendix 8.1. Moreover, a different approach was implemented with regards to honey. For more information on this new approach, please refer to the intermediate report.

94% of coffee. As coffee production in Tanzania has been falling, its share of **export revenues** has followed the same direction, a **downward trend** that has been exaggerated by the fall in coffee prices. Coffee accounted for 25% of export revenues in 1980–81 and fell to 17% in 1998 and 15% in 2002.

Tanzania is the first African country where fair trade organisations started working at the end of the 80s. It is also the largest African producer of fair trade labelled coffee. The Kilimanjaro Native Co-operative Union (KNCU) and the Kagera Co-operative Union (KCU), the country's two largest cooperatives (called Unions), are the fair trade organisation's main partners⁸² and export 5% of Tanzanian coffee with 2% going through fair trade channels. They are our case studies. Their main objective is to provide support to producers, to collect coffee and to commercialise it. Tanzania has two interesting specificities concerning the cooperative movement: firstly, the large size of the local partners (the KNCU and KCU have 150,000 and 50,000 members respectively); secondly, the long history of the cooperative movement, since the KNCU was founded in 1925 by colonialists and is the oldest cooperative in sub-Saharan Africa.

In Nicaragua there had been spectacular growth in coffee production up until the coffee crisis (2000), mainly due to the economic recovery that followed the end of the civil war and the enlargement of the production area. Coffee accounted for nearly **half of agricultural exports** and a quarter of all exports⁸³. It accounts for **a third of rural employment and 13% of total employment**. Since the coffee crisis, there has been a drop in production due to an encouragement to stop producing and lack of maintenance to the plantations coupled with a **fall in revenues from this activity**. Coffee exports account for only one tenth of national export income (compared to quarter of exports in volume).

Production comes mainly from **small producers**. 80% of coffee producers have less than 3.5 ha and we estimate that half of these small producers have only 0.5 ha. Compared to some coffee producing neighbouring countries with which they are in competition, the yield per hectare is lower and this weakens the whole industry (including the fair trade projects). Production is very concentrated and is mainly in two mountainous regions: Jimoteaga and Matagalpa.

The fair trade channel involves the cooperative system, which has a marginal position in Nicaraguan coffee production and commercialisation (accounting for 8.3% of exported Nicaraguan coffee).⁸⁴ The *Central de Cooperativas Cafetaleras Del Norte (CECOCAFEN)* is the direct partner for the fair trade organisations and has just over 1,800 members from various first and second (UCA) level cooperatives. It is our main case study. As in Tanzania, the fair trade organisations (Northern partners) usually work *indirectly* with individual producers. As with the KNCU or the KCU in Tanzania, their

⁸² There are other fair trade projects for coffee in the country but the partner cooperatives registered with the Fairtrade Labelling Organisation only export very small amounts under the fair trade label KDCU (Karagwe District Co-operative Union), UCU (Usambara Co-operative Union), Wino Agricultural Marketing Co-operative Society (WAMCS).

⁸³ Private companies control exports: 5 large companies account for 80% of exports.

⁸⁴ CAFENICA consists of a dozen cooperatives working in fair trade and representing 7,000 small producers, equivalent to a little more than a quarter of the country's coffee farmers. Half of the CAFENICA production currently goes to the normal market whilst the rest is split between fair trade and gourmet (high quality) markets. The producers who are members have the choice of several markets: the normal market is still the main way of commercialisation because the fair trade market is saturated (according to leaders of co-operatives we met) but new markets have interesting potential such as fair and organic products and the market for specialist coffees (high quality). For example, during its first two years, CECOCAFEN sold most of its production on the fair trade market but nowadays this market is only 17% of its sales, compared to 62% for the normal market, 10% for organic and fair trade market and 8% for the specialist coffee market.

objectives are to support the development of producers and the commercialisation of their coffee.

2.2. Banana industry

Banana production is the jewel of the Costa Rican economy. The market is almost completely controlled by the multinational fruit companies: almost three quarters of Costa Rican banana commercialisation is in the hands of the multinationals. Chiquita and Del Monte account for 60% of exports. However the banana share of total exports has been in free fall, from 19.4% to 9.4% in five years (!). Many of the Pacific coast plantations have had to close following decisions made by the dominant multinationals. Despite its importance, banana production accounts for only 14.8% of rural employment and 2.9% of total Costa Rican employment.

The **COOPETRABASUR** (*Cooperativa de Producción Agropecuaria y de Servicios Múltiples de Trabajadores del Sur*) is the only Costa Rican organisation producing fair trade bananas⁸⁵. Ex-employees of the multinational Chiquita founded this cooperative in 1980 when this company unilaterally decided to stop operating in this part of the country. The workers combined their land and created a plantation on which both the members of the cooperative and its employees could work. The first sales were made to the multinationals but it was not really very satisfactory. Since 1997, COOPETRABASUR has sold its banana production to the fair trade market and has slowly become the largest supplier of bananas to the European fair trade market. COOPETRABASUR does not produce OKé bananas (organic and fair). The fair trade organisation AGROFAIR (Netherlands) is now its main client. There are 66 members of the cooperative and only two are women. To this can be added 152 workers who are not cooperative members. The banana plantation is 307 ha and 207 ha have been added for palm oil production.

The fair trade experiment that is being done with COOPETRABASUR seems to be operating against the tide: firstly, the experiment is being done in a region where the multinationals have stopped being active (to the benefit of other regions of the world and even the Costa Rican Atlantic coast) and secondly, it is being developed from a declining production where options for extending to other markets (organic or normal) are impossible or utopian. Productivity is about 36 tonnes par hectare per year (or 11,052 tonnes / year) which is a moderate production level compared to Central American standards but relatively good compared to other fair trade banana producers. To give an idea of the size of this fair trade banana production in 2001, Costa Rican banana exports reached 1,764,210 tonnes.

In Ghana, banana production is relatively unimportant in the national economy but is a significant part of export revenues. Fair trade banana production is recent and even more marginal: no more than 5,100 tonnes were produced in 1999 and 5,500 in 2000. As a comparison, Costa Rica exported over 1.7 million tonnes in 1999⁸⁶. We should not forget that other fair trade industries exist in Ghana, especially in sectors that are more important to the national economy, such as cocoa.

⁸⁵ This is not the only fair trade experiment in the country. For example, Lorraine Rochi (2000) recently studied a coffee fair trade project in a second level cooperative called COOPCAFE.

⁸⁶ According to figures from Kevin Bragg, General Manager of Léon Van Parys (Trade name: Bonita), 400 million bananas are eaten every week in the 15 countries of the EU (which represents more than one banana per person per week). However fair trade bananas are less than 1% of this consumption (Fondation Roi Baudouin, *Fair trade, an asset for development. An international dialogue*, Brussels, May 28, 2003: 14).

Volta River Estate Limited (VREL) is a mixed company (local development private/state structure) with a staff of 700 and a Board of Directors made up of different shareholders (profit and non-profit). It is the only banana fair trade initiative in Sub-Saharan Africa. As in Costa Rica, only AGROFAIR works directly with VREL and has been doing so since 1996. VREL has its head office at Akrade in the Asuogyaman district and has a total cultivated area of 330 ha spread over four production sites in the Asuogyaman district (Eastern Region) and West Adangbe (Greater Region). VREL gets a lot of support from the Ghana government which is trying to reduce the dependence of the local economy on cocoa and gold exports.

The fair trade projects that we are going to study are each in their own specific social and political environments. The context has an influence on the origins of the fair trade projects, on their dynamics and viability. It is worth reminding ourselves of the evolution of the local political environment to put these alternative trade experiments in perspective.

At the time when fair trade projects were really getting going during the 80s, the four countries had all experienced a severe economic crisis, which greatly increased their external debt. At the start of the 90s, they all had to adopt the new liberalism of the Washington consensus. This was translated by a policy of reducing state involvement in social and economic management, the opening of local markets and promoting the benefits of export as a way of reducing national debt.

The cases of Tanzania and Nicaragua have much in common at the political level. Affected by the *democratisation wave* of the 80s, the recent past of Tanzania and Nicaragua was deeply marked by the end of alternative development policies and by abrupt changes towards neo-liberal policies based on integration in the world market on the basis of comparative advantages. From the second half of the 80s, Tanzania gradually abandoned its socialist development policy and democratic change came about mainly from above, under the control of the old single party, *Chama Cha Mapinduzi*. In Nicaragua, the election of Violeta Chamorro in February 1990, whose liberal party had US support, ended the Sandinista era and the civil war that had greatly weakened Nicaragua during the 80s. The following decade was marked by major social changes and by an economy that was so catastrophic that Nicaragua became the second poorest country in the Americas.

The Ghana regime of the 80s (Jerry Rawlings) followed an extroverted authoritarian development system. The military regime had been in power since the coup d'état against Nkrumah in 1966 (except for a brief period between 1969 and 1972) and ensured political stability whilst profiting from the export profits provided by a few products for which the country was one of the main suppliers to the world markets such as cocoa (second, behind Ivory Coast), some minerals and precious metals (gold and diamonds). The arrival of democracy during the 90s was accompanied by limits on state predation as Ghana appeared to want to apply good governance directives. At the same time, the country continued to promote the importance of exporting these same profitable products and tried to diversify export income by exporting new products (including bananas).

The Costa Rican history is the opposite to that of Nicaragua. It has a better socio-economic situation and benefits from a political stability that is rare in the region. Since the end of the civil war in 1948, the country has enjoyed remarkable political stability, marked by alternating periods of power for conservatives (Christian Socialist of the PUSC) and reformists (National Liberation Party - PNL). The rapid growth of a market economy was accompanied by the development of a welfare state that was quite effective. For example, nearly 96% of Costa Ricans are now literate and trade unions are quite powerful (something which can cause difficulties for banana and coffee multinationals!). The 80s are notable for their major economic crisis that led to a considerable increase in state debt

(social aid, debt following oil price increases) and the slowing down of regional trade due to wars (cf. Nicaragua). President Aria was elected in 1986 and took an active role in resolving the wars in his continent^{87, 88}. Four years later, it was his opponent, Rafael Angel Calderon Fournier, who won the election and adopted the austerity plans that were insisted upon by the World Bank and International Monetary Fund as they sought to redress the national deficit and debt.

3. Field study methods

In addition to theoretical modelling (both economic and sociological), the teams had to develop suitable methods for two types of approach: field studies (with both economic and socio-anthropologic elements) and a marketing and consumer study.

The need for an evaluation of fair trade is getting greater and greater but it has mainly been a subject for applied research by consultants using *ad hoc* methods to satisfy the wishes of the research's purchaser, rather than fundamental research. This is why we developed a broader evaluation method that provides robust data to increase our basic knowledge about fair trade and also provides a flexible basis for evaluating it that can be used by those in the field. To do this, we limited the objective of the study to only those elements of fair trade that can be considered to be development intervention, even though the movement seeks to go much further than this. This approach allowed us to study fair trade experiments using the same methods that are used to evaluate development projects and which have been widely discussed in published papers. The method used herein is a complete framework that is coherent and modulable depending on the specific objectives of a research project.

A first step was to use the stated objectives of several organisations to construct an analytical grid for the fair trade project based on its development project⁸⁹ aspects, which researchers then refined in the field to adapt it to the situations that they encountered.

The method developed for this research⁹⁰ involved analysing fair trade in terms of its *efficiency, efficacy, impact, durability* and *relevance*, the five evaluation criteria normally used by the OCDE Development Co-operation Directorate (DAC). By doing this, we combined a number of proven methods to produce a multidisciplinary evaluation based on both economic and social sciences which uses mainly rapid evaluation methods that were more suitable to the scale of our study and the available means. It includes data collected from different sources so as to get different perspectives and to cross-check coherence between data sources.

The method's organisation is similar to that described in *Poverty and Social Impact Analysis* (PSIA)⁹¹, in terms of its strict methodology, multidisciplinary approach and the broad notion of impact but of course it was adapted to the scale of our study, that of a fair trade project. It consists of three stages: an analysis of the interested parties and the authorities involved; an actual evaluation of fair trade (using the five criteria with emphasis on analysing the participant's strategic choices) and finally an evaluation of the social risk.

⁸⁷ His peace plan signed by five Central American heads of State won him the Nobel Peace Prize in 1987.

⁸⁸ This image of a peaceful country is strengthened by the absence of a national army since the civil war ended in 1948.

⁸⁹ See Appendix 3.

⁹⁰ An attached article shows different ways of evaluating (both quantitative and qualitative) and their relevance for fair trade.

⁹¹ Method developed by the World Bank to analyse the distributional impact of political reforms on the welfare of different groups – see World Bank (2002).

In addition to desk research, the tools used to collect data included interviews (individual or groups, informal or semi-structured) and non-participative observation, and a few participative methods. The analysts could select the tools from this menu that they considered most appropriate to evaluate each fair trade project, based on the terms of reference for their study and their resource limitations in terms of means. This package of different methods can therefore be combined to attempt to give a breakdown of the effects of the three benefits of fair trade (the price bonus, price stability and related projects) whilst also trying to identify the results and impact at different levels related to the intervention policies of the fair trade organisation's partners.

Let us shortly present the structure and the principles of this methodology.

3.1. Analysis of the main players and institutional analysis

The objective for this part of the study was to identify the interested parties, whose support or opposition could change the project's impact, and to conduct an in-depth analysis of relationships and internal processes in the organisations involved in the project being studied. It involved different stages and several analytical tools (trend analysis, study of the local situation, organisational mapping, etc.).

3.2. Fair trade evaluation

- *Efficacy and strategic analysis*: identification of what fair trade had really achieved and in-depth analysis of the strategies actually used by the different participants in the project, particularly the way in which production is shared.
- *Efficiency and cost analysis*: analysis of the project costs and benefits. The costs are broken down among the different levels of the industry, as is the sharing of the fair trade bonus between these levels and its use. In order to compare this type of intervention with normal development projects, we performed a cost-benefit analysis (or at least cost-efficacy) on the fair trade project.
- *Impact*: identification and evaluation of the results and impact, intended or not, of fair trade. This analysis, which is mainly based on interviews with senior people and discussion groups using several participation techniques, could combine the following methods:
 - A *social impact analysis* (SIA) to obtain indications about the splitting of the project's costs and benefits amongst different groups, the resources (physical and financial) and capacities (human and organisational) required to profit from them, the strategies of different players in response to this, etc.
 - An analysis of *sustainable rural living conditions* (SRL), so as to analyse the changes in the beneficiaries' different types of 'capital'- natural, human, physical, social and financial. Specifically, we conducted an *analysis of social capital* on a sample of producers and their association.
 - Identification of *key social procedures* as part of a *participative poverty analysis* (PPA) so as to determine the producer's view of poverty, the strategies that could reduce it and specifically the change in their living conditions, resources, knowledge and rights.
 - *Viability*: analysis of the long-term sustainability of fair trade and the current production methods. The sustainability of production conditions is considered using the three criteria of sustainable development: economic, social and ecologic.

- *Relevance:* determining if fair trade is a suitable way of supporting sustainable development in terms of the four factors mentioned above compared to normal development projects. The ideal would be to compare the experiment being analysed with development projects conducted in the same region and with the same target group.

3.3. Social risk analysis

This final stage serves to highlight the limitations of both analyses carried out and of the project itself so as to evaluate the possibility of extending fair trade. It involves initially explaining the theory behind the approach used, systematically identifying the risks associated with the analysis, their probability and potential consequences of their invalidity. It can suggest complementary theories and raise questions that are unanswered. As a second priority, it involves identifying the risks and constraints of fair trade that could reduce the possibility of extending it.

In conclusion, this method is interesting from a theoretical point of view because of its multidisciplinary and all-inclusive approach to the analysis and its combining of several proven methods; it has produced first probing results from the field. It can be adapted to various objectives and situations whilst its fundamental concepts still provide a strict analytical framework. The advantage of this approach is that, in addition to specific analysis adapted to the needs of the analysts' aims, it also provides an empirical validation of theories and opens new avenues of research.

We have included the method of determining minimum prices that is currently being studied by the Fairtrade Labelling Organisation in the common part of the method, more specifically in the part concerning the analysis of fair trade efficiency and costs. The main aim of their method is to define objective criteria for calculating the sustainable costs of production and living.

These factors would allow fair trade players to determine pricing policies using a common method that can be adapted to all countries and which contains a system that allows minimum prices to be reviewed over time. Implementation of the procedure is particularly urgent for reviewing the prices of some commodities where the gap between fair trade and conventional trade prices is large. Within this report, we are not going to enter into detail on the new formula adopted by the Fairtrade Labelling Organisation in 2004 because we are required to respect confidentiality during the setting up and testing phase.

We chose this method for several reasons. First, it uses a strict method that has been developed based on past experiences. Furthermore, this collaboration should provide synergies between the Fairtrade Labelling Organisation and us and give us access to data collected in other fields and to the current reflection process⁹². Additionally, the users' committee has emphasised several times the need to develop a new approach that is more in line with the various players' preoccupations, particularly in the area of price analysis. In practise, the different proposed methods proved little accurate, especially as regards the flows in the Southern countries.

4. Results

4.1. Analysis of the main players and institutional analysis

Most of the time, fair trade production activities have been studied mainly for their intrinsic specificities. This is especially true for most fair trade impact studies that have been done previously. They have not measured the spin-offs from fair trade projects nor

⁹² In reality, different changes within the Fairtrade Labelling Organisations (staff, legal status, working methods...) made this collaboration difficult and virtually unilateral. We have done the testing requested and present our results but there has never been any discussion on them nor consultation when making decisions about the adaptation of the method.

confirmed whether the initially stated objectives had been achieved in the field. This part of our study aims to identify the actors (and their types) and to understand the relationships that exist between them that favour specific projects. The objective is not simply to understand the local implementation of the project but also to understand what the obstacles or facilitators (points of convergence, mutual support strategies) are, which have a negative or positive influence on the implementation of these development projects. To this end, we started with the concept of an arena as described by the socio-anthropologist J.P. Olivier de Sardan (1995). He defines the arena as 'a place of actual confrontation between social players interacting around common issues. It is a local place. A development project is an arena.' (de Sardan, 1995: 179). In some ways it is a social space in which the strategic players intervene with motivations that are conditioned by fundamental or secondary issues⁹³. Within the fair trade arena we find various players (producers, state employees, private operators, non-governmental organisation managers and developers of all types, etc.) who are developing different *strategies* based on their fundamental or secondary *agendas*.

The table below summarises the observations made in the four areas studied in terms of the type of player, their issues and objectives and the strategies that they apply within fair trade projects. It helps us understand the common points and the areas of difference between the players in terms of each of their strategies for the implementation of fair trade projects. The table also illustrates the differences between fair trade projects in different situations even though fair trade projects are based on principles that are considered to be universally applicable.

⁹³ This idea of an arena and its way or working allow us to understand the difference between the development intention and its actual application. Olivier de Sardan highlights: 'The result of this more or less gentle conflict and of this more or less informal negotiation is that it becomes a practical development operation, in other words something that can not be forecast (...) the inevitable difference between a development project 'on paper' and 'on the ground' which is nothing less than the different approbations of the project by the actors involved, in other words the ability of some individuals or groups to divert the project to their direct or indirect benefit.' (de Sardan, 1995: 174).

4.1.1. Summary of observations - Table 11

Stakeholders	Nature (comments)	Issues	Strategies
Producers	Owners of small plots (family production). Exclusion from international commerce. Not the poorest of the poor (available minimal amount of economic and social capital needed to access fair trade).	Improve living conditions Improve production conditions	Seek to diversify income sources within free markets (Nicaragua, Tanzania) or Stop production and migration to urban areas (Tanzania) Survival
Cooperatives	Different sizes (Nicaragua vs. Tanzania). Structural dilemma = fair trade dilemma. Reconcile economic efficacy (business) with economic, social and environmental benefits from the business for as many people as possible (solidarity and sustainable development).	Combine the business and solidarity components for sustainable development shared by as many people as possible (mainly economic and social aspects).	Favour one or the other component by the fair trade benefits (orientation of bonus) more often alternatively except when becoming organic and experiencing requirements for high quality production (solidarity by quality)
Fair trade organisations	Two types of intervention: ◦ Short-term (one year) and purely commercial; ◦ Long-term partnership (several years) combining commercial and development components (capacity building).	Mainly for the second type of intervention: Combine the business and solidarity components for sustainable development shared by as many people as possible (economic, social and ecological aspects).	Long-term commercial partnership Fair trade bonus award Easier access to small loans IEC and capacity building
State	Ministers Parastatal agencies Local authorities (if there is decentralisation)	In the new liberal political framework of development that involves a redefinition of development prerogatives, maintain control and its ability to direct the export profits for the benefit of the ruling elite (export tax).	Concentrate on fiscal role Create parastatal organisations (open to private operators and civil society) to control the rules of the game
'International Developing Complex'	International non-governmental organisations Local non-governmental organisations Cooperation agencies (bi or multi-lateral)	Sustainable development Poverty reduction Competitive integration of marginal economies in the world economy. States' adaptation to the principles of good governance	PRSP (poverty) process Change the economy via WTO rules Development programmes and projects (finance and implementation) requiring participation of all the local players.
Private Operators		Maximise profits in a competitive and unstable environment	Costs / benefits evaluation Development of abilities to commercialise from the village
Banks		Maximise profits in a competitive and unstable environment	Refuse to manage small accounts Increase interest rates

4.1.2. Specific comments

4.1.2.1. Local partners of fair trade projects (producers, cooperatives, organisations...)

The commercial relationship that develops between a Northern fair trade organisation and a group of producers in the South implies:

- Determining a guaranteed price that covers the production costs and the social priorities of the development objectives. The terms of the contract between the fair trade organisation and the fair trade partners must specify, amongst others, how the fair trade price is determined: when the world price is below the minimum guaranteed (which is the case for coffee and bananas in our two case studies), this price includes a bonus which is considered, in the case of Tanzanian coffee, as being the difference between the world price and the guaranteed price. The amount of bonus is therefore variable in this case. On the other hand, for bananas from Costa Rica, the bonus is fixed at 1.75 US\$ per 18.4 kg case. When the world price is higher than the guaranteed fair trade price, the fair trade price is the same as the world price increased by the bonus, which, in this example, is fixed for the two products⁹⁴.
- Non-compulsory advance payment of 60% (it is up to the cooperative to decide whether they use it or not). The balance (40%) is then paid against documents⁹⁵. We should mention that there is a 10% interest rate.
- Formalisation of long-term relations with producers. No agreement can be signed for a period that is less than a full production cycle.
- Direct purchases from producers or, more usually, second or third level cooperatives (such as the Unions in Tanzania). They represent the producers at a second level.

In general, fair trade organisations develop relations with producers who are considered to be marginalized. Across all the areas that we studied, the partnerships always involved groups of producers, usually in cooperatives (Tanzania, Costa Rica, Nicaragua) but also in profit making organisations (Ghana). The contact between producers and fair trade organisation is therefore indirect.

Nevertheless, fair trade projects in these four countries certainly involved, at least at the start, 'small', marginal producers. They are considered to be marginal by the fair trade organisation primarily because they own a relatively small plot of land. We note that the size of these plots is tending to get smaller due to the high vulnerability of small producers in the new liberalism of the 90s (Tanzania, Nicaragua) or because of the way land is inherited (Tanzania). However we need to emphasise two elements of this. On the one hand, the economic crises experienced by these countries have sometimes reduced access to land and under certain conditions, such as those in Nicaragua, fair trade, whilst being oriented to the small producer/small landowner, is not initially able to reach the poorest of the poor but a less vulnerable group of marginalised farmers. On the other hand, as one can see in the case of Tanzania, Costa Rica and, even more obviously, Nicaragua, the fair trade project has not only allowed small producers participating in the industry to improve their access to land by consolidating the cooperatives involved but it also improved their living

⁹⁴ 0.11 US\$/kg (0.33 US\$/kg for organic) for coffee and 1.75 US\$/18.4 kg case for bananas.

⁹⁵ Commercial FOB invoices (value in US\$ and gross cargo weight).

and production conditions for some of them to a point where some small producers could no longer satisfy the entry criteria of this positive discrimination policy (Pleyers, 2003).

It should also be remembered that these small producers are also viewed as being marginal because initially they were excluded from the main commercialisation routes and had no possibility of exporting their production.

As we emphasised in the first pages of this report, the criteria for fair trade formulated by the Northern OCEs give priority to the aid provided by the project to 'marginal producers', e.g. the small producers who only farm a small plot (the limit is fixed at 0.7 ha in some countries). We saw earlier the potential benefits that these small producers can obtain from their participation in a fair trade project and the cooperative movement (in terms of commercialisation, access to credit, know-how and organisational competences to increase productivity or improve quality and, of course, their well being, their financial and/or social situation or to improve the physical aspects of their lives). But what do these producers think about "fair trade"?

During the initial fieldwork, we were surprised at the very low level of knowledge about fair trade, its principles or even the term, amongst the majority of the participants who were involved in these projects and alternative commerce. For them, fair trade meant above all simply a better price. Producers in the base cooperatives (especially in Nicaragua or Tanzania coffee sectors) do nothing more than give part or all of their coffee to the cooperative. This involves no militancy by the producer and very little creation of awareness by the cooperative's management. In reality, the relationship is created by purely by financial interests (produce sold at the best price). The President of the San Ramon UCA (Nicaragua) puts this observation in perspective by emphasising that "all producers are perhaps unaware of all that fair trade represents but nearly all of them recognise that it is thanks to it that they live better, that their children can be educated, that they have not had to sell their land."

Producers involved in the projects often talk of an inconvenience: the payment delays in the fair trade sector whilst the normal market pays immediate cash. This may explain, given immediate needs and their lack of access to loans, why some sell part of their crop on the conventional market rather than to fair trade projects.

In order to improve their living conditions, producers have developed two main types of strategy: firstly, diversification of their commercial partnerships with more partners as in Tanzania and secondly with a diversification of businesses that create revenues, the cooperative commitment (Costa Rica, Nicaragua and Tanzania). The first strategy satisfies a need to make immediate gains. Many Tanzanians said "*a shilling today is not the same as a shilling tomorrow*". This strategy is of course only possible with the liberalisation of the production with the State's involvement being limited to national economic issues and adjustment plans. In this situation, fair trade partners are evaluated like any other partner and the fair price of fair trade is nothing more than one price amongst the rest. Market forces therefore dominate.

The second strategy is linked to their involvement in a cooperative. This required an ideological investment in the socialist development experiments that were conducted in Nicaragua and Tanzania. Since the early 1990's, the cooperative sector in these countries has survived despite the evident ideological changes and a coffee market that is considerably more competitive. The cooperative system means that small producers can better resist crises specifically through access to fair trade, to commercialisation, to loans and to export markets. Thanks to trainings and the shared motivations of the partners, the cooperatives encourage peasant farmers to adapt their production to the market trends. The local dynamic that this creates promotes and strengthens a degree of solidarity amongst the members but also within their communities.

In Nicaragua especially, a real loyalty has developed to the local cooperatives involved in fair trade in the regions where the system is well established. For 90% of producers, this loyalty continues even during periods when the price offered by fair trade is lower than that of the market. Several basic factors may explain this. Firstly, small producers have not necessarily learnt the new rules of the economic game and are not always perfectly informed about market price changes. They stay loyal to the cooperatives and sell them some or the majority of their production by force of habit, tradition or fear of the unknown. This latter reason often quoted by older producers, especially in Tanzania. The second factor is the cooperative spirit that progressively develops during shared work and meetings that emphasise solidarity amongst equals. *“Lets rely on our own strength”, “united, we are stronger”* seem to be the slogans which are perfectly suited to the cooperative’s actions. These dogmas are also quite close to the great slogans of the developing states in Africa and the Sandinistas in Nicaragua. Without doubt they have been partly integrated and taken up again by those who are now joining the cooperatives. Finally, the third essential factor is based on the success of the cooperatives due to fair trade. The pride in what they have achieved together, the clear improvements to living conditions despite very difficult regional conditions, development of export businesses, common purchases by the cooperatives of infrastructures that can process coffee are also things that were unthinkable a few years earlier and the cooperatives are very proud of them. This success creates long lasting adhesion to the first second and third level cooperatives. This can be to such an extent that the village youth sing songs to the virtues of CECOCAFEN (Central de Cooperativas Cafetaleras Del Norte) and their local cooperative. The feeling of belonging is also strengthened by the capitalisation effort that is required from the various partners and the campaigns that aim to make them aware that *“it is they, the small producers, who own the cooperative’s assets and the processing plant.”* A final factor that can explain the loyalty of a producer to their cooperative is the reliability of the partners. *“Cooperative are more honest”* as some producers said. This is not always the case for the private sector amongst whom there are a few rogues and they are not viewed in a very good light by many small producers, both within and without the cooperative movement. In Nicaragua, some cooperative managers suggested *“Nowadays, the people are satisfied because everyone in the communities know that the cooperative works well and lots of them want to join the cooperative. They know that the work respects the rules. That motivates them and they like it. (...) It’s not simply for the money. They also feel something like prestige.”* The recognition of CECOCAFEN is also the recognition of the peasants. *“They feel they are better represented through the cooperatives, they are proud. They say – I am happy to be a member of a cooperative. – when they have poorer quality coffee, they separate it from that which they give to the cooperative and sell it elsewhere, even if that means that they will lose money. (...) Its important because the production processes for fair trade are only possible if people feel involved.”*

The corollary of this cooperative spirit is a social pressure that stops them from leaving the cooperative and makes any subsequent return difficult. Even though they returned to the cooperative before prices fell, the returning producers who had left the group when the market price was higher than the fair trade price did not have an easy time of things, over and above the economic penalties imposed by their colleagues. *“After a year they recognised their error and they wanted to come back but we will never have the same confidence in them”* confirmed a Nicaraguan manager of a village cooperative. This social pressure combined with the limited quota sold in the fair trade sector makes acceptance of new members or new cooperatives complicated and more controlled.

When one looks at the Tanzanian, Costa Rican or Nicaraguan experiences one is initially struck by the differences between what one could call **two cooperative models**.

The Tanzanian cooperative system is one of the oldest of the ex-colonies. It is very centralised as it is constructed from cooperatives at the bottom with a single umbrella organisation; the KNCU, which consolidates 93 cooperatives, and the KCU, with 120. The number of members is impressive: 150,000 members for the former and 50,000 for the latter. These figures can not be compared with the Nicaraguan or Costa Rican examples that we studied. The membership of the smallest cooperative union studied in Tanzania (the Kagera Co-operative Union, KCU) is equivalent to a bit more than all the coffee producers in Nicaragua. PRODECOOP (2,500 members) and CECOCAFEN (1,600 members) are among the largest integrated cooperatives in the Nicaraguan fair trade sector. We have already emphasised that the cooperative sector in Nicaragua is more heterogeneous and has introduced an intermediate level (the UCA) and other umbrella organisations that are partially a heritage of the Sandinista period and partly innovations from the transition period.

Our field studies show a second difference in how the fair trade project is administered by the partners in the South. In one system (Costa Rica, Nicaragua and Tanzania), the small marginal producers are grouped in cooperatives of different sizes, as we have just mentioned. In Ghana, VREL is a business and the shareholders are private Ghana investors (49%), the company's director (11%) and their sole commercial partner, the Dutch fair trade organisation AGROFAIR (which has 25% of the shares)⁹⁶. One can assume that the presence of this fair trade organisation in the capital provides a degree of long-term security to the fair trade project. VREL is a mixed organisation that combines, at a level where they are difficult to separate, both profit and non-profit objectives for its business. The democratic management of the project, especially the bonus, can be a problem. Generally, the main difficulties arise at the project ownership level. Ghana banana growers are not (yet) owners of their company but simply employees, which is the opposite of the Costa Rican experience. The way the fair trade project has been applied is not the same and the conscientious policies attached to it (gender, child labour) are not always easily seen.

The Ghana State can also be added to the list of shareholders as they have given tax advantages to the company in view of its strategic importance in the government's policy of diversifying from traditional crops. As a result, a number of public and parastatal organisations are involved to different degrees in the fair trade sector so as to 'strengthen' production structures or to approve loans, etc.

It is possible that one of the achievements of fair trade is to breath new life into the cooperative sector. As indicators, we propose:

- Capacity building: improvement of the Unions' (Tanzania) and second level cooperatives' (CECOCAFEN, Nicaragua) export ability; improved management and marketing skills in the cooperatives (bottom and higher levels)⁹⁷.
- Strengthened leadership or emergence of rural leaders.
- Solidarity spirit amongst small producers saved or even strengthened in the movement's success stories (La Esperanza cooperative, Nicaragua).

⁹⁶ It is planned to transfer the AGROFAIR shareholding (25%) to the employees but the conditions have not yet been fixed.

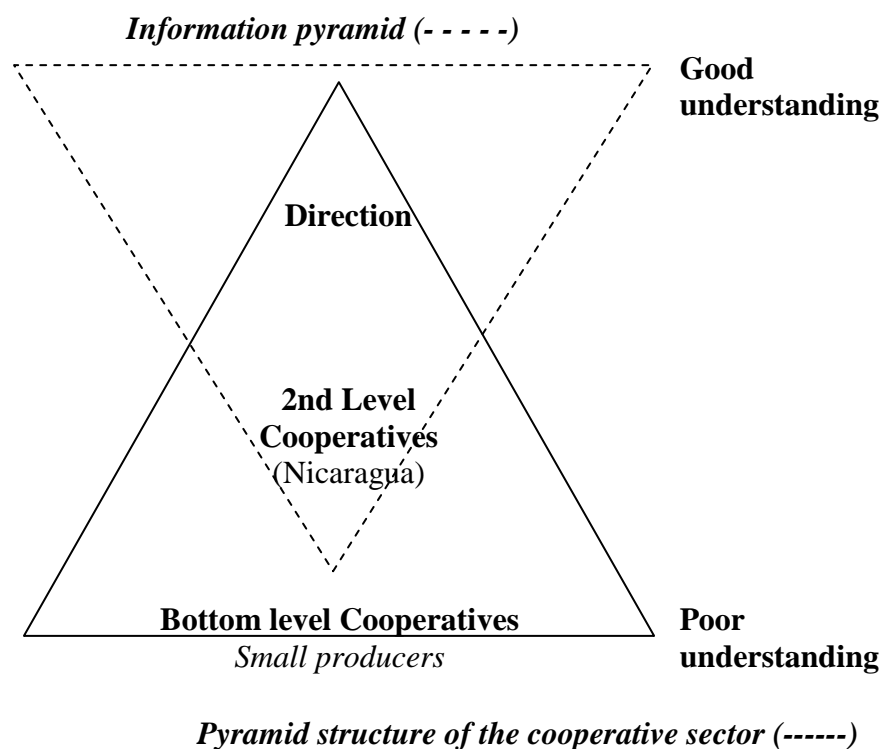
⁹⁷ In Nicaragua, a leader of a co-operative linked with a fair trade project claimed: « Fair Trade is very important for us because it allows us to organise ourselves », while a producer said: « everything we know today is linked to our work within the co-operative (...). The cooperative is the key. We must be conscious of that. ».

- Continuation of production and commercialisation (COOPETRABASUR, Costa Rica).
- Access to other development projects (VREL, Ghana and CECOCAFEN, Nicaragua).

The main sources of these loans are the advance payments from importing fair trade organisations but other sources are also used (donations, membership fees, loans from other organisations).

4.1.2.2. Circulation of information amongst producers: the information pyramid theory

Figure 7: Information pyramid and pyramid structure of the cooperative sector



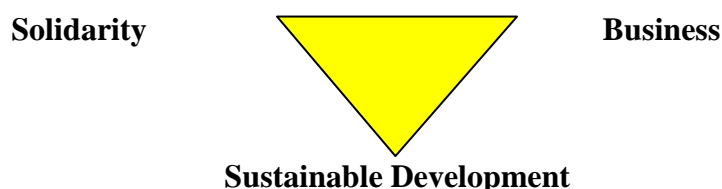
Our research shows that some of the information and understanding of fair trade is lost at each level of the cooperative movement structure. Two of the most important indicators of this awareness of fair trade on the part of the farmers are the importance that they give to the quality of their coffee and the change to organic production. With a view to following market trends, these two factors are essential parts of the fair trade discourse adopted by the central staff of cooperatives such as CECOCAFEN or PRODECOOP. However, even though 80% of the producers who are members of bottom-level cooperatives directly associated with CECOCAFEN have completed or started the long process of converting to organic production, they are only 20 out of UCA San Ramón's 900 members (UCA is, as already mentioned, the intermediate level between the base cooperatives and CECOCAFEN) to have done so. The lack of understanding about fair trade - both of the term and the commercial relationship that it involves - was also

confirmed by studies amongst Indian craftsmen by John Hopkins (2000) and Durnez (2004)⁹⁸.

4.1.2.3. Structural dilemma and direction of the fair trade bonus

We would like to emphasise the **close relationship between fair trade projects and the cooperative system** in so far as they both have to face the same structural dilemma. Fair trade projects are based on two distinct factors and how they are reconciled is a major issue: solidarity and the market. Fair trade cannot be considered as being purely one or the other. In fact, it is their co-existence that is the essential defining element of a fair trade project. Northern and Southern partners, small producers and cooperative managers are subject to the perpetual challenge of combining the needs of these two principles.

Figure 8: Structural dilemma of fair trade



This structural dilemma is an issue for both of them. They have to reconcile the needs of commercial competition with their solidarity mission. They have to find a happy medium between long-term development (necessary investments for the cooperative) and the return on investment for the members in the short-term so as to favour the process of identification with the organisation, the causes it supports and acceptance of its principles of solidarity. For example, a cooperative may be faced with the following situation: on the one hand, there is a temptation to keep membership numbers high by paying good prices but, on the other hand (which favours solidarity), this policy involves a lot of costs (bank interest) which reduces the amount available for essential long-term investments (thereby disadvantaging the business).

In fact, the allocation of the fair trade bonus is an enlightening example of the fair trade dilemma. In addition to the fair trade price, every quintal of fair trade coffee sold in this sector gets a 5 US\$ bonus. Sometimes, this is then partially or completely shared out amongst the small producers or workers, sometimes it is re-invested to ensure the future of the cooperative's business activities (in an export group, for building a pulping unit, to diversify its business, to buy part of a company, to increase its reserves for buying coffee or to cover general overheads, etc.). It can also be allocated to a social project of general interest such as the construction of a town hall in Nicaragua or refuse collection in Costa Rica⁹⁹.

We noticed that the fair trade bonus was often used to reimburse a loan provided by the fair trade organisation, presented as pre-financing or as an advance payment. This ambiguity between pre-financing and advance payment results in a loan and prevents the full autonomy of the partner from the fair trade organisation in terms of this role of 'banker' whilst the bonus could have been used for other actions. Apart from anything else, there seems to be a contradiction in the behaviour of some fair trade organisations that initially propose an advance payment that, in addition to providing price stability and partnership,

⁹⁸ For a summary of his study, see Appendix 7.

⁹⁹ For more information on determining and using the bonus, see Appendix 8.

allows production to start, whilst in reality it is pre-financing that gives rise to the interest and debt associated with such loans.

4.1.2.4. Quality procedures: economic logic, solidarity logic

The insistence on the quality of the products is a good way of illustrating these two concepts. It is omnipresent amongst the projects that we studied and one of the fundamental arguments of fair trade, transmitted down the chain of players in the arena: from the fair trade organisations to the Unions, from the Unions to the cooperative presidents and from them to the producers themselves. This improvement in product quality satisfies both the needs of the market and those of solidarity. On the one hand, in its solidarity connotation, product quality is a producer commitment to the consumer who buys the product at a higher price so as to give the small producer access to a decent income. On the other hand, in its business connotation, the improved quality is much appreciated because it improves the product's competitiveness and opens up very profitable niche markets such as organic or gourmet coffees. In the same way, the better quality justifies, from a producer's or fair trade organisation's perspective, the higher price paid by the fair consumer and confirms the passage from aid to partnership, from a giving or charity situation to solidarity and commerce.

This change from aid to partnership seems essential to us to ensure the project's long-term viability: you do not get support because a specific state of affairs exists (which could change) but for what you do (which does not change). Whilst the fair trade bonus per quintal is related more to solidarity and should be used to finance projects of general interest, the fair trade price (121 for normal coffee and 136 US\$ for organic coffee) can be justified at the business level by the quality of the product rather than the marginalisation and poverty of its producers. Furthermore, the efforts made to improve the product quality mean that small producers are more involved in the project and their marginality is no longer being reinforced¹⁰⁰.

4.1.2.5. 'Fair trade trap' and advance funding

Finally, the case of bananas in Ghana and Nicaragua show us the risks of the 'fair trade trap'. In either cases, the development (Ghana) or continuation (Costa Rica) of banana production have been made possible only by the voluntary involvement of a single fair trade organisation (the Dutch non-governmental organisation AGROFAIR). For different reasons (low production volume or ecology¹⁰¹), commercial relations are with the sole initiating fair trade organisation. Faced with the situation where the fair trade markets in the North are often saturated by the offer and have a demand that is still timid, should we measure the success of a fair trade partnership by the level of production by the partner in the South or its ability to open up new markets?

¹⁰⁰ A CECOCAFEN (Nicaragua) manager put it this way: 'It's important that the consumer does not buy simply to help. The price they pay is also for a better coffee, not only for fair trade! Our responsibility, our commitment is that a cup of coffee is better than in the normal commerce. It seems correct to us that if the price is fair, that is the buyer pays more, they will get a product that satisfies them. Partly because it is the small producer and not the multinational that produces it but also because the coffee is better. It's our promise, the promise of every producer and it's our work to explain that to the producers.'

¹⁰¹ A fungus called "Sigatoka Negra" finds an environment that is very favourable for its growth in tropical climates such as in Costa Rica with its high humidity and it requires the use of large quantities of crop protection products to stop its growth. The option for Costa Rica to produce organically is not realistic.

One of the primordial principles of all fair trade projects is to reduce the number of intermediaries in the distribution chain, including the sharks who visit the farmers at harvest time and purchase their crop at local prices which are often less than 35% of world commodity prices. The most important weapon to counter this is pre-financing. In order to compete with these intermediaries, the cooperative must offer the same conditions and pay farmers upon delivery. But how can the cooperative pay cash if the coffee has not yet been delivered and thus the roasters have not yet paid for it? To take out a loan means they come up against a local banking system that is not well developed and not easily accessible by farmers. This is why Max Havelaar has developed a system of pre-financing. Roasters who want to use the quality label have to pay a proportion, 60% usually, of their contract's annual value in advance, at harvest time. By working with Max Havelaar, the small coffee producers can finally escape from the viscous circle of dependence (Roozen & van der Hoof, 2002: 131-132). The intention is laudable and our field observations confirm the almost total absence of these local usurers. However, the small local producers have not completely escaped from the viscous circle of dependence: for reasons that are linked to harvest seasonality, the pre-financing is not made by advance payments as you may think from reading Roozen et Van der Hoof but as a mini-loan complete with an interest rate of about 18% per year¹⁰². Furthermore, in Tanzania this pre-financing is used to pay producers at a later stage, after sale at auction.

4.1.2.6. The Southern State and fair trade

Even though under international pressure not to apply their own ideas in terms of development and economic policies, the state remains an attentive player in fair trade projects.

For example, the Tanzania state is now following a double agenda¹⁰³. As required by directives from its development partners (International Monetary Fund, World Bank), the policy is for the State to exit from the commercial field whilst still performing a policing role, which has led to the creation of the Tanzanian Coffee Board (TCB), a parastatal organisation (QUANGO) in charge of the Tanzanian coffee industry. The state maintains a role in the coffee sector and it is more accurate to speak of a redeployment rather than an exit. Certainly, TCB membership is open to representatives of the private sector but the president is still named by the President of the Republic and we find several ministers on the board whilst the only representatives from the Unions are also members of the ruling party. The Nicaraguan state seems to be weaker, being simultaneously constraining, predator and absent in respect of small and medium producers. It is riddled with corruption and very weak economically. Its authority is nowadays very limited by the impossibility of managing the international financial organisations (Solo, 2003). Suspicious of the cooperatives which are often seen as a Sandinista revival, State involvement is limited to a tax on exports, increasing red tape and a law with very strict rules concerning the creation and operation of a cooperative. The Minister of Agriculture administers the cooperative sector at arm's length. The needs of small producers and agricultural labourers do not seem to reach ears and the distance to Managua has never seemed so great. The cooperatives are now obliged to become a substitute for the state

¹⁰² This may appear high but is a favourable rate as general commercial interest rates are 47%.

¹⁰³ Unlike the Tanzania State, the public authorities in Nicaragua seem to adopt a quite less interventionist attitude (Pirrotte & Pleyers, 2005). A leader of a co-operative we met claimed: "The State? Our authorities regularly send us administrative papers and force us to pay taxes. We have no help from the State in Nicaragua. For example, the State do not pay any engineer to help the cooperative".

which is progressively ceasing its traditional role such as providing loans or training for farmers, and are sometimes even having to go as far as financing public works.

As we emphasized above, despite the coffee price crisis, this product still generates a significant part of the export income for these two countries, from which the state gets some of its revenues. For the State, the issue is to maximize its potential profits. The Tanzanian State is seeking to control the sector by evaluating the efficiency of current rules and changing them when necessary. For example, the 2001 Coffee Industry Act decrees that private buyers can not repossess their coffee to export it and is intended to weaken the position of private companies and curb non-competitive situations at local auctions (local market). The State's control is not only achieved by the legal developments but also at the auctions. This is controlled mainly by a tax of 1.5% levied by the TCB on any type of coffee purchased. So as to ensure that prices are higher, the State has a vested interest in making auctions as competitive as possible. The Tanzanian State extends its control by deciding whether or not it will act as guarantor for bank loans applied for by the Unions to purchase their production at auction. In 2002 they decided to weaken a Union that had got too strong by refusing to guarantee a bank loan requested by the KNCU, at a time when the Union was facing problems with dissident base cooperatives. A year later, the State intervened to help the KCU get a loan when faced with competition from mainly Ugandan private companies. According to the TCB Director, the State has no influence on fair trade projects, which are responsible for a very small share of exports. The project is not however without interest for the State. Firstly, fair trade contributes to the increase in auction prices by ensuring that they are at least equal to world market rates. Secondly, the State is now the joint owner with the KCU of an instant coffee plant that was bought using the fair trade bonus; the state will get dividends if the plant makes a profit.

4.2. Analysis of fair trade efficiency (testing the Fairtrade Labelling Organisation method)

The efficiency of a project is mainly determined by an analysis of its costs and benefits. Because of the difficulty in obtaining valid numbers which are only useful for the case being evaluated and for producing research that satisfies the wishes of support committees, we decided to take part in the development of a new way of determining a fair price which was being studied by the Fairtrade Labelling Organisation, which is based on taking into account different industry costs in the South.

We used data collected from two areas: Tanzania (coffee) and Costa Rica (banana). These areas were chosen in discussion with the support committee due to their relative specificities, especially that related to the type of fair trade organisation working in the country¹⁰⁴. In Tanzania, the partners are the Unions, federations of cooperatives that each contain about a hundred cooperatives with total Union membership of around 50,000 (KCU) to about 150,000 (KNCU) individual producers growing coffee on small family plots (0.4 ha on average). In Costa Rica, the partner is a cooperative of 68 partners with 200 labourers. They cultivate 307 ha of bananas, equivalent to 4.5 ha per partner. This

¹⁰⁴ At the Fairtrade Labelling Organisation's request, we also performed the exercise for coffee in Costa Rica, which was not a field of study in this research. As for Ghana, the study was done before we had all the information needed to do the test and in Nicaragua we were not able to collect useable data to test the method. Finally, we co-financed two students who did the exercise for honey in Mexico but the results are confidential at present. Generally, the different consultants involved in this exercise have commented on the great difficulty in using it, which has led to the Fairtrade Labelling Organisations revising it recently.

exercise will shed light on the limitations of the method in its conception and in its use and will suggest ways of resolving them. It provides a breakdown of the price in the South and we make recommendation based on it¹⁰⁵.

4.2.1. The formula for determining a fair price¹⁰⁶

Fairtrade Labelling Organisation suggests that its new formula for determining fair prices should include the following:

$$\text{FTP} = \text{COP} + \text{COL} + \text{CFT} + \text{FTI} + \text{OD} \pm \text{QD} \pm \text{GD}.$$

FTP = *fair trade price*

COP = *actual cost of production*

COL = *actual cost of living*

CFT = *costs of complying with fair trade standards*

FTI = *fair trade investment premium*

OD = *differential for certified organic production*

QD = *quality differential*

GD = *geographic differential.*

4.2.2. Tanzanian coffee: cost analysis¹⁰⁷

In Tanzania the individual producers are at a disadvantage because they produce a very small quantity¹⁰⁸ on a small plot of land. The average cultivated area is 1 acre¹⁰⁹ which contains about 540 coffee bushes and the annual production is about 250 kg / acre (625 kg/ha). The commercialisation of coffee in Tanzania is special. There is an unavoidable intermediary between the producers and the exporters: the auction. It is an auction that allows the state to control the Tanzanian coffee industry. The Unions are both sellers and buyers in the auction (since 1990 for KCU and 1994 for KNCU)¹¹⁰. In the latter case this means that they buy coffee at the auction to export it then resell it to the importer. In reality a large proportion of the coffee that they export comes from their members which means that they 'repossess' their own coffee. Repossession is not a purchase (if fact, the Unions sell to themselves) because the coffee already belongs to them (or to their members); the only costs involved are the taxes related to the operation of the auction itself¹¹¹. Coffee for the fair trade market is therefore 'repossessed' coffee¹¹².

¹⁰⁵ For more developments, see Appendix 8.

¹⁰⁶ For a description of the different items see Appendix 8.4.

¹⁰⁷ Vancutsem, S., Report on mission to Tanzania, August 2003.

¹⁰⁸ Less than 250 kg per acre per year.

¹⁰⁹ 0.4 ha.

¹¹⁰ The fair trade organisations have provided considerable support for the establishment of the export offices of both Unions.

¹¹¹ 1,5 % TCB levy + 0,25 % research costs + 20% VAT on TCB levy, percentages based on coffee purchase prices.

¹¹² A proposed rule for the sector suggested that all organic or speciality coffee should be considered exempt from the requirement to go through the auction. This will concern fair trade coffee, whether organic or not. The act had not yet been published when we were in the country (June 2003).

A table in the appendix 8.5 shows the share of production destined for fair trade for the two Unions (KNCU/KCU)¹¹³. Looking at this table, we can see that the share of fair trade production is more variable for the KNCU (from 3% in 1994/1995 to 23% in 2002/2003 of the total volume sold at auction by the Union) and more constant for the KCU (around 8% for the last three years). At the same time, fair trade production is a relatively small share of total production (e.g. it is rarely above 8% for the KCU).

4.2.2.1. Cost breakdown for Tanzanian coffee

Using the Fairtrade Labelling Organisation method, the COP, COL and CFT have been determined. The data were usually obtained from official bodies such as the Ministry of Agriculture or the National Statistics Office. They were then checked in different ways.

Determination of actual costs

Using this method, the researchers calculated the actual farm gate and FOB costs of production.

- Determination of farm gate COP

The actual farm gate cost of production was calculated for Arabica mild coffee from individual members of cooperatives affiliated to the KNCU in the Kilimanjaro region. For the 2002/2003 season¹¹⁴, the actual farm gate production costs were 374.5 US\$/ha, which is equivalent to 0.603 US\$ / kg (603 Tsh¹¹⁵/kg)¹¹⁶. Against the instructions from Fairtrade Labelling Organisation, the researchers have used the minimum legal salary¹¹⁷ to determine real farm gate COP because the data relating to actual salaries in the target region were absent. In reality, producers do not do all the work needed to maintain normal levels of production due to a lack of funds and the poor profitability of coffee.

For the 2002/2003 season, the payment to the KNCU producers (600/700 Tsh/kg) was slightly above the farm gate COP. For this season, the Union's payment to producers just covers the actual farm gate COP. As their production costs are barely covered, they have to meet their essential needs using other means (sale of bananas or other businesses).

- Determination of actual FOB COP

We calculated the actual FOB cost of production for Arabica mild coffee for four different seasons: 1993/1994, 1998/1999, 2001/2002 and 2002/2003¹¹⁸. For the 2002/2003 season we got an actual FOB COP of 1,284 US\$/tonne (equivalent to 1.3 US\$/kg).

We found large variations in the actual FOB COP over time. This is mainly due to the producers adapting to large variations on the world market. They cut back on their production costs when the world price is low. In our calculations, we used a conversion

¹¹³ See Appendix 8.5.

¹¹⁴ The actual farmgate COP were not calculated for other seasons. The researchers therefore used the prices paid to producers to replace this part of the Fairtrade Labelling Organisations formula.

¹¹⁵ The official currency in Tanzania is the Tanzanian shilling (Tsh). One US\$ was worth about 900 Tsh in 2002 and 1,000 Tsh in 2003.

¹¹⁶ See Appendix 8.6 for cost details.

¹¹⁷ Minimum monthly legal salary in 2002/2003: 45,000 Tsh (45 US\$).

¹¹⁸ In Appendix 8.10, there are the actual FOB COP calculations for Robusta coffee for individual members of cooperatives affiliated to the KCU. These calculations were obtained for 4 different seasons: 1999/2000, 2000/2001, 2001/2002 and 2002/2003.

factor¹¹⁹ for the transformation factory. For Arabica mild, there is a loss of 20% during this transformation (transforming 'parchment' coffee into 'clean' coffee).

- Determination of actual COL

The evaluation of the actual cost of living is based on a study on the consumption of Tanzanian households¹²⁰. This data does not relate specifically to coffee producers. They are averages obtained in the countryside from a larger sample than the group of small coffee producers, which is contrary to the method's instructions¹²¹.

The average annual cost of living for a household¹²² (2000/2001) in the Kilimanjaro region is $69,440 \times 12 = 833,280$ Tsh (969 US\$)¹²³.

Determination of sustainable costs

According to the Fairtrade Labelling Organisation method, the minimum fair trade price should cover at least the COP, COL and the CFT¹²⁴ to meet the principles of fair trade. The sustainability is measured by three factors: techniques that are more environmental-friendly, good living conditions and democratic nature of the organisation.

- Determination of farm gate cost of sustainable production (COSP)

The COP must allow the current level of production to continue. The COSP must allow the quality or quantity to be improved. To evaluate the COSP, we calculated the costs related to using techniques that are more environmental-friendly. To produce using these techniques requires that less or no chemicals are used and greater attention must be given to all the production operations with an improved product quality as a direct consequence¹²⁵.

For 2002/2003, the sustainable farm gate COP for Arabica mild is 520 US\$/ha and 0.83 US\$/kg (830 Tsh¹²⁶/kg)^{127,128}. The sustainable farm gate COP is greater than the actual

¹¹⁹ To compare, there is a loss of 50% during this transformation stage with Robusta coffee, this means it uses twice as much 'cherry' coffee as you get 'clean' coffee.

¹²⁰ Study conducted in 2000/2001 (Household Budget Survey), which aimed to collect information on consumer expenditure of Tanzanian households. The report also shows the comparison between expenditure for an individual (in the countryside in Tsh for 28 days) during the 2000/2001 and 1991/1992 seasons as well as a table showing the average breakdown of expenditure for a person for food, medicine and health care, education and other costs.

¹²¹ See Appendix 8.11 for a description of the average level of expenditure (by person and by household) for 28 days and by zone in 2000/2001.

¹²² Average household in the Kilimanjaro region: 6.2 people.

¹²³ Actual COL for the Kagera region (KCU): $55,800 \times 12 = 669,600$ Tsh (779 US\$).

¹²⁴ The CFT are included directly in the calculation of the sustainable COP and COL.

¹²⁵ For the Kilimanjaro region we have obtained farm gate COP which take into account two factors. For the environment: use of integrated pest management (IPM). Calculations were provided by Mrs Mkamba, Regional Secretary Agriculture Officer and Regional Agricultural Adviser – July 2003, Moshi.

¹²⁶ As already mentioned, one US\$ was equivalent to about 900 Tsh in 2002 and to 1,000 Tsh in 2003.

¹²⁷ See Appendix 8.14 for the calculation details.

¹²⁸ On the one hand, the costs related to the use of chemicals are lower in the sustainable farm gate COP (spraying chemical products – work – and costs of using fungicides and insecticides – inputs / services) but on the other hand, the costs related to different operations are increased in the sustainable farm gate COP (pruning, weeding, fertiliser application, harvesting, pulping, drying). In reality, greater attention to every stage of production increases the labour costs.

farm gate COP (by 0.227 US\$/kg or 227 Tsh/kg). During the 2002/2003 season, the price paid to producers by the Union (600/700 Tsh/kg) did not cover the sustainable farm gate COP (830 Tsh/kg). The long-term security of their production is therefore not certain.

- Determination of COSP FOB

They are calculated for the 2002/2003 season from the sustainable farm gate COP. The other elements are identical to those used to calculate the actual FOB COP. The sustainable FOB COP is 1,556 US\$/tonne (equivalent to 1.6 US\$/kg)¹²⁹. The sustainable FOB COP is slightly higher than the actual FOB COP.

- Determination of sustainable COL

Using the Fairtrade Labelling Organisation Method, the sustainable COL must address the difference between the actual salary and a salary that allows one to live decently with actual salary already having been dealt with in actual COL. However, as the actual salary is not known, we used the Tanzanian minimum legal salary. The sustainable COL is then the difference between this salary and a salary that allows people to live decently (the minimum salary does not). For the Kilimanjaro region, the sustainable annual COL per household is 969 US\$ – (12 x 45 US\$) = 429 US\$. It should be emphasised that it is an evaluation of the COL for a household that works full time at growing coffee. As soon as the household has other revenue sources (food crops, bananas, small shops...) this has to be reviewed to reflect the proportion of time involved in coffee growing.

Determination of CFT

The CFT are the costs of meeting fair trade criteria. Respect of the fair trade criteria leads to sustainable production, in other words, respect for human dignity. Sustainability is defined by three factors: decent salary, use of more environmental-friendly techniques and democratic nature of the organisation. In the calculations for the sustainable COP and the COL, the first two factors are taken into account. The CFT therefore cover mainly the costs of the democratic organisation. However, in Tanzania the producers have been organised into cooperatives for a long time, long before their relations began with the fair trade organisations. These costs are not therefore related to the partnership with fair trade organisations¹³⁰.

It should be noted that the CFT should also cover the communication costs that are used to make the good development of the project easier. We were not able to evaluate them in the field in Tanzania. Nevertheless, we think that the operating costs of the export offices – whose setting up was heavily supported by fair trade organisations – should be included.

Determination of FTI (fair trade investment bonus)

The FTI is used to make sustainable development investments. Many different types of investment can be imagined. Given the Tanzanian situation, it seems crucial to invest in new plants so as to maintain production quality. Most coffee bushes are more than

¹²⁹ See Appendix 8.15.

¹³⁰ One should note that sometimes the cooperatives in the South are very formal. In some instances they are very state dominated and do not respect democratic principles, allow the participation of workers or have the autonomy of traditional cooperatives.

25 years old and their productivity is getting less and less. The annual costs of replanting (FTI) are 88.1 US\$/ha (141 US\$/tonne)¹³¹.

4.2.2.2. Determination of fair prices using the Fairtrade Labelling Organisation method

The formula for determining fair prices in the Fairtrade Labelling Organisation method uses the following factors: $FTP = COP + COL + CFT + FTI + OD \pm QD \pm GD$

The last three factors in the formula (OD, QD et GD) were not calculated in the field as Fairtrade Labelling Organisation intends to fix them themselves initially. As already mentioned, the CFT, in terms of democratic criteria and communication costs, were not calculated but can be considered as virtually zero in the specific Tanzanian circumstances. On the other hand we calculated the FTI. It is a proposal. For this reason, we have not added it to the COP and COL. We simply add the sustainable COP and COL. It has to be remembered that our calculations relate to Arabica mild from individual producers who are affiliated to KNCU cooperatives for the 2002 / 2003 season.

The sustainable FOB COP for Arabica mild (2002 / 2003 season) is 1,556 US\$/tonne, equivalent to 1.56 US\$/kg. As we have to add the COP and the COL using the same units, we will convert the COP into kilograms per year. To do this, we use the fact that producers in the Kilimanjaro region produce an average of 250 kg / year of parchment. Therefore our sustainable annual FOB COP is equivalent to: $(1,56 \times 250) = 390$ US\$/year. The sustainable COL for the Kilimanjaro region for the 2002 / 2003 season is equivalent to 429 US\$/year.

By adding the sustainable FOB COP and the COL we get: 390 US\$/year + 429 US\$/year = 819 US\$/year. To convert this figure into US\$/kg, we divide by 250 ¹³². This gives us a price of **3.28 US\$/kg**.

To conclude, we have prepared the table below that compares actual FOB COP and sustainable FOB COP, market price, fair trade price and new fair trade price.

Table 12: Arabica mild/KNCU - comparison of actual COP FOB, sustainable COP FOB, market price, fair trade price and new fair trade price (1998/1999 – 2001/2002 – 2002/2003) in US\$/kg

Season	Actual COP FOB	Sustainable COP FOB	Market price ¹³³	Current fair trade price	Price according to the new method ¹³⁴
1998/1999	2.64 US\$/kg	N/A	2.73 US\$/kg	2.8 US\$/kg	N/A
2001/2002	1.33 US\$/kg	N/A	1.3 US\$/kg	2.8 US\$/kg	N/A
2002/2003	1.28 US\$/kg	1.56US\$/kg	1.34 US\$/kg	2.8 US\$/kg	3.28 US\$/kg (+ FTI=0.141 US\$/kg)

It has to be remembered that the actual FOB COP obtained for the 1998/1999 and 2001/2002 seasons are based on a farm gate COP which is equivalent to the price paid to

¹³¹ See Appendix 8.7.

¹³² Because producers produce an average of 250 kg per year in this region.

¹³³ Average of normal market prices during the season (auction price plus FOB).

¹³⁴ The CFT + FTI are added to this price.

producers (due to a lack of accurate data). For each season the market price is about the same as the actual FOB COP. The current fair price¹³⁵ is always higher than the market price, the actual FOB COP and the sustainable FOB COP (2002/2003 season); this corresponds to the Fairtrade Labelling Organisation principles according to which the fair price (including the bonus) must always be greater than the world price and must also always cover the sustainable FOB COP.

In reality, we note that the fair price determined by the new Fairtrade Labelling Organisation method is much greater than the current fair price; the difference is 0.48 US\$/kg. We must still add to this a CFT cost (democratic and communication criteria), the investments required to maintain production (FTI), and other differences (organic, quality and geographic) must be taken into account. As a result, even though the use of the new method for determining fair prices is possible, it requires a special effort on the part of fair trade organisations.

4.2.3. Bananas in Costa Rica

For bananas, the fair trade organisations in Costa Rica work with a cooperative of workers and partners who own the plantation. This cooperative, COOPETRABASUR, is currently one of the leading producers of fair trade bananas for the European market. Located in the South Pacific region, it was founded at the beginning of the 80s by Chiquita ex-employees. Since its certification by the Fairtrade Labelling Organisation in 1997, a large part of their production has been sold under the fair trade label.

In Costa Rica, producers are not at a disadvantage because of the volume of their production or because of the size of the production zone¹³⁶, but because of the difficulty in accessing the market and as a result of the delicate situation in which they found themselves when Chiquita, their main client, dropped them¹³⁷. In reality, COOPETRABASUR has contracted to supply a fixed number of cases of bananas every week to AGROFAIR¹³⁸. This Dutch company is the sole importer of fair trade bananas from COOPETRABASUR. Half of it is owned by producers with the fair trade label and 50% by the Dutch non-governmental organisation, Solidaridad. It has agreed with the cooperative to try and sell at least 60% of this fixed amount under the fair trade label. However, cases that are not sold under the fair trade label are put in waiting and sold at the best price for the normal banana market (non-fair market). COOPETRABASUR has also contracts with normal banana importers¹³⁹.

4.2.3.1. Cost breakdown for bananas in Costa Rica

The COP, COL and CFT were calculated using the Fairtrade Labelling Organisation method. These factors were obtained from the field, in the presence of officials from COOPETRABASUR but also, for a significant part, from government agencies such as the

¹³⁵ Which is equivalent to the minimum guaranteed price over the three seasons because the world price was lower each time than the minimum guaranteed price.

¹³⁶ Productivity: 36 tonnes/ha/year; surface area 307 ha and 4.5 ha per partner.

¹³⁷ See the report of the mission to Costa Rica.

¹³⁸ E.g. for 2003, COOPETRABASUR had to deliver 7,200 cases of bananas per week to AGROFAIR (a case of bananas weighs 18.14 kg). It is paid in US\$. The official Costa Rican currency is the colon. Its exchange rate was 1 US\$ = 400 colon in June 2003.

¹³⁹ E.g. in 2003, 87% of the exported production was sold to AGROFAIR and 13% to a normal importer.

National Banana Corporation (CORBANA), the National Statistics Institute (INEC) and the Ministry of Agriculture and Farming.

Determination of actual costs

- Determination of farm gate actual and FOB COP

The search for information on the farm gate actual and FOB COP was quite a difficult task. An average actual COP for 2002 was obtained from CORBANA¹⁴⁰. It is 4.6 US\$/case¹⁴¹. The details of this figure are not known and we do not know which production stages are included and which are excluded. It must be used with caution. We cannot even use it to determine the actual farm gate COP.

Firstly, it is an average cost for all banana producers in Costa Rica but almost all of them are on the Atlantic coast. They are geographically near to San José, with its distributors of agrochemicals and cardboard boxes. COOPETRABASUR, due to its geographic isolation, has higher transport costs for its inputs. We should also remember that the figure of 4.6 US\$/case is a national average cost which takes into account the best producers (producing more than 3,000 cases of bananas/ha per year) and the disadvantaged. It does not reflect the reality of those in difficulty. For information, the productivity in COOPETRABASUR in 2002 was 1,715 cases/ha.

- Determination of COL

The INEC¹⁴² does not have data on the actual cost of living in Costa Rica. However the institution has calculated the poverty level for the country (*línea de pobreza*)¹⁴³. It is the minimum required by a person for a household to satisfy its members' basic needs (food and non-food). The monthly limit for poverty during 2002 was 22,714 colons per person in rural areas (56.80 US\$). The average household consisted of four people in rural areas in 2002. The COL for a household to live decently is therefore a monthly minimum of $4 \times 22,714 = 90,856$ colons (227 US\$).

According to COOPETRABASUR managers, the family head, generally male, is usually the only worker. As a result, his monthly salary must be higher than 90,856 colons. The theoretical hourly salary of the cooperative's workers in 2002 was 357 colons (0.9 US\$). This is equivalent to a monthly salary of 74,256 colons¹⁴⁴ (357×8 hours per day \times 26 working days per month).

Lodging is provided free of charge to staff by the cooperative. The only costs related to lodging are water and electricity charges. This saves the labourers between 15,000 and 20,000 colons per month (37.50 – 50.00 US\$). As a result, the theoretical salary is just enough for the family not to be in poverty. It is important to bear in mind that it is a theoretical hourly salary because the cooperative labourers are not paid on the basis of the number of hours worked but for the work completed. There is a specific payment for each task (banana field maintenance, harvest, packaging,...). The salary can therefore vary greatly depending on the quality of the work done by the employee. In other words, the more a worker works, the more money he gets.

¹⁴⁰ Corporación Bananera Nacional.

¹⁴¹ Reminder: a case of bananas weighs 18.4 kg.

¹⁴² National Statistics Institute.

¹⁴³ See Appendix 8.18.

¹⁴⁴ Equivalent to 185.60 US\$.

Determination of sustainable costs

The minimum fair price must cover the COP, COL and CFT¹⁴⁵ to satisfy the fair trade criteria (respect for the nature and human dignity). The researchers used calculations performed by COOPETRABASUR. The cooperative had calculated its production costs for 2002 taking into account the costs associated with fair trade certification: The sustainable farm gate COP are 3.82 US\$/case¹⁴⁶ and the sustainable FOB COP are 4.91 US\$/case¹⁴⁷¹⁴⁸. It seems that the current fair price of 6.00 US\$/case of bananas (not including the bonus)¹⁴⁹ covers COOPETRABASUR's sustainable production costs. However, as mentioned above, only some of the production is sold under the fair trade label. The remaining cases of bananas (around 50%) are sold on the normal market. These are sold for much less than 6.00 US\$/case and even often for less than 4.91 US\$/case. However they correspond to criteria imposed on the cooperative by the fair trade.

Determination of CFT and FTI

The CFT were included directly in the calculation of the sustainable COP and COL. Actual CFT are very difficult to calculate because current legislation in Costa Rica covers some of the requirements related to fair trade. As Vivien Alan (a Fairtrade Labelling Organisation Costa Rican manager) suggested, it should be determined on the basis of the Fairtrade Labelling Organisation' 'fair trade standards for bananas'; all the costs that are really extra requirements compared to the obligations relating to work, health and the environment that the Costa Rican legalisation requires should be identified, and it should then be calculated to what extent that involves extra expenses for COOPETRABASUR. The same remark applies to FTI.

4.2.3.2. Determination of the fair price using the Fairtrade Labelling Organisation method

In Costa Rica, the actual data could not be obtained from COOPETRABASUR that wants to avoid their broadcasting in order to avoid weakening its own position in negotiations concerning the minimum prices for bananas. We however produced the following table, but the abovementioned limitations should be kept in mind.

¹⁴⁵ The CFT are included directly in the calculation of sustainable COP and COL.

¹⁴⁶ See Appendix 8.19.

¹⁴⁷ See Appendix 8.20.

¹⁴⁸ Note that the current accountant, appointed in 2002, has done this analysis only for the years 2002 and 2003. This type of analysis had never been done before her arrival in the cooperative.

¹⁴⁹ Reminder: bonus = 1.75 US\$/case.

Table 13: Bananas – Comparative overview of actual COP FOB, sustainable COP FOB, mainstream market price, current fair trade price and new fair trade price (2002) in US\$/case

Season	Actual FOB COP ¹⁵⁰	Sustainable FOB COP	Market price	Current fair trade price ¹⁵¹	Price according to the new method ¹⁵²
2002	4.6 US\$/case	4.91US\$/case	> 4.91 US\$/case (between 1 and 4)	6 US\$/case	4.91 US\$/case

The price calculated using the new method is inferior to the current fair trade price. However, the CFT and FTI – which are difficult to actually evaluate – have to be added to this figure. It also has to be underlined that, although the current fair trade price might seem high, it is compensated by the fact that not all the production is sold at this price; if the demand is low, part of the production can be sold at prices as low as 1 US\$/case.

4.2.4. Conclusions

The current system for fixing fair trade prices uses prices that are determined by experts and based on world commodity prices and has many failings. Firstly, there is no standard used by all the Fair trade organisations so the system is not transparent to consumers. Furthermore, since the price varies depending on the Northern organisations, it does not give an equal access to the market for the Southern producers. Lastly, the current system is not always in harmony with current commercial practices. The price paid to producers does not always correctly reflect their actual production costs.

To overcome this problem, the Fairtrade Labelling Organisation took upon itself the complex task of improving the method of fixing prices used by the fair trade organisations. To do this, the Fairtrade Labelling Organisation developed a new method that could be applied to any product in any country. Our tests of this method led us to making a number of negative criticisms and recommendations that have been provided to the Fairtrade Labelling Organisation.

Some changes are required before implementing this new method for fixing prices; this will allow it to be used under optimal conditions. In fact, when testing the Fairtrade Labelling Organisation method, the consultants had great difficulty in collecting the information required for determining the fair price. Furthermore, the costs generated by the research aimed at getting all the data for the Fairtrade Labelling Organisation formula could endanger the long-term viability of the fair trade movement. Vagueness in the terminology led to confusion in respect of several factors or operations that had to be evaluated. Additionally, the formula is not always in agreement with the fundamental principles of fair trade, specifically when the market price is low and the FTI is not paid to producers. On the other hand, when the world price booms, the method suggests that the

¹⁵⁰ Average of COP, also comprising the most productive plantations.

¹⁵¹ The bonus (1.75 US\$/case) must be added to this price.

¹⁵² CFT + FTI must be added to this price.

fair price should always be greater than the world price. In this case, it is the consumer's access to the market which is threatened¹⁵³ ...

Fairtrade Labelling Organisation' management are aware of the difficulties and searching for a solution. New proposals and/or changes in the formula's components have been introduced in a recently published Fairtrade Labelling Organisation report¹⁵⁴. The changes made by the Fairtrade Labelling Organisation are mainly aimed at simplifying the formula's application whilst finding a compromise between fair trade and market realities. A weighted COP is proposed so that an average COP can be used¹⁵⁵ and adjusted for areas not investigated. The CFT and FTI are now evaluated as fixed amounts, which bring us back to the current system but are more practical and overcome the difficulties encountered when trying to estimate these two factors. The testing led us to calculate the different costs for the industries in the South and this showed that the market price was insufficient to support production and even more so for sustainable production (in terms of paying the producer and respecting the environment). Even the prices paid by the fair trade organisations did not always guarantee this¹⁵⁶ and when they did, there was the problem of the small volumes that go via this route¹⁵⁷. This situation partly explains the confusion that is present in the field as to the perception and use of the fair trade bonus. One sees that sometimes it is used to top up a lack of income¹⁵⁸. The first Fairtrade Labelling Organisation proposed method had to allow to meet these problems regarding covering the sustainable costs of production (including fair payments)¹⁵⁹ but could prevent too expensive producers from having access to the market of consumers. In the new Fairtrade Labelling Organisation proposal, these two aspects are balanced. The use of an average production cost is problematic for some¹⁶⁰. This difficulty should be resolved in some cases by using the proposed weighting method. In the case of coffee coffee, the fixed bonus should be higher than that which is currently paid so that (some of) it can be used for collective interests¹⁶¹. In conclusion, despite the serious difficulties encountered, the decision to be part of this process meant that we could take part in a crucial development for fair trade. At the same time, it has shed light on the different costs supported by producers and their associated difficulties as well as confusion concerning the bonus.

¹⁵³ Students working in Mexico in organisations supported by Miel Maya saw this exceptional situation in the honey market where the boom in prices due to the Chinese crisis endangered the fair trade organisations who could not follow the rise without risking an unacceptable consumer price. The fair trade organisation had to negotiate with their producers so that they agreed to sell them honey at a reasonable price in return for the other services provided (training, assurance of long-term partnership...).

¹⁵⁴ Working Team for Fair Trade Price setting, Fairtrade Labelling Organisation (2004).

¹⁵⁵ This technique is disadvantageous to the less efficient producers. Eventually, the COP from the most expensive producers will be used. However, weighting for parity of purchasing power (PPP) and interest rates seems very suitable for measuring COL.

¹⁵⁶ See the case of KNCU coffee. On the other hand, the sustainable costs of production for KCU coffee are covered by the fair price.

¹⁵⁷ See the case of Costa Rican bananas.

¹⁵⁸ See Appendix 8.2 and 8.3 for the different uses of the bonus and the stresses that it causes and Figure 8 p. 84

¹⁵⁹ However, it does not anticipate paying the bonus aimed at paying for investments if the differences from the market price are too great.

¹⁶⁰ Unless the Fairtrade Labelling Organisation takes higher costs into account.

¹⁶¹ E.g. increased cooperative export abilities.

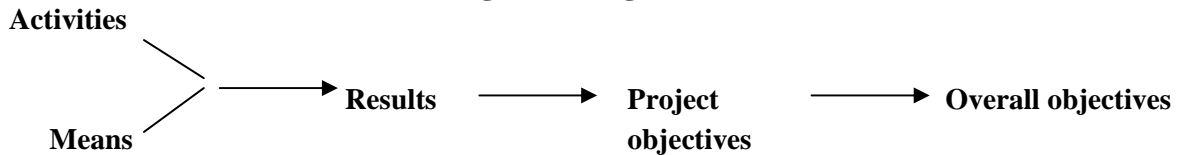
4.3. Evaluation of fair trade using an analytical grid

Based on the declared objectives of several fair trade organisations, we developed an analytical grid for fair trade that looks only at its development project aspects (ignoring the lobbying and awareness-rising parts of the organisation's work). This analytical grid aims to provide a view of the arguments and philosophy underpinning a sort of 'median experience of fair trade'. Initially, it was developed in the 70s as a means of planning development projects and is now used by many cooperation and development agencies. This grid (Logframe) shows and analyses the results and objectives of development projects in a systematic way. The grid has two elements:

- A vertical axis that identifies project **objectives**, clarifies causal relationships and specifies the theories that are beyond the control of the project managers.
- A **horizontal** axis that contains measurements of the effects and the resources used for the project via key indicators and verification of sources.

The basis for Logframe is: from the actions and means allocated to a project, results are obtained which, together, lead to the project objectives being achieved which contribute to larger objectives.

Figure 9: Logframe



This plan when applied to our research project gives us the following:

Overall objectives:

- Improve commercial relations to the benefit of Southern producers.
- Sustainable production and consumption modes.

Specific objective of the fair trade project:

- Improve living conditions for the small producers in the South and reduce poverty.

Expected results:

- Increased incomes for small producers
- Price stability
- Decent working conditions
- Capacity Building
- Direct access to market
- Improved sustainability

Resources and actions:

- Fair trade bonus (= difference between fair and market prices)
- Advance payment and long-term commercial partnership
- Respect of rights, democracy, transparency and gender issues
- Investment in equipment, technical support and community projects
- Market access, improved production quality, new products
- Return on investment, diversification, and environmental effects.

4.3.1. Summary of results - Table 14

Expected results	Nicaragua (Coffee)	Tanzania (Coffee)	Ghana (Banana)	Costa Rica (Banana)
- Increased incomes for small producers	Relative Bonus paid to producers: contradictory affirmation.	Relative Bonus sometimes paid to producers but also used by first and second level cooperatives.	Relative Bonus orientation? Nearly 700 jobs created. Access to minimum net income for daily survival.	Yes. Allocation of part of the bonus (30%).
- Price stability	Yes Advance payments and some long-term partnerships ¹⁶² .	Yes Support the stability of producer prices and maintenance of long-term partnerships.	Yes Guarantee of a base price and a ceiling per unit.	Yes Advance payments and some long-term partnerships ¹⁶³ .
- Decent working conditions	Yes - Gender issues. - Respect of working standards. - Democratic management (via GA).	Yes - Support to cooperatives ruled by democratic principles. - Respect of working conditions. - Women participate in decision-making.	Yes Notable progress in respect of working standards and conditions. Respect of OIT conventions.	Yes - Creation of a workers' committee and effective participation in some decisions. - Cooperative principles. - Respect of working standards.
- Capacity Building	Yes at the top of the coop. - Increase in human capital. - Improvement in management methods. - Strengthened management abilities.	Yes at the Union level - Increased export abilities. - Support for strengthening self-esteem in the Unions (confidence in their export ability). - Part of bonus used to pay Union operating costs.	Yes - Increase in area cultivated, production volume and income. - Better control of production techniques and factors.	Yes - Purchase of infrastructure and investment in equipment. - Improved management methods and strengthened management competences.

¹⁶² In reality: average prices have fallen over 5 years but less than in the rest of the country due to the share of fair trade exports.

¹⁶³ In reality: average prices have fallen over 5 years but less than in the rest of the country due to the share of fair trade exports.

	<p>At the second level (UCA) and bottom:</p> <ul style="list-style-type: none"> - Improved management method. - New production techniques. <p>Many community projects.</p>	<p>At the bottom:</p> <ul style="list-style-type: none"> - Technical assistance (training, seminars, etc.). - Diversification towards organic production. - Support for quality improvements. - Producers' self-esteem. - Investment in transformation plant. 		<p>At producer level:</p> <ul style="list-style-type: none"> - Improved production techniques. - Various community projects.
- Direct access to market	<p>Yes</p> <ul style="list-style-type: none"> - Support for quality improvements. - Support for production diversification. 	<p>Yes</p> <ul style="list-style-type: none"> - Development of export offices. 	<p>Yes</p> <p>Participation in the 3.8% growth in Ghana's non-conventional export revenues.</p>	<p>Yes</p> <p>Sales on European market (via AGROFAIR) but insufficient autonomy (see below).</p>
- Improved sustainability	<p>Yes.</p> <p>Relative autonomy from fair trade exports. Starting to apply environmental-friendly initiatives. Demonstration that it is a social safety net during coffee crisis.</p>	<p>Relative</p> <p>Export autonomy and opening of markets other than fair trade. Use of more environmental-friendly methods. Not enough demonstration effects at the social level.</p>	<p>Relative</p> <p>Ecologically: use of more environmental-friendly methods by reducing chemical fertilisers' use but not stopping it entirely. Economically: insufficient autonomy from the state and fair trade organisation.</p>	<p>Relative</p> <p>More environmental-friendly techniques but</p> <ol style="list-style-type: none"> 1. Change to organic impossible. 2. No export autonomy from fair trade. 3. No diversification of clients.

Objectives	Nicaragua	Tanzania	Ghana	Costa Rica
Specific to fair trade - Improve living conditions for small producers	YES	YES	YES	YES
General - Improve commercial relations to the benefit of Southern producers	<p style="text-align: center;">YES</p> <ul style="list-style-type: none"> - Market access. - Export ability. - Improved production quality (more competitive). 	<p style="text-align: center;">YES</p> <ul style="list-style-type: none"> - Market access. - Export ability. - Improved production quality (more competitive). 	<p style="text-align: center;">YES</p> <ul style="list-style-type: none"> - Market access. - Export ability. - Improved production quality (more competitive). <p style="text-align: center;">BUT highly dependent on AGROFAIR</p>	<p style="text-align: center;">NO</p> <ul style="list-style-type: none"> - Market access. - Export ability. - Improved production quality (more competitive). <p style="text-align: center;">BUT highly dependent on AGROFAIR</p>
- Sustainable production methods	<p style="text-align: center;">YES</p> More environmental-friendly production techniques. Respect for workers' rights and gender issues. Improved producer incomes.	<p style="text-align: center;">YES</p> More environmental-friendly production techniques. Respect for workers' rights and gender issues. Improved producer incomes.	<p style="text-align: center;">YES</p> Improved respect for workers' rights. Granting of minimum revenues to allow workers to survive. Slightly more environmental-friendly production techniques.	<p style="text-align: center;">YES</p> More environmental-friendly production techniques. Respect for workers' rights and gender issues. Improved producer incomes.

4.3.2. Comments on the analytical grid

The **overall objectives** are achieved virtually everywhere to a varying extent. From the analysis of the analytical grid, it appears that fair trade:

- improves commercial relationships and access to different markets
by allowing access to international markets through:
 - developing export abilities (Tanzania),
 - establishing commercial relations with new partners and not only with the fair trade sector,
 - access to specific niches in the world market (high quality, organic products),
 - price stability that is important during crisis (the coffee industry experience is informative!).

- allows family and cooperative production methods to be sustained:
 - at the social level, by respecting working conditions (cf. OIT rules in Ghana, cooperative principles in the other 3 countries) and promoting a reflection on or implementation of a strategy to empower (some) female producers,
 - at the economic level, by guaranteeing a minimum revenue (Ghana), by stabilising these revenues (which allows people to escape from the dependence that results from a cyclic sector),
 - at the environmental level, by promoting organic production or the use of more environmental-friendly production techniques.

It is very difficult to deal with the question of the 'improvement of living conditions' solely in monetary terms. In reality, awarding a fair trade bonus does not always result in increased revenue for small producers¹⁶⁴. More usually, this bonus is paid to the cooperative that is responsible for allocating the bonus, depending on the needs of the moment, towards the business needs (CECOCAFEN or Tanzanian Union investment in a transformation plant) or solidarity / development needs (social investments: health, education...).

One can consider that any investment made by a cooperative contributes directly or indirectly to an improvement in living conditions for its members. However, this seems to be a bit too vague to us. One can increase the definition of living conditions to include aspects other than incomes so as to take into account political, social, cultural and environmental factors. In this case, as we saw in the analytical framework, it seems that fair trade does help improve living conditions by using production techniques that are less dangerous to the producer's health and the environment and, whether using local cooperatives or not, fair trade projects promote better working conditions and greater dignity.

¹⁶⁴ This would first imply that one is able to measure with accuracy the level of incomes related to fair trade! In Nicaragua, it is quite difficult to measure precisely how much the producers' incomes have increased for the following reasons: some of them have incomes from sources other than coffee (small shops, market vegetable stall...). Additionally, collecting such data requires survey techniques that require much more time. Nevertheless we can get an indication of these data by basing our conclusions on interviews conducted with producers in cooperatives affiliated to CECOCAFEN and by using data collected by other surveys.

The cultural part of the life of a small producer is more difficult for us to understand and is not taken into account in our method. Compared to other fair trade sectors (such as crafts) where the question is more important, we do not think that the introduction of fair trade projects in food sectors, such as coffee or bananas, has a negative impact on the local small producers' culture. Certainly the offer is always adjusted in accordance with commercial criteria defined in the North and the quality process is very much in evidence in our four areas and it is especially Nicaragua that confirms this process. Generally, **one can suggest that by allowing the continuation of family production (because fair trade deals with small producers)** it is more respectful than trying to replace peasant production with modern agricultural cultivation methods. Additionally, fair trade allows small producers to keep their land and also helps stop the rural exodus with the assistance of other development projects¹⁶⁵.

Politically, whilst fair trade projects originally targeted countries with alternative development policies (Algeria, Nicaragua, Tanzania to mention only a few), there is now a trend to apoliticism in the South (cf. criteria for entering a Nicaraguan cooperative¹⁶⁶, Costa Rican producers not favouring the development of union representation within their plantation). This apoliticism contrasts with highly political the lobbying and advocacy policies in the North. The North's slogans - 'another world is possible' and "'rifle" our shops, not the third world' - are hardly heard in the South At a time when Oxfam appears as an important player in the international anti-globalisation movement. everything is happening as though the fair trade movement only knew producers in the South and consumers and decision-makers in the North. If the aim is really to trade rather than giving aid, are solidarity and justice (the guiding principles of many fair trade organisations in the North) only to be used in debates in the North? To put it another way, a gap has developed between the fair trade organisation's strategy in the South, aimed at producers (business dominates), and their strategy in the North, where consumer and volunteer solidarity are priorities. It seems to us that a lot more effort is required to give political freedom to marginal small producers, give them the weapons (despite their illiteracy) that they need to fight their enemies in the local political scene.

4.4. Fair trade impact analysis

4.4.1. Advance impact analysis

Fair trade impact analyses are regularly done using a variety of methods. They have great importance for the movement. Whilst applied to the South's producers, they are above all important for the lobbying and advocacy strategies in the North (showcase effect) because they are presented as proving the beneficial effects of fair trade experiments for their beneficiaries to the North's consumers and political decision-makers. This is why these studies are usually ordered or even steered by the fair trade organisations themselves.

¹⁶⁵ We would certainly be less optimistic if we had studied mass production - sometimes with marketing criteria developed by the fair trade organisations on the basis of Northern 'exotic' criteria - of 'Indian' or 'Ghana' batik, sandals or T-shirts by small craftsmen.

¹⁶⁶ The mistrust vis-à-vis any political commitment is very huge among a cooperative sector that Sandinist regime contributed to develop. Some leaders of cooperative we met claimed : "The worst thing should be to politicised cooperatives" (...) "Peasants lives thanks to their work not thanks to political commitment" (...). "We have always been working very much here. That's very important not all these grafts and political corruption"

The analyses¹⁶⁷ of fair trade production conditions that predate our work provide a number of indicators:

- *Impact on incomes and living standards.* Raul Hopkins (2000) showed income growth of 28% and 9% (related to the number of beneficiaries) in coffee fair trade experiments. This growth is clearly confirmed in other studies, among others the one by Ronchi (2000) in Costa Rica, but mainly at the cooperative level. The available capital in first level cooperatives had increased by 225% in 10 years of Fair trade. This growth is however less obvious in other studies, especially at the producer level. The advantage of fair trade is based less on income growth than on the formalisation of the relationships between producers and importers (prepayment for the crop, price stability and commercial relationships). Incomes from fair trade are usually defined as flexible and additional income, not always enough to live on (allowing the producers to make ends meet). The DFID study in June 2000 on fair trade in Ghana and Tanzania highlights the difficulty of measuring the real impact of fair trade on the local farmers' incomes. The revenues produced by fair trade are too little and represent too small a part of the total production of the groups studied. It is not necessary to separate the impact of fair trade and normal trade at the producer level. The authors of this study emphasise that the only difference is the payment of a fair bonus, which is not paid directly to the producer but to the production cooperatives, and so is not a real encouragement for the individual producer to increase their production for the fair trade market. As a result, the way in which producers get a personal benefit from fair trade depends on the efficiency of the cooperative. Even Ronchi's study had difficulty in showing that incomes had grown due to fair trade at the producer level. *In conclusion:* all the combined factors do not allow to say whether fair trade produces benefits in terms of a fair price for the producer. However, it is easier to identify the benefits of fair trade at the level of the producer associations (Ronchi, 2000) especially when the world price collapses.
- *Production industry.* Some results (obviously obtained using the same methods) give different outcomes depending on whether they relate to crafts or coffee. E.g. studies on coffee tend to show an impact of fair trade on producer incomes, especially when world prices for coffee are low (Ronchi, 2000). In all cases, fair trade provides greater revenues to the coffee producers' cooperatives.
- A '*size of partner/visibility' effect* of the fair trade project. The visibility of fair trade effects depends upon the size of the cooperatives. The smaller the number of members in a cooperative, the greater will be the visibility of the fair trade benefits. In Tanzania, the effects of fair trade in terms of income growth are reduced as they are spread over a large number of members. There is also a lack of knowledge of fair trade amongst producers.
- *The lack of knowledge of fair trade amongst producers* (workers, craftsmen, growers)/project partners is confirmed by Hopkins (2000). Ronchi however reported that Costa Rican coffee producers were quite well informed on fair trade issues but there are too many bias in the sample used. It does seem however that as a result of fair trade initiatives, the small producer is now more aware of the current world prices.
- '*Not the poorest*'. Most surveys (DFID, 2000; Hopkins, 2000) show that the partnerships are formed not with the poorest populations but with a fringe of the population that are certainly poor but still capable of some production efficiency; this is all the more true as the quality requirements increase. Fair trade is aimed at supporting marginal producers but an effective commercial relationship is also needed.

¹⁶⁷ IIED, 1999; Ronchi, 2000; DFID, 2000; Hopkins, 2000; Charlier, Yopez & Andia, 2000; Pariente W., 2000; Nelson V. & Galvez M., 2000; Oxfam Fair trade, 2000; Oxfam Market Access Team, 2001.

- Fair trade aims to remove the intermediaries from the commercial process (sharks and other usurers). However, we noted that the fair trade organisations support some intermediaries because they do not work directly with the producers but with groups of producers more or less formally organised and sometimes they involve local or international non-governmental organisations (mainly to develop secondary projects such as micro loans, capacity building, etc.).
- Fair trade provides market access. Studies on coffee show that fair trade makes it easier to access both the normal and fair trade markets. It provides greater confidence and increased ability to export teams within cooperatives. However, studies on craftsmen show that greater dependence on fair trade develops.
- The capacity building component is a fair trade benefit that is much more visible than income growth. It is best seen as an improvement in production abilities but also in an increase in small producers' self-confidence.
- The gender issue and that of environment provide mixed results. Studies on coffee usually show an improved status for women with the exception of Ronchi (2000). Studies on crafts do not give very clear results. The Oxfam fair trade study (2000) upholds that the results of fair trade can be seen in terms of feminine empowerment. As for the environment, the problem is a bit like the gender issue. There is the development of organic coffee production¹⁶⁸. Craft workers are still a problem with the use of pollutants during production.
- Lastly the spin-off effects should not be ignored. Studies on coffee show that there are also benefits for those who are not part of the cooperatives (infrastructure, factories, involvement in the projects of the 'international developing complex').

Based on prior field studies, one can identify the strengths and weaknesses of fair trade experiments (mainly for coffee and crafts).

Table 15: Fair trade weaknesses strengths

Fair trade weaknesses	Fair trade strengths
<ul style="list-style-type: none"> - Danger of the fair trade trap: dependence on 'fair' partners in the North. - Suppression of old intermediaries but replacement with new ones (split between commercial and development work). - Communication with producers. - Gender. Not enough effect. - Environment: not solely related to fair trade. 	<ul style="list-style-type: none"> - Additional revenues (very variable effect). - Regular payments: security and less dependence on intermediaries (sharks). - Strengthening of marketing and management abilities. - Access to the conventional market. Confidence. - Gender: increased awareness. - Environment. Development towards organic and other techniques that are more environmental-friendly

¹⁶⁸ We observed that several products currently sold in world shops have the double label of fair trade and ecologic production.

4.4.2. Presentation of impact analysis

Development project evaluations are more and more often presented as periodic estimations, which are as systematic and objective as possible, of *efficiency*, *efficacy*, *impact*, *sustainability* and *relevance* of the project in the respect of its defined objectives. These are the 5 criteria used by the OCDE Development Cooperation Directorate (DAC). Using an analytical framework, we have already shown the main objectives achieved by fair trade projects, at both the producer level and the base cooperatives and at the levels of the Unions or Fair trade organisations. We are now going to conduct a deeper analysis that is more targeted at the producer and bottom level cooperatives to identify and evaluate all the impacts, desired or not, of fair trade projects. This analysis combines different approaches:

- a social impact analysis (SIA) in order to obtain data on the breakdown of project cost and benefits among the different groups, assets (physical and financial) and abilities (human and organisational) required to get a benefit, strategies used by the players, etc.,
- an analysis of the conditions of sustainable rural life (SRL) so as to evaluate the different aspects of capital – natural, human, physical, social and financial – of beneficiaries,
- the identification of key social processes as part of a participative poverty analysis (PPA) so as to understand the producers' view of poverty, the strategies that could reduce it and the changes in their living conditions, resources, knowledge and their rights.

4.4.3. Comparison table - Table 16

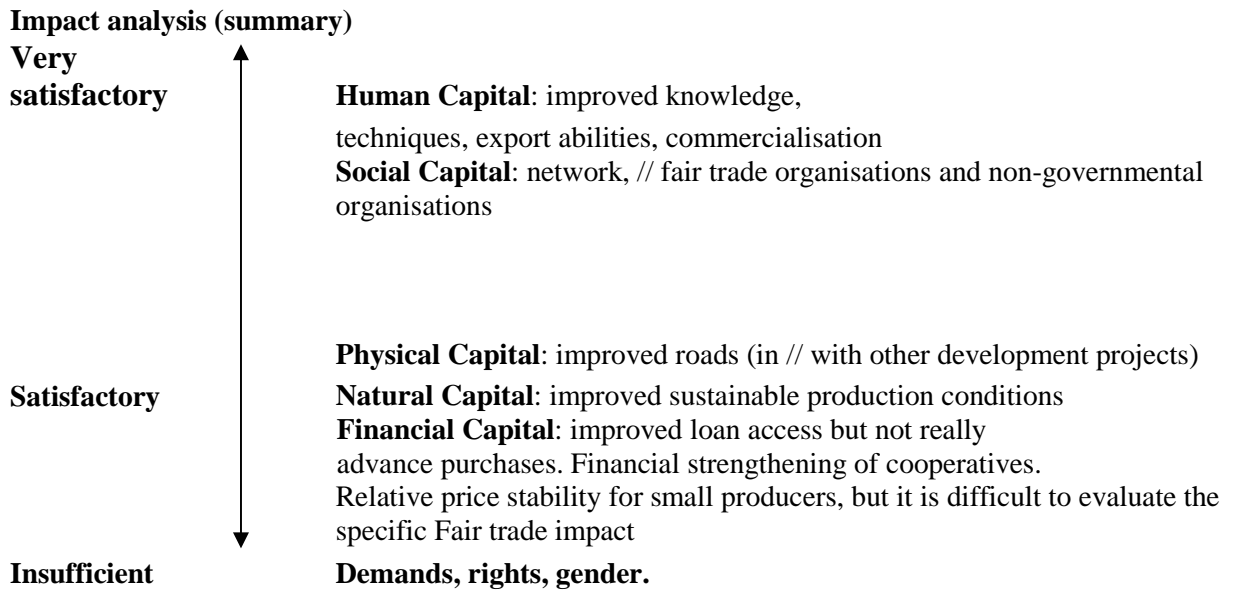
1. Natural Capital	Nicaragua	Tanzania	Ghana	Costa Rica
<i>Natural resources from which the beneficiaries get a benefit</i>	<ul style="list-style-type: none"> • Fair trade has allowed cooperative members to keep their land. • More respectful use of natural resources. • Cecocafen does not supply inputs. 	<ul style="list-style-type: none"> • Fair trade has allowed cooperative members to keep their land. • Production diversification (intercropping). • Improved water quality thanks to the use of the fair trade bonus. • More respectful use of natural resources. 	<ul style="list-style-type: none"> • Loss of land for native workers. • More respectful use of natural resources. 	<ul style="list-style-type: none"> • More respectful use of natural resources.
2. Human Capital	Nicaragua	Tanzania	Ghana	Costa Rica
<i>Competences, knowledge, ability to work</i>	<ul style="list-style-type: none"> • Acquisition of new, more effective production techniques (better prevention of coffee bush diseases). • Cecocafen: improvement of management skills. 	<ul style="list-style-type: none"> • Improved knowledge of market and prices. • Development of new production techniques. • Producers: not aware of the existence and issues of fair trade. • Initiatives to strengthen abilities aimed at reducing poverty and human development (literacy) are rare. 	<ul style="list-style-type: none"> • New production competences. • Farm manager: new management skills. • Initiatives to strengthen abilities aimed at reducing poverty and human development (literacy) are not sufficiently developed. • Measures aimed at strengthening abilities are too narrowly targeted. 	<ul style="list-style-type: none"> • More environmental-friendly production. • Better understanding of employment security (managers). • New export abilities (managers). • No knowledge of fair trade amongst producers.

3. Financial Capital	Nicaragua	Tanzania	Ghana	Costa Rica
<i>Financial ability that paves the way for various options</i>	<ul style="list-style-type: none"> • Return to profitability in coffee production for some but difficulty to clearly identify the direct benefits of fair trade (//other development projects). • Benefits returned to production, infrastructure or social expenses (children's education). • Over time, ability to develop capitalisation funds (UCA or base) so as to reduce dependence on CECOCAFEN (for allocating loans). • CECOCAFEN: access to loans from foreign partners (Triodos, Rabobank...). 	<ul style="list-style-type: none"> • Coffee crisis partially limited. No overall income growth for producers. • No loan system for inputs. 	<ul style="list-style-type: none"> • Very limited financial impact of the project. • For the workers: fair trade = salary. Not necessarily more motivating than for workers in other sectors, e.g. cotton 	<ul style="list-style-type: none"> • Which future prospects without the cooperative? Which incomes? • Access to loan services.

4. Physical Capital	Nicaragua	Tanzania	Ghana	Costa Rica
<i>Infrastructure and production factors owned</i>	<ul style="list-style-type: none"> • More coffee was planted. • Renewal of bushes. 	<ul style="list-style-type: none"> • Input purchase. • Investment in seed-beds. • Improved water quality. • Investment in transformation plant. 	<ul style="list-style-type: none"> • Poor access to physical capital for producers (because of the financial impact of the project and poor access to natural resources). 	<ul style="list-style-type: none"> • Change to organic not possible. • Poor production quality.
5. Social Capital	Nicaragua	Tanzania	Ghana	Costa Rica
<i>Network, relations, access to institutions</i>	<ul style="list-style-type: none"> • Small associative structures. • For some: strengthening of their developer role within the local community (links with non-governmental organisations). 	<ul style="list-style-type: none"> • Large associative structures. • Problem with the visibility of fair trade projects. 	<ul style="list-style-type: none"> • Association's internal structure gives members access to reciprocal services for pruning, solidarity, provisions. 	<ul style="list-style-type: none"> • There is relatively little social integration network. The cooperative life is quite closed.
6. Rights	Nicaragua	Tanzania	Ghana	Costa Rica
Respect of OIT conventions, union representations, awareness of gender...	<ul style="list-style-type: none"> • Improved position of women. Women support project. • But: not enough women in the cooperatives. 	<ul style="list-style-type: none"> • Absence of women in the cooperatives. • No awareness of gender or working conditions. 	<ul style="list-style-type: none"> • Unions established. • Not enough women in the business. • Reduced inter-ethnic prejudices. 	<ul style="list-style-type: none"> • Unions already a requirement prior to fair trade. Few producers want to see these organisations reappear. • Difficult to impose the gender issue.

4.4.4. General conclusions from fair trade impact analysis

Figure 10: Impact analysis



Overall, it seems that the impact of fair trade is greatest and most easily identified in terms of increased **human capital**, knowledge, new know-how (production, treatment, commercialisation and export¹⁶⁹) or **social capital** (network, relations, involvement in the 'international developing complex'¹⁷⁰). In other words, it's the development and solidarity elements of fair trade projects that are most likely to bring about change.

The impact of fair trade projects on **physical, natural and financial capital** is more variable or harder to identify or distinguish from other commercial or development actions. The impacts may also be more ambiguous. It is for example true that fair trade organisations help with the granting of loans that are usually inaccessible for most small producers. However, we noticed that the fair trade bonus was often used to reimburse these loans and so results in only partial autonomy of the partner from the fair trade organisation. It seems that there is some double-speak by certain fair trade organisations which, in addition to providing a reliable commercial partnership and protection against price fluctuation (especially downwards), claim to be making advance payments (prepayment), whilst in reality, what they offer would best be described as pre-financing with interest rates and associated debts.

However, in the difficult situation in which small coffee or banana producers find themselves, the fact that they can seal a sometimes long-term (not all) commercial partnership providing price stability and a whole raft of other benefits (in terms of capacity building) must be appreciated for its true value.

4.5. Social risks (field study limitations) and fair trade projects' viability

It should be kept in mind that this study used an original method that sought to free itself from traditional fair trade analyses by using methods borrowed from other fields of analysis (socio-anthropology for development projects for the analysis of the authorities

¹⁶⁹ Especially Nicaragua and Tanzania.

¹⁷⁰ Primarily Nicaragua.

and the players, survey methods for poverty from the large organisations of the 'international developing complex', etc.). The first field studies by our teams in areas that had previously rarely been studied (which required that a network of local sources be developed) were a bit experimental. Even though the exercise was very enriching and stimulating, combining the work on two production sectors and in two continents (and more than 4 countries) was not easy. Due to a lack of time, some areas were only examined once. Also due to a lack of time, to logistical problems (especially travel) or to various obstacles (bureaucracy) encountered in different countries, some research avenues were not followed up (e.g. surveys to compare fair trade projects with normal development projects could have been carried out in a more in-depth way and some analytical techniques were not stretched enough, cf. participative process). It should also be noted that all the consultants found testing the Fairtrade Labelling Organisation's method for calculating production costs difficult. However, following internal changes, the Fairtrade Labelling Organisation has not arranged a discussion or sharing of results and has preferred to make unilateral decisions following the conclusion of the tests. Finally, we should highlight the fact that one of the objectives of the project was to provide a scientific basis for the dynamics of fair trade and in so doing increase student awareness of this dynamic. Whilst the project stimulated much interest amongst students and some of them worked on parts of the project, their results have not been included for several reasons: lack of professionalism in data collection and analysis, confidentiality requirements by the receiving organisation...

Based on the analyses already presented we can make the following conclusions concerning the viability of fair trade projects and their pertinence for sustainable development.

Table 17: Viability of fair trade projects and their pertinence for sustainable development

+	-
<ul style="list-style-type: none"> • Capacity building <ul style="list-style-type: none"> - Exportation - Management - Production technique: quality process, organic production • Values and standards <ul style="list-style-type: none"> - Taking into account the subject of gender¹⁷¹, ecology, and workers' rights in a particularly aggressive context - Cooperative spirit / solidarity / democratic management • Commercial partnerships <ul style="list-style-type: none"> - Long-term - Price stability - Loan availability¹⁷² • Development <ul style="list-style-type: none"> - Access to the 'international developing complex' - Strengthening the cooperative sector to combine business and development 	<ul style="list-style-type: none"> • Fair trade trap <ul style="list-style-type: none"> - Belief in 'without me, no future' - Impossible to diversify partnerships or production and get out of the protective cocoon. • Lack of visibility or ideological/political involvement of producers • Occasionally a <i>lack of transparency</i> in managing the bonus • Projects are often limited by physical obstacles (fungi, soil, climate) • Production volumes are sometimes too small but paradoxically the standard fair trade markets of the North often have a demand that is too timid. • Organisational form and capital holdings in partners (e.g. VREL) • Dilution of the fair trade benefits by the number of actors in the South and because of the small share that is sold as fair trade.

¹⁷¹ Even if project implementation is sometimes more problematic.

C. CONCLUSIONS AND RECOMMENDATIONS

For several years, there has been growing interest in the fair trade movement. Surveys regularly show that awareness of the movement, its principles, the players and the products has greatly increased. The results of the survey of Belgian consumers, conducted by the marketing team of the University of Antwerp, confirm this trend. However, consumption of fair trade products is still limited. The Belgian fair trade market is growing continually (80% between 1996 and 2001) but market shares for most products are still very poor (at best 1% for coffee, the star fair trade product). One is therefore faced with markets which are growing but are too small to absorb all the fair trade production (the South's producers sell part of their production on the normal market) and do not stimulate change in the North's large industrial groups. Even though these large groups are attentive to the possible emergence of a 'civic consumer', fair trade organisations are not yet capable of competing with the giants of the coffee or banana industry.

Selling as much as possible and staying militant

After more than forty years of existence, the fair trade movement is faced with having to sell as much as possible. The movement is split between two axes. The first, best represented by the Max Havelaar accreditation organisation, favours commercial relationships as the main weapon for change. As its founders said: 'Fair trade does not question the economy of the market itself, on the contrary, it expects from it something positive, it seeks a fundamental correction of its secondary effects in such a way that the social effects are completely different'¹⁷³. It does not involve combating the capitalist system but reforming it and finding niches in the world market for marginalised producers via alternative commercial relationships (determining fair prices that give a decent remuneration to producers, advance payments, easy access to small loans, long-term commercial relationships). The second axis is mainly inherited from third worldism from where the movement initially developed. In this axis, fair trade, as Oxfam said several times, is a development project that must produce benefits for a group of producers and their social, economic and physical environments (sustainable development aspects)¹⁷⁴.

The fair trade movement is based on a dialectic relationship between these two trends that are partially opposed to each other. This relationship is found throughout our work, as much in the North (consumers and volunteers) as in the South (producers)¹⁷⁵.

¹⁷² With this double speak (pre-financing or pre-purchasing) and the problem of partner autonomy.

¹⁷³ Roozen N. & Van der Hoff F., *L'aventure du commerce équitable. Une alternative à la mondialisation*, Paris, Lattès, 2002, p. 238.

¹⁷⁴ **Oxfam**, International NGO and founder of the movement, defines fair trade as follows: '*Fair trade is about giving poor people power: by paying producers a fair price for their work, helping them gain the skills and knowledge they need to develop their businesses and challenging ways of trading which keep people poor. Fair trade means that many of the people who rely on selling crafts and textiles for a living, or who produce food items such as tea, coffee, honey and chocolate now have the chance to work their way out of poverty. For Oxfam, fair trade is trade that promotes sustainable development by improving market access for disadvantaged producers. It seeks to overcome poverty and provide decent livelihoods for producers through a partnership between all those involved in the trading process: producers/workers, traders and consumers. Oxfam fair trade is both a development programme and a business which helps people earn a living from their skills; links producers and consumers; helps people towards a better future through support and training*' (Oxfam Website, February 2002).

¹⁷⁵ These trends are particularly opposed in the commercial strategy, which is nevertheless based on a set of consensus. At the end of our study we could distinguish three. Firstly, fair trade projects must

Based on our field inquiries, we can illustrate this stress by two issues that our work analysed: the orientation of the fair trade bonus and the requirement for improved product quality.

We observed in Nicaragua that the fair trade bonus was sometimes used to improve production (or transformation) capacity, commercialisation or importations for producers in cooperatives and sometimes used for social projects (education, gender...). Similarly, the frequent demands of the fair trade organisations for the producers to improve quality is not motivated only by commercial purposes to position them in a significant niche market that is more profitable; it also provides producers with an opportunity to break their dependence on aid based on charity.

In the North, this difference is equally apparent amongst Belgian consumers, Oxfam clients or volunteers in world shops. Stresses appeared within the movement when fair trade products started to appear in supermarkets. Would their availability in supermarkets put in danger the traditional Belgian distribution channels for them and lead to a dilution of the meaning and reformist will of the movement? A few years after this entry into the supermarkets, this worry is a thing of the past. At the same time, the opening up of new distribution channels has benefited some fair trade products such as the banana. During this period, independent initiatives also began to sell fair trade, 'ethical' and 'solidarity' products. This is the case of the 'Citizen's Dream' shops. These initiatives, rather than confirming an inevitable division within the fair trade movement, are a sign of appearance of a range of sales strategies for fair trade products to try and overcome the difficulty that the average consumers have in translating their favourable view of fair trade into actual purchases. Sometimes it involves identifying these products by denouncing the global commercial relationships that create the unfairness and poverty (commercial strategy of world shops), sometimes it almost involves marketing fair trade products by making them as attractive as other products and removing all sense of atonement and guilt¹⁷⁶ from their purchase.

Lastly, the considerable thought being given to revising the way in which fair prices are determined is also an indicator of these two concerns: on the one hand, fixing a fair price that covers the costs of sustainable production and the investments in projects aimed at improving living conditions, and on the other, the desire to not be too far from the market price.

The main danger for fair trade would be the domination of one trend over the other. The development of the pro-business approach over the last ten years has allowed the fair trade movement to reach out beyond the small circle of founding initiates. However if this approach becomes too strong it could change the movement's nature and lose it the support of a section of the volunteers that it relies upon to be competitive when marketing fair trade products. In the end, it is this solidarity aspect that makes the difference in its commercial relationships and the products sold, thereby giving the movement its identity. The main danger of domination by solidarity would be that fair trade would become a niche limited

mobilise the South's small producers and craftsmen who are having difficulty in selling their products locally or, above all, on the world market. Secondly, from this first part, the fair trade organisations come to the same conclusions about the unfairness of current world trade that causes these problems. Thirdly, there is a consensus amongst the fair trade organisations that share the desire to reform the relationships and thereby provide a new form of assistance to small producers by fair use of the instruments that led to the problems in the first place.

¹⁷⁶ Didier Deriaz, the Max Havelaar Suisse-Romande coordinator, justifies 'being fully in the market to make the maximum profits for the farmers rather than being a midget with big ideals.' Quoted by Pech T. & Padis M.O (2004: 76).

to a small number of well-informed players in the North and South, certain that they are right despite their small number.

From this we can immediately make a recommendation: no fair trade support policy can be beneficial if it does not take into account the dialectic nature of fair trade, which is at the crossroads of commerce and solidarity. Using economic theory to put fair trade in perspective also demonstrates that it is the mix of exchange logics and resources, as much in the North as the South, that guarantee the movement's identity and economic efficacy.

Starting from this necessary clarification (which is a major part of our overall thinking on fair trade) we will now present a number of conclusions and recommendations related to the North (consumer marketing and sociology, human resource management in world shops) and to the South (socio-economic analysis of production conditions).

Development projects and production conditions in the South

At the impact analysis level, we saw that there were multiple benefits of different types from fair trade projects that obviously concerned the producers directly involved in the project as well as their families but also the local community. We have emphasised the importance of the fair trade projects as part of the management of development projects. Nevertheless, we believe that more progress can still be made to make these projects more effective.

Testing the Fairtrade Labelling Organisation method revealed gaps and confusion about the different components of the fair trade price and their means of calculation. The case of the bonus is enlightening. It shows not only confusion as to the concept itself and its amount but also as regards some uses that are far from fair trade principles, such as paying off loans granted by a fair trade organisation.

The nature of funding provided by the fair trade organisation to producer groups involved in the project has to be more clearly identified. Are they, as the principles of fair trade require, really advance payments or are they in reality, as our field observations tend to prove, a form of loans to the producers? Of course these two methods of financing do not have the same implications. Even if repayment rates are lower than those used by local lenders, these loans to producers still have to be reimbursed, which can limit the production or commercialisation capacity of the producers / beneficiaries of fair trade projects or even lead to dependence on the lenders. It is important to take care not to substitute the old dependence on local intermediaries with a new dependence on the fair trade organisation that gives access to small loans and a single fair trade market.

Fair trade projects propose partnerships with different types of partners in the South. Most of the time, small producers are grouped in a production cooperative and we have mentioned that fair trade projects often have a positive impact on these local cooperatives in terms of capacity building. Nevertheless, the Ghana experiments use another sort of partnership, which is a binary institutional type. The issues related to the choice of the partner are important. What are we seeking to support? A cooperative sector that combines economic interest and social spin-offs that are economic or political and cultural for the local community and based on a spirit of solidarity? Or do we seek to support private initiatives that allow damaged regions to develop some economic dynamism and hope that the effects will percolate down to the small local producers? The economic approach used in this report has demonstrated the beneficial effect of involving a non-profit organisation (cf. the non-distribution constraint) as part of fair trade.

It seems to us that greater efforts must be made to develop fair trade projects that are undoubtedly more politically active in terms of employment legislation or empowerment of women. Very few initiatives are really applied within the cooperatives, which are usually run by men. It also seems to us that this subject of rights is also very much related to the level of democracy that actually exists in the way the cooperatives are run. Lastly, we question whether or not the small producers should be made more aware of fair trade.

Additionally, there are shadows over the viability of some fair trade projects.

The process through which projects should become autonomous is not always ensured, especially in Costa Rica where COOPETRABASUR exports are mainly made to a single partner. In Ghana not only are the quantities small but also the VREL is dependent on a single partner. Conversely, Tanzania is remarkable in this respect: fair trade seems to have been a springboard for other segments of the market. Generally, taking into account the limited demand for fair trade products in the North, there is an urgent need for current projects in the South to diversify their production especially towards organic and high quality products. However, changing from simple fair trade to organic (Oké label banana) or to high quality coffee (Gourmet coffee in Tanzania) can give rise to problems for some small producers due to the costs of changing from one to the other, the required level of care of plants, the period before the benefits of the production change are seen especially as all the costs of sustainable production are not always covered by the fair trade price or the amount sold into this channel.

A worry for the future could also be the visibility of the fair trade project in the South. In all the cases examined, the principles and objectives of fair trade are not known locally, except to a handful of people usually at the head of organisations at the peak of the cooperative movement (Union, 2nd or 3rd level cooperatives). The question that needs to be asked is whether the projects would be more sustainable if producers were more involved and aware so as to look beyond the narrow framework of a simple commercial relationship. This would seem to be essential if we are looking for more self-sufficiency and democratic management of projects. What power do producers really have that they can exercise against the elite who manage the cooperatives, especially in terms of accountability?

Relations with public authorities can also be a problem. Even in an international context where states were being asked to be more modest, we saw them applying strategies that allow them to retain control over the industries we studied. This is especially true for 'African' projects and much less so for Latin America.

In respect of this, we suggest that three actions should be developed:

1. Fair trade organisations should reflect on the pertinence of whether or not they make the South's small producers aware of the issues of fair trade. Too often, northern fair trade organisations are seen as commercial partners like any other; at best, they are seen as paying a bit more for the products. Should the project not be made more visible so there is more awareness of it? More generally, if one preaches that there should be solidarity relationships in commercial trading, and if one extends this partnership principle to associated development projects that are directly supported or facilitated by the Fair trade organisation, should one seek to enlarge the scope of this fair trade principle of partnership itself or should producers be left on the fringe of the movement?
2. It would probably be useful to develop a reinforced policy of support to diversification of fair trade production to other sectors of the world market, given the weak demand in the North's markets for 'simply fair trade' products, as the Nicaraguan and Tanzanian experiences conclusively demonstrate. In any case, fair

trade traps must be avoided, as they are a danger for the project's and partner cooperative's viability (as in Costa Rica). It seems clear to us that fair trade experiments are more effective in terms of capacity building. In this respect, we should look at fair trade production in the short or medium-term not as an end in itself but as a launching pad to other sectors of the world market via higher quality, support from more and more productive producer groups, by local and international legal and economic incentives to adapt fair trade production to new segments. This means that within the movement, the fair trade organisations must develop and consolidate their development role (in parallel to their commercial role) and/or look for synergies with local non-governmental organisations in the South that are effective in strengthening the groups at the bottom of the pile (as in Nicaragua).

Analysing the stakeholders and the analytic grid suggests that in some cases (Africa) it is important to pay particular attention to relations with the local and national authorities, as they can be either blockers or facilitators for small producers activity and commercialisation of their products. Up to now, the North-South division in the fair trade movement has been based on the production work being done in the South and the lobbying and advocacy in the North. It is necessary to also develop lobbying activities in the South so as to gain the support of the local political and economic elites (as for the small producers). In this regard, we highlight that, for African partners, the legal study has found a way of providing help to small producers through the National Indicative Programmes (NIPs) conceived by the ACP states as part of the Cotonou agreement under the section rural development, possibly linked to food safety. The content of these sections varies greatly from one country to another but they often anticipate re-launching export industries and non-traditional industries with development potential, which corresponds to fair trade products.

Let us ask one final question: is fair trade effective in terms of sustainable development? The answer seems to be positive if one uses the criteria of our analysis. As we observed, fair trade regularly meets its development objectives in the field. However our field surveys show a great deal of variation and mainly demonstrate the complexity of the realities examined. The most interesting case (and also the one that has been most investigated by our teams) is without doubt that of Nicaragua. We saw that fair trade had its greatest beneficial effect during a price crash. We saw an improving situation for those who were part of the project compared to the rest of the population. Sometimes such positive effects lead to selectiveness in allowing new entrants into the project. But even where the benefits seem most obvious (as in Matagalpa, Nicaragua), can we say that the fair trade project is the only responsible for the changes? We think that the fair trade success story is due to the combination of a number of factors not directly related to the project but which gave it a favourable context. These include:

- the limited size of the local cooperatives (conversely to the Tanzanian model): this makes projects more visible and increases involvement (particularly for fair trade);
- the reactivity of some of them and the quality of some of their managers;
- limited state involvement/interference (not to be confused with lack of interest);
- possible percolation effect (particularly related to the size) making the project and its effects more easily visible;
- a 'snowball effect': where the project works, the cooperative becomes better so they will attract other non-governmental organisations that contribute to the

process of strengthening cooperatives and producers (conversely to the producers' isolation in Tanzania).

To consume fairly and to commit oneself

The basic objective of the studies conducted in this project was to explore the causes for the substantial gap between the generally positive attitude towards fair trade issues and the relatively limited extent to which these products are purchased (attitude-behaviour gap), and to derive policy and marketing measures to close this gap. Measures could be taken with respect to the following, potential public support may help some of them:

1. Improve communication

More good and credible information about the fair trade issue, and especially about fair trade products, has to be given, so that potential customers could be stimulated to buy fair trade products. People prefer small amounts (low quantity) of very good (high quality) information. Explanatory information on the package besides a label might be instrumental. There is no unanimous point of view with regard to the method of disseminating information. Mass advertising on radio/TV/newspaper and magazines for labels may be helpful, as well as sending informative brochures to customers. In any case the information should be credible.

Concern towards the fair trade issue should be encouraged since it positively influences buying behaviour, directly as well as indirectly (via the attitude towards products). Scepticism towards fair trade issues and products should be fought, since it has a negative influence on buying behaviour. Good information could positively change concern as well as scepticism. Especially the indifference towards fair trade products hampers a more positive buying behaviour. Disseminating the appropriate information and maximising the trial potential of products (through a more effective distribution) are called for. Since education (+), income (+), age (mid life) and gender (female) are significant demographic variables for fair trade, this 'fair trade profile' should be kept in mind when setting up a marketing communication plan.

2. Improve distribution

The distribution of fair trade products is very important and should be dramatically improved. First, customer convenience should rise by offering fair trade products in regular supermarkets (reducing shopping time). Also, fair trade products should be put on the same shelf as products of the same product category (for instance, fair trade coffee grouped with the other 'normal' coffees). A special fair trade/social/organic/eco store department and especially a specialty shop are less effective. A more effective distribution will reduce the consumers' efforts and provide more contact opportunities to try fair trade products. A more prominent branding strategy may improve the image and visibility of fair trade products.

3. Lower the price

Prices of fair trade products should be lowered, or prices of non-Fair trade products should rise, resulting in a smaller price difference between fair trade and non-fair trade products. Measures that could directly impact the price gap between fair trade and non-fair trade products, such as a fair trade bonus system, similar to the system of eco bonus, could stimulate consumers to buy more fair trade products.

A legal study has shown the possibility of support from the authorities who can, in some cases, lower customs tariffs and taxes for fair trade products. The possibility of a preferential tariff for fair trade labelled products as part of the general system of community preferences could also be imagined so that the products benefit from a 0% tariff. This system should not create a problem in respect of the World Trade Organisation if we are careful to ensure that all developing countries can benefit from the advantages of the fair trade label.

4. More effective labelling

A fair trade label is preferred over a social label, eco label and organic label. Consequently, it can be assumed that a fair trade label can become more successful than the eco and organic labels. Consumers seem to trust the European government as well as a non-governmental organisation the most for issuing and controlling a label. When the issuer is the Belgian government, the credibility of the label decreases substantially. Labels should be clearly indicated, and professionally endorsed and explained on the products and in the shops.

We should also emphasize that a quality label is essential to get any public support. In view of current systems, it is preferable that it is at least organised at a European level and that it relates to the products and not the fair trade organisations.

The survey amongst Oxfam clients underlines the over-representation, amongst the clientele of world shops compared to Belgian consumers, of two types of profile: the young, and people over 55. This could confirm our hypothesis of a 'committed' consumption, given that these profiles correspond to the stages in life when commitment is more frequent. Furthermore, we also observed that commitment profiles amongst this clientele are split into a more political fringe (solidarity and justice), which is more supported by younger clients, and a more fringe (aid and charity), which is supported by older clients. It seems to us that the world shops, with a view to enlarging their clientele, can choose between several options. First, they could build on what they already have by targeting external communication on these two profiles, with a different message for each group (young / solidarity or old / charity). This option is preferable if one considers that the 25 – 45 year olds are definitely less likely to be mobilised as they are caught between professional and family commitments. Perhaps communication aimed at families could be further developed, for example by participating in family events in which children (including the youngest ones) are involved (St Nicolas, Christmas, Halloween). The message should be more focussed on the fact the easiness to purchase fair trade products, with an increased development of mail order policies or linked to new technologies (Internet), which save time and make purchasing easier.

Our survey has allowed us to reposition the commitment to fair trade as part of a more general commitment to distant causes. This allows us to explain that the fair trade organisation's – and more specifically Oxfam's – actions (or lack of actions) to increase the battalions of fair consumers are part of a slower process of evolution of our society and of their relations with the populations of the South. We discovered for example that 92.6% of Belgian consumers and 87.2% of Oxfam clients thought that underdevelopment was primarily due to the incompetence of the local political and economic elite. We were deeply questioned by these figures. They seem to indicate a significant consensus within Belgian society (without it being a national peculiarity!) concerning the responsibility of the elites in the South. These figures can be an obstacle because such a view of the responsibilities for underdevelopment could discourage and lead to resignation as to the impact of actions by consumers in the North in favour of development in the South.

Cleverly, fair trade organisation's communications to the general public do not mention the involvement or not of the public authorities in commercial projects in the South. Even more striking is the fact that fair trade organisations present fair trade as a system that tries to eliminate all unnecessary third parties between the small producer and the consumer. Nevertheless, we think the problem is larger and exceeds the unique context of fair trade. The results of this survey rather suggest that it would be better to strengthen development education policies, which appear to us as the necessary factor if public opinions are to evolve, as regards the current approach to North-South relations. We think that in the long term, a well-designed development education policy could be the vector for a strengthening of the commitment to the problems of the South and therefore, in association with fair trade organisations' communication campaigns (we are thinking mainly of Oxfam), for increasing the number of committed fair consumers.

Lastly, regarding human resource management in Oxfam world shops, we have seen the high importance of volunteers for this fair trade organisation. This atypical model of commitment in favour of fair trade as a volunteer in a world shop is due, in our view, to a double dialectic relation¹⁷⁷. The first dialectic relation is seen in the two commitment profiles. One group of volunteers can be described as militants; they are a handful of volunteers who, little by little, become more committed to the movement – in other words, from an initial pragmatic basis, they take on more of the movement's political and ideological objectives and take part in more training, meetings and leadership in Oxfam world shops. The second group is made up of a large number of people who spend less time in the movement and are mainly motivated by aspects that are pragmatic and inherent to their shop's operation. This is a more occupational form of volunteering, which seems more obvious in the second-hand shops than in the world shops in the strict sense of the term¹⁷⁸.

We are more familiar with the second dilemma: it is apparent throughout the fair trade movement (and appears to affect most of the large international non-governmental organisations): it opposes a business axis and a solidarity axis. We have analysed this dialectic in the light of Pêche & Padis (2004)'s work, who oppose, within international non-governmental organisations, participation logics and action logics. It seems to us that world shops managers, who are locally responsible for the movement's political agenda, are balancing these two elements, day after day, as their position oscillates between trying to sell as much as possible, to legitimate their activity in the North and offer better conditions to the producers of the goods and object exposed in the shop window, and the desire to lend a hand to the more disadvantaged in the North, to stimulate new socialites (often in a festive way). Far from cancelling each other out, these two trends strengthen the uniqueness of the Oxfam world shops commitment model. Some justify the need to sell rather by referring to a participation principle ('For the benefit of marginalized producers; we must not simply be happy at the end of the week because we have sold well or sad because we have sold nothing'), others says that if offering reintegration opportunities through volunteering is in accordance with the world shops' spirit, that can not be done to the detriment of the commercial efficacy.

World shops should carry out an internal communication policy that respects this double dialectical relation and its constitutive trends (occupational volunteering, militant volunteering, participation logic/solidarity and action logic/business). In parallel, as our discussion groups led us to think, maybe an internal communication policy should be implemented, in order to promote vertical communication, between the national centre and

¹⁷⁷ The relations are dialectical because it is on the basis of the combination of these two opposite components that the shops can operate.

¹⁷⁸ To re-quote the terms used by De la Fuente et Bastin, 2001.

the shops (need for feedback on figures, on actual campaign results, etc.) and to increase the exchanges of experiences between shop managers and (in particular) volunteer team leaders who consider that they had to learn 'on-the-job' and were too often left to themselves. Without being an obstacle to the commercial objectives, this could create new socialisation areas favourable to the identity and militant practices within the movement.

Finally we noticed that the renewal of the volunteers within world shops relied on a fragile balance. One way to increase recruitment could be to implement an external communication supporting the current recruitment efforts of the shops which are all too often left to themselves in this regard. Such a policy appears to be an urgent requirement in Brussels where the turnover and burnout of volunteers seem greater than elsewhere.

Last but not least, we looked at the possibility of responsible consumption by public authorities. The public consumption market could be very influential, not only because of its size but also because of its role as an example. Attention should be given to the possibility of supporting fair trade within the processes of awarding of public procurement. The debate on the introduction of ethical components and more broadly of sustainable development was very intense during the process of adoption of the new European directives on this subject. Despite lobbying by the fair trade organisations, which we supported, the new directives considerably limit the possibilities of supporting fair trade. The Belgian law, which had taken the opposite path in 2003, will soon have to be changed to conform to European law. It is important that what had been obtained be maintained as much as possible, at least below the thresholds for the application of European directives. Raising the awareness of public authorities responsible in charge of this matter and legal monitoring are thus crucial and should bring together all in the supporters of sustainable development.

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Max Havelaar: www.maxhavelaar.be

Network European Worldshops: www.worldshops.org

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