Development in Practice, Volume 16, Number 5, August 2006

Fair-trade coffee in Nicaragua and Tanzania: a comparison

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Fair-trade activities in the South have tended to be studied in relation to the internal aims of the fair-trade organisations themselves. This article argues that it is also critical to consider the wider fair-trade 'arena' or set of interactions. The authors focus on Tanzania and Nicaragua and study the role of four key actors—small-scale producers, co-operatives, development partners, and public authorities. Using comparative data from field studies conducted in 2002–2003, the article identifies key national and international issues affecting local producers. Illustrating how fair trade evolves differently according to context, the article examines how the co-operative movement in Nicaragua has been strengthened by fair-trade production, in contrast to the situation in Tanzania. It concludes by discussing some of the challenges faced by fair trade, including how to reconcile the demands of the market with building solidarity.

Fair trade as a development project

In this article, we examine fair trade not as a narrow commercial relationship but as a development project, in other words a process of providing services that aims through a combination of approaches (research, funding, legal intervention, and so on) to improve the living conditions of a particular population. According to Boltanski and Chiapello (1999), a development project is of limited duration and it connects diverse actors from different cultural, economic, geographical, social, or philosophical perspectives. The anthropologist J.-P. Olivier de Sardan emphasises this:

> *Whatever the type of approach or mode of intervention or 'assistance', a development action is always the site of interaction between social actors from different worlds (the developers/developed), whose behaviour is underpinned by multiple logics.* (Olivier de Sardan 1995:125)

To date, most assessments of the impact of fair trade and of fair-trade production activities have tended to have a narrow, internal focus.[1] We seek to put these initiatives into a broader context, using the concept of the '*arena*' or site of interaction among social actors in relation to shared concerns, as described above by Olivier de Sardan. Within the fair-trade arena, many different actors interact (for example: producers, state entities, private operators, NGOs, development agencies), each with its particular strategies and goals. We shall illustrate our argument with

ISSN 0961-4524 Print/ISSN 1364-9213 Online 050441-11 © *2006 Oxfam GB*
Routledge Publishing DOI: 10.1080/09614520600792390

information gathered from studies of fair-trade coffee producers in Tanzania (in the regions of Kagera and Kilimanjaro) and in Nicaragua (Matagalpa, Jinatoga, and Estelí).[2]

The market for fair-trade products

According to FINE, an informal umbrella of fair-trade organisations,[3]

> *Fair trade is a commercial partnership, based on dialogue, transparency, and respect, the aim of which is to create greater equity in world trade. It contributes to sustainable development by ensuring better trading conditions and guaranteeing the rights of producers and marginalized workers, particularly in the global South.*[4]

According to Fairtrade Labelling Organization International (FLO 2002), the global turnover for fair-trade products in 2002 was some US$ 400 million, and the market continues to grow. International sales grew in 2003 by an average 43 per cent, including 61 per cent growth in the UK, 81 per cent in France, and 400 per cent in Italy. However, the record varies considerably from one country to another and also fluctuates within each country, both in absolute terms, and as a percentage of total sales of each commodity. Despite overall growth, fair-trade sales—even of coffee, the flagship product—still represent only a very small proportion of the total market. (For the European market, the latest figures can be found at www.worldshops.org.)

The context of fair trade

Most studies of so-called ‘marginal’ fair-trade producers in the South have been commissioned by fair-trade organisations (FTOs); they consist mainly of impact assessments and internal reports. The studies adopt a range of methodologies, depending on the questions and interests of the commissioning agency. In general these studies seek to measure the effects of fair trade on producers’ living conditions or production systems, or to study the impact of fair trade on the local environment. Here, we seek to add to the debate by considering fair trade in a wider perspective. The success of fair trade does not rest solely on the project as defined and assessed by Northern FTOs, but has to take into account the context in which it is implemented – and this varies considerably, as we shall demonstrate.

While the principles of fair trade are based on standard criteria, these are interpreted in each context by a range of actors, all of whom have their own stakes and interests in the fair-trade project. Within the framework of our socio-anthropological approach, it is important to measure the impact of the social and economic changes created by fair trade. But it is equally critical to consider *how* such changes do or do not take place, which actors are involved, and what their strategies and connections are in relation to the fair-trade project as a whole.

It is beyond the scope of this article to explore all the inter-relationships operating within this arena. We shall therefore limit our focus to the positions and strategies of four of them: small-scale producers, co-operatives, development partners (essentially local and international NGOs), and public authorities. We aim to show that although in theory the fair-trade standards are applied identically worldwide, in practice the ways in which they are applied and the ensuing results evolve in many different ways according to context.

Fair-trade coffee and the price crisis

Although Tanzanian and Nicaraguan coffee represents less than 2.5 per cent of world coffee production, the crop is of great importance for employment, the economy, and exports, all of which have been severely affected by the fall in coffee prices since 1999.

Coffee production in Tanzania grew only slightly during the 1990s, from 45,000 to 49,402 tonnes, while production in Nicaragua more than tripled from 25,200 to 90,000 tonnes over the same period, before dropping back to around 72,000 tonnes. This drop resulted mainly from falling prices and a lack of public-policy support for coffee growers. In both countries, coffee accounts for a significant proportion of exports and rural employment (13 per cent of total national employment in Nicaragua). In Nicaragua, coffee accounted for 45 per cent of agricultural exports and until recently it represented 25 per cent of total exports, while coffee remains one of Tanzania's most important export crops. However, the fall in coffee prices has had a significant impact on export revenues. Coffee exports currently represent only 10 per cent of Nicaraguan export revenues, and 17 per cent of Tanzanian export revenues (against 36.3 per cent in 1985).

The slump in coffee prices has had a severe impact on rural populations, with its effects being felt well beyond the farmers themselves.[5] In Tanzania, many producers have been forced to diversify their income-generating activities. In Nicaragua, coffee generally remains the sole source of income for small-scale producers, with other crops being grown only for subsistence. This is partly because their landholdings are so small, but also because no other crop offers producers sufficient incentive to justify investment. The lack of an alternative renders Nicaraguan peasants highly dependent on fluctuations in the international coffee market. In both Tanzania and Nicaragua, rural poverty has generated major out-migration in recent years, and with it a significant increase in the informal trading sector in urban areas.

Fair-trade coffee still represents only a small part of the total coffee production in both countries. In Tanzania, the two largest co-operatives that are active in fair trade—the Kagera Co-operative Union (KCU) and the Kilimanjaro Native Co-operative Union (KCNU)—account for 5 per cent of the country's coffee exports. In Nicaragua, CAFENICA (the Association of Small Coffee Producers of Nicaragua), an umbrella organisation linking several fair-trade co-operatives, involves more than 7500 small-scale farmers, a quarter of the country's coffee producers. Half of their production is intended for conventional markets, while the rest is split between the fair-trade, high-quality, and gourmet markets. Nonetheless, although the volume of fair-trade exports remains limited, it is important to the small producers involved, partly softening the effects of the crisis by maintaining and supporting the continuation of some economic activity in areas devastated by the fall in coffee prices. In this way fair trade indirectly benefits the whole rural community, as the profits are re-invested in the local economy.

The direct benefits of fair trade vary considerably according to the status of the farmer. In Nicaragua we found that when fair trade focuses on small-scale producers, it fails to reach the poorest sector of the population, namely the unemployed coffee-plantation workers, who have been laid off in their hundreds by the large plantation owners following the fall in coffee prices. Since then, all paid employment, even seasonal labour, has become scarce.[6] Where the plantation workers have managed to keep their annual or seasonal employment, they appear to be largely ignorant of the fair-trade project and seldom belong to a co-operative.[7] More worryingly, even when they are working for fair-trade producers, their income and working conditions have not improved, despite the principles underpinning fair trade. We found that some plantation managers are well aware of this but do nothing about it, which is clearly against the spirit of fair trade.

The large coffee-plantation owners did not suffer so badly from the fall in prices, because they still had access to credit and to political favours. However, medium-sized producers (with holdings of more than 3.5 hectares) were more deeply affected. These local elites were accustomed to living in style, and would often employ between 10 and 60 workers. As the crisis took hold, they simultaneously lost a large part of their income and their access to vital credit. Being forced to lay off their permanent and seasonal workers year after year, they began to eat into the capital—savings, livestock, and land—that they had accumulated when times were good. Some became so indebted that creditors seized their land. Initially excluded from the fair-trade project because of the size of their farms, some of these producers now qualify because they have effectively become small-scale family businesses. Nonetheless, they find it difficult to join a co-operative, because of the history of mistrust and tensions between them and the smallholders during the time when the medium-sized farmers were relatively affluent.

There is a significant contrast between these medium-sized farmers, indebted and despairing (*'No miro el futuro' – 'I don't see any future'*, one of them told us), and the small producers involved in the fair-trade project, who have all kinds of plans for the future. Some of them even say that their situation has never been better. While the economic situation is assured, these small producers now seek greater empowerment through training and support for the strengthening of their social capital. The remainder of this article will focus on these small-scale coffee producers.

The state and fair-trade coffee: the effect of government policies on small producers

The recent histories of Nicaragua and Tanzania have been profoundly affected by a move away from alternative development models, and the adoption of neo-liberal economic policies founded on integration into the global market and the concept of comparative advantage.

From the late 1980s onwards, Tanzania has gradually abandoned the socialist model of development pioneered by Julius Nyerere and based on his vision of *Ujamaa* (family). Following Nyerere's retirement, there was a democratic transition to his former ruling-party colleagues, who subsequently opted for a different economic agenda. In February 1990, Violeta Chamorro's US-backed liberal party came to power in Nicaragua, ending Sandinista rule and the civil war that had weakened the country throughout the 1980s. The 1990s were marked by major social changes and a catastrophic economic situation, leaving Nicaragua the second poorest country in the Americas.

The political transitions of the 1990s have had a marked impact on the fair-trade arenas in these countries. Both governments have retreated from the model of the interventionist state (exemplified by the African socialist approach of Nyerere in Tanzania and the Sandinistas in Nicaragua) towards a liberal state, geared mainly to increasing integration into the global market. But despite these similarities, the two governments have adopted different strategies towards the coffee sector.

In accordance with the conditions imposed by the international financial institutions, the Tanzanian government is pursuing a two-track policy of rolling back the state while maintaining an overall regulatory function. In the coffee sector, this is achieved through the para-statal Tanzanian Coffee Board (TCB). Although private-sector interests may be represented on the TCB board of directors, the government retains significant influence over its composition. The TCB president is chosen by the head of state, several ministry representatives sit on the board, and the union representatives belong to the former ruling party.

Despite the international price crisis, coffee remains an important source of export revenue, and the state obviously wishes to maximise its potential. The Tanzanian government therefore seeks to ensure that regulations governing the sector are as effective as possible, modifying them where necessary. For example, the Coffee Industry Act of 2001 restricted the power of private buyers to re-purchase at the coffee auction. The government also guarantees bank loans that are required by the unions to re-purchase their produce at the coffee auction. For instance, in 2003 it intervened to support access to credit for another union that was jeopardised by private Ugandan operators, although a year earlier it opted to weaken one union that it regarded as over-powerful by refusing to guarantee a bank loan.

While the TCB states that the government has no influence over fair-trade activities, which represent only a small percentage of coffee exports, the sector is not without interest to the state. First, because the volume of fair-trade coffee pushes up auction prices, ensuring that these are at least equal to those of the world market. Second, with KCU, the government currently co-owns a factory that makes instant coffee; it was bought using capital gained from fair trade, and the government will also gain from the investment if the initiative is successful.

In contrast to the active role of the Tanzanian government, the Nicaraguan government appears weak and conspicuous by its absence, its only interventions being to limit the scope of small and medium-sized producers. Mired in corruption and economically weak, its authority has been largely undermined by the influence of the international financial institutions (Solo 2003). The state is suspicious of the co-operatives, which are often viewed as a resurgence of the Sandinista movement. State intervention has been limited to the introduction of an export tax, the establishment of a host of bureaucratic requirements, and the announcement of strict laws governing the creation and functioning of co-operatives. The Minister for Agriculture is now a distant figure, and the demands of small-scale producers and agricultural workers no longer appear to be heard far away in Managua. As a result, the co-operatives feel obliged to take the place of the state, which has progressively retreated from its former role in providing credit and training. Some co-operatives have even begun to finance public works themselves.

Improving conditions for small-scale fair-trade producers

The fair-trade project as formulated by Northern FTOs specifically targets small-scale producers (cultivating less than 0.7 hectares). Through local co-operatives linked to fair trade, these producers have gained access to new marketing channels, to credit, training, and better incomes. Training in resource management offered by the fair-trade co-operative networks has also enabled family farmers to improve their conditions. In a region severely affected by the coffee crisis, where the living conditions of rural Nicaraguans worsen by the month, an income from fair trade has enabled these producers to maintain their plantations, plant more coffee, and even buy new land. Influenced by the recommendations of national and international fair-trade actors, they have also accorded great importance to their children's education. The impact of fair trade on the Nicaraguan co-operative system overall is just as important. Training, the efforts made to improve quality, and the members' shared motivation have given them pride in being 'good coffee producers', especially those who have managed to reach the high-quality and gourmet markets.

Despite these successes, the fundamental challenge for the many actors in the fair-trade arena remains the improvement in living and working conditions of small-scale producers and their families. In order to achieve this, producers follow two distinct strategies, either diversifying their commercial partners—in the Tanzanian case alongside diversification of income-generation activities—or engaging in the co-operative movement. The first strategy is obviously aimed at achieving immediate financial gain and is facilitated by economic structural adjustment and liberalisation, which limits state intervention in the national economy. According to the logic of the market, fair-trade partners and prices receive no special treatment.

The second strategy, that of engaging with the co-operative sector, was the focus of socialist experiments conducted in Nicaragua and Tanzania during the 1980s. Since the early 1990s, the co-operative sector in these countries has continued to operate, despite the obvious turnaround in the ideological orientation of the state, and despite an increasingly competitive coffee market. The co-operative system makes small producers less vulnerable to crisis, particularly through ensuring access to fair-trade export markets and to credit. Through training and mutual support among members, the co-operatives encourage smallholders to develop their crops to meet market needs. The local dynamics created through this process encourage greater solidarity among members and their communities.

In the areas of Nicaragua where the system has taken root, real loyalty has developed to the local co-operatives that are linked with fair trade. For the vast majority of small producers, this loyalty was sustained even when fair trade was offering below-market prices. There are several reasons for this. First, small-scale producers remain loyal to the purchasing co-operatives either out of habit, or through fear of the unknown. Older farmers often mentioned these factors, especially in Tanzania. The second aspect relates to the co-operative ethos which evolves through shared work and meetings, and which emphasises solidarity among equals. *'We rely on our own strength'* and *'Together, we are stronger'* were comments that we often heard in the course of our interviews. They are reminiscent of the slogans of the developmental state in Tanzania and of the Sandinista period in Nicaragua.

A third essential factor is the success achieved by co-operatives linked with fair trade. Pride in their collective achievement, the palpable improvement in living conditions despite the adverse regional context, the development of export-related activities, the communal purchase of coffee-processing infrastructure: these are all achievements which would previously have been unimaginable, and of which the co-operative members are extremely proud. These successes underpin their lasting attachment to the co-operative structure – to the extent that the young people in one village have composed a song about the virtues of CECOCAFEN (*Central de Cooperativas Cafetaleras del Norte*, or the Union of Northern Coffee Co-operatives) and their local co-operative. The feeling of belonging is reinforced by the capital investment required of members, and the campaigns that aim to build a sense of ownership. Finally, the co-operatives have a reputation for being trustworthy. *'The union is more honest'*, say many small producers. This is not always the case with private operators, many of whom are known swindlers.

However, the negative aspect of this strong co-operative ethos and identity is the social pressure that prevents members from leaving, and makes it difficult for them to return if they do leave. Although they may have been involved in the co-operative before the fall in coffee prices, producers who left when market prices were above those for fair-trade coffee have found it hard to rejoin and have sometimes faced economic sanctions imposed by other members. *'After a year, they have realised their mistake and wish to return, but we will never again have the same confidence in them'*, admits the leader of one Nicaraguan village co-operative. This social pressure, in combination with the limited quota for goods entering fair-trade channels, means that the inclusion of new members or new co-operatives is both difficult and highly controlled.[8]

Different co-operative models and the dissemination of information

Co-operatives are important actors in the fair-trade arena. Tanzania was the first country where fair-trade organisations began their operations in sub-Saharan Africa. They started working with the co-operative federations such as Kilimanjaro Native Co-operative Union (KNCU) and Kagera Co-operative Union (KCU) as early as 1990. The KCU includes 120 grassroots co-operatives linking 50,000 small-scale producers, while the KNCU has 93 co-operatives linking 150,000 producers.

In Nicaragua too, access to fair-trade channels is mediated through grassroots co-operatives and their federations, although the Nicaraguan federations are considerably smaller. CECOCAFEN, which links 13 grassroots co-operatives and three intermediate-level co-operative unions (including CAFENICA), comprises only 1600 affiliates, of whom 900 are from the San Ramón union alone. CECOCAFEN and PRODECOOP (*Promotora de Desarrollo Cooperativo en las Segovias*, or Centre for the Promotion of Co-operative Development), the latter with 2500 affiliates, are the two largest federations in the fair-trade supply chain.

Thus, the co-operative models are very different in the two countries, each with its own advantages and disadvantages in relation to fair trade. In Tanzania, the big federations are significant commercial operators because of the size of their memberships. At the political level, the fact that these co-operatives link tens of thousands of farmers represents a major electoral target and is a strong political weapon for co-operative leaders. In contrast, the smaller Nicaraguan structures place more emphasis on the close relationships of co-operative members both with their leaders, who are very involved in fair-trade projects, and with the more distant coffee producers. Their smaller size thus allows for a higher level of involvement on the part of the members.

Conversely, the size of the Tanzanian federations has led to a lack of visibility and has limited any sense of ownership over the fair-trade project at the level of individual producers. The links between producers, grassroots co-operatives, and huge federations are weaker than those we observed in Nicaragua. This leads to significant problems with the transmission of information and the general level of awareness of the disadvantages of conventional trade and the solutions offered by the fair-trade project. The problem has reached such a point that many producers view fair trade as a commercial relationship just like any other.

Despite being closer to their members, the Nicaraguan co-operatives also experience problems in disseminating information. This is particularly so where an additional intermediate level of co-operative, such as the co-operative unions, occupies the space between the grassroots producer co-operatives and the federations responsible for market access. The co-operative unions were set up at the end of the Sandinista period in order to strengthen the co-operative movement as the neo-liberal transition began. It was support from these unions that enabled the network of fair-trade-linked co-operatives to develop in Matagalpa. The range of services now provided by the Nicaraguan federations has rendered the co-operative unions superfluous. They are, however, unlikely to disappear, given the capital that they have built up through years of work with their members and the fact that, unlike the federations, they are not exclusively dedicated to coffee production.

This additional communication layer reduces the spread of fair-trade principles among grassroots producers, as information and awareness about fair trade is lost at each level in the structure of the co-operative movement. In Nicaragua, aside from the vision of the federations linking directly to the market, two of the best indicators of the awareness of fair trade among the small-scale farmers are the importance given to quality, and the switch to organic farming. With the aim of responding optimally to market changes, these constitute two of the key elements in the way that the leaders of federations like CECOCAFEN and PRODECOOP promote fair trade. However, while almost 80 per cent of the producers who belong to co-operatives linked directly to CECOCAFEN have embarked on or completed the long process of certification as producers of organic coffee, only 20 of the 900 members of the San Ramón union have done so.

The challenges of fair trade

As a development project, fair trade is based on two distinct but interdependent factors: solidarity and the market. While one cannot exist without the other, balancing them represents a major challenge to everyone involved.

Co-operatives themselves face a number of second-order challenges. The need to increase or maintain the political and economic weight of the federations creates the pressure to increase membership in Nicaragua, and to maintain sufficient membership in Tanzania. Another challenge is to be as competitive as possible by improving quality or changing production techniques. If this can be achieved, it has the potential to increase the visibility of fair trade and to involve a greater number of small-scale producers. As we have seen, the Nicaraguan federations have already developed new export markets.

In Tanzania, many of the services previously supplied by intermediate co-operatives, such as input or transport provision, have declined and are disappearing, and small-scale producers are understandably reluctant to pay the federations for services that they no longer receive. This has curbed growth in the number of co-operative members in Tanzania. The situation is different in Nicaragua, where the success of fair trade is highly visible to local populations. The requirement that access to fair-trade channels must be mediated by a co-operative, and the increasing number of services offered, have led to a growth in the membership.

In addition to the price of fair-trade coffee, each quintal sold into fair-trade channels receives a premium of US$5. The allocation of these premiums is problematic. In the case of Nicaragua, the premiums may be partly or fully redistributed to co-operative producers, or reinvested in the co-operative's commercial activities. Alternatively they may be allocated to community projects, such as the financing of a town hall. In Tanzania, since the unions became involved in fair trade, the premiums have been allocated to a variety of initiatives, including direct payments to producers; the creation and development of an export unit enabling unions to sell unsold fair-trade coffee on the conventional market; the diversification of economic activities, such as the construction of a juice factory; and the creation of a cash reserve for the purchase of coffee at auction, enabling the unions to bypass both the banks and the offer of funding by FTOs.

The importance of quality in the fair-trade partnership

Improving the quality of the coffee produced is a vital element in the discourse on fair trade. This aspect was emphasised by everyone involved in our case studies, and it was clear that this message was being transmitted successfully from the FTOs to the federations, through to the co-operative leaders and right down to the producers.

Improvement in product quality is both a response to market demand and an act of solidarity with the market, in that it represents a commitment by the fair-trade producer to the fair-trade consumer, who is purchasing more expensive coffee in order to give small-scale farmers access to a decent income (de Cenival 1998). From a business perspective, improved quality is appreciated also because it increases the competitiveness of fair-trade export products and gives access to buoyant niche markets, such as those for organic or gourmet coffee.

Similarly, in the eyes of producers and FTOs, improved quality can justify the higher prices paid by consumers for fair-trade goods (US$ 121 for conventional coffee, US$ 136 for organic), while also affirming the transfer of aid to the Southern partner organisation as an act of solidarity and a business transaction, rather than merely an act of charity. Moreover, the efforts dedicated to improving product quality reduce the sense of marginalisation often felt by small-scale producers, thus allowing them greater ownership of the fair-trade project.

While it is important to differentiate them in analytical terms, in practice these solidarity and business ethics are intertwined in the descriptions and discourses of those involved in fair trade, who frequently move seamlessly from one to the other. A CECOCAFEN leader in Nicaragua underlines this point:

> *'It is important that the consumer does not buy simply in order to help. The price that he or she pays is also for a better coffee, not just for fair trade! Our responsibility, our*

> *commitment, is that the cup of coffee should be better than in traditional trade. It seems fair to us that if the price is fair, that if the person who buys it pays more, they should receive a product that satisfies them. Firstly, because it is produced by small producers and not multinationals, but also because the coffee is better. That's our commitment, the commitment of every producer, and it's our responsibility to explain that to the producers.'*

As the core aspect of fair trade, quality improvement requires the participation of the producer, who must learn new production methods and understand the importance of quality. The development of communication mechanisms to integrate these concerns into a wider understanding of the ethics of fair trade represents one of the key challenges to be tackled by the co-operative unions.

While numerous local actors in both Nicaragua and Tanzania have become involved in fair trade, it nonetheless remains an aid project that is defined in the North and seeks to assist people in the South. Indeed, the Tanzanian and Nicaraguan projects covered by this study listed some 10–15 Northern FTOs with whom they had on-going partnerships. While the fair-trade project appears isolated in the African context, it has become integrated into a much wider group of development projects in Nicaragua, where the federations and the grassroots co-operatives assume the role of community organisers and mobilisers. In Matagalpa, CECOCAFEN has helped villages where fair-trade co-operatives are active to gain access to a range of aid programmes, including some funded by international NGOs. These projects are not limited to coffee production, and they seek to reach women and young people. Following Hurricane Mitch, many international development agencies became more deeply involved in the region, preferring to work with local co-operative partners in order to avoid becoming embroiled in government corruption. In some cases this has become one of the key roles of the co-operative, so that membership becomes worthwhile even for those who do not produce coffee.

The situation in Tanzania is completely different, because there are far fewer local and international NGOs; and where they do exist, their relationships with co-operatives are not as complementary as in Nicaragua. Sadly there are even examples of NGOs setting up in direct competition to existing fair-trade producers, although the Coffee Industry Act of 2001 prevents these NGOs from intervening in the coffee auction, meaning that they are subject to the rules governing the private sector.

Conclusion

It is beyond the scope of this article to explore the objectives and strategies of every sector and agency involved in fair-trade coffee in Nicaragua and Tanzania. Nonetheless, our comparison between four of the key actors in both countries has highlighted some fundamental aspects of the fair-trade network. These include the challenge of reconciling market ethics and solidarity; the importance of context; and local ownership. Just like any other development project, fair trade is established in a particular context, where it is then re-interpreted by the range of actors within the relevant arena. This became clear in the significant contrasts in the contexts of fair-trade coffee production in Tanzania and Nicaragua. The importance of local context became particularly evident when we focused on the role of the state, links with local and international NGOs, and the co-operative models adopted.

In Nicaragua, fair trade has had a considerable impact on participating small-scale producers living in the regions most deeply affected by the recent coffee crisis. They appear to be the only such producers who have been able to improve their economic and social situation during this time. Our observations in Tanzania are less optimistic.

It is not easy to measure the impact of fair trade on the incomes of producers who have diversified their production and commercial partners. In many cases, the principal advantage of fair trade to small-scale producers is its access to the world market and its niche markets (organic, gourmet, high quality). But fair trade is not confined to economic impacts. Over and above higher income, those involved in it believe that fair trade makes an important contribution to development. This comes in many forms, which include the creation and maintenance of a sometimes complex system of co-operatives; the training of small-scale producers and the development of their entrepreneurial spirit; and, probably most important, the sense of solidarity generated within the producer groups. Although most studies focus on the economic impact of fair trade, its greatest advantages may well be far broader. Previously marginalised and isolated, driven to take risks as a result of their dependence, fair trade has given small-scale producers the economic security to enable them to develop and take charge of their own lives within the co-operative network.

Notes

1. See Hopkins 2000; Oxford Policy Management 2000; FLO 2002.
2. The research into banana and coffee producers was undertaken by the Pôle-SUD Centre at the University of Liège, under the leadership of Marc Poncelet on behalf of the Belgian Government's Scientific, Technical and Cultural Service. The fieldwork was completed between September 2002 and September 2003 in Tanzania, Nicaragua, and also Costa Rica and Ghana, where the research focused on banana production.
3. FINE is an informal umbrella of fair-trade organisations, including Fair-trade Labelling Organizations International (FLO), the International Federation for Alternative Trade (IFAT), the Network of European Worldshops (NEWS!), and the European Fair-trade Association (EFTA).
4. See www.commerce-equitable.be, retrieved 14 May 2004.
5. See, for instance, 'A coffee crisis, devastating domino effect in Nicaragua', *New York Times*, 29 August 2001.
6. As fair trade is focused above all on family businesses, there are relatively few permanent or seasonal waged labourers who belong to the producer co-operatives.
7. As a result of the division of land (mainly through inheritance) and the coffee crisis, there is a growing number of agricultural workers, many of whom are unaware of fair-trade issues.
8. When a new co-operative joins CECOCAFEN, the leaders verify that it consists of small-scale producers, although they themselves own so much land that they would no longer qualify under the fair-trade criteria. For example, the secretary of the CECOCAFEN management committee cultivates around 14 hectares of coffee but ensures that no member of a prospective affiliate owns more than 3.5 hectares under coffee production.

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Editor's note

This paper was submitted in French and translated by Kate Kilpatrick; thanks also to Amanda Milligan for her editorial assistance.