DRAFT

"Alternative Production and Consumption Relations?: Fair Trade, the State, and Cooperatives in the Global South"

Michelle Williams[1]
Department of Sociology
University of the Witwatersrand, South Africa

In this paper I explore the relation between the fair trade market in the North and producer cooperatives in the South. I specifically focus on three agricultural cooperatives in Ethiopia, Tanzania, and South Africa to look at the role of the fair trade market and the state in promoting cooperative trade. Fair trade has gained considerable popularity among Northern consumers in the last decade. For many consumers, the assumption is that buying fair trade ensures producers in the South receive a fair price for their goods. In general this assumption holds true. However, fair trade is much more complex than simply offering fair prices to producers. Does fair trade constitute an alternative trading system or is it an attempt to constitute fairer conditions within the current system? What is the role of the state? What is the role of the market? These are the central questions explored in this paper.

Since the 1990s the fair trade market has exploded as Northern consumers have demonstrated their solidarity with Southern producers through willingly paying higher prices for goods produced at a "fair" price. For example, in 1999 21.8 million pounds were sold in the UK through the fair trade market, which grew to 799 million pounds in 2009 (Fair Trade Foundation, 2010). In its most ideal form, the fair trade market seeks to redefine market relations in order to incorporate production and ecological costs into market prices. In concrete terms, the fair trade market depends on a finely balanced relationship between Northern and Southern partners, each agreeing to deliver on different aspects of the fair trade agreement. The principal mechanisms guaranteed by the Northern partners are pre-set prices that are not subject to market fluctuation and direct market access for producers (bypassing the numerous intermediaries that characterize conventional markets). In return, Southern partners guarantee quality labour standards, fair

[1] I owe special thanks to the Rosa Luxemburg Foundation for funding the field research.

distribution of resources (often cooperative production), and ecological sustainability in production.

While there are many different business models that qualify for fair trade, in this paper I focus on cooperative production. Cooperatives are worker-owned and managed enterprises that operate on principles and values that place human needs at the center. Central to these values and principles are democratic ownership, one-member-one-vote, collective decision making, and an ethics of cooperation and solidarity. Member owners collectively decide on how goods are produced (including the organization of the labour process) and marketed, and surplus distributed. Unlike capitalist enterprises that distribute surplus to shareholders and investors and operate on the principles of competition, economic efficiency, and individualism, cooperatives operate on inherently different principles that put human needs before profits. It is because of these inherent principles that cooperatives have converged relatively easily with the fair trade market. I begin by looking at the three cooperatives to see how they have engaged fair trade.

Fair Trade: the market versus the state

The rise of the fair trade market must be situated within global developments. The phenomenal rise in market ideology and the retreat of the state in providing for and protecting the interests of citizens have had devastating effects on the poor around the world over the last 20 years. In 2007 countries around the globe registered soaring economic growth: sub-Saharan Africa produced 6.2 percent economic growth, while Latin America registered a 6 percent growth (World Bank 2009: 197). Yet, skyrocketing growth was met with increasing inequality and growing relative poverty both within and among nations, breaking the link between economic growth and well-being. Even in the super successful developing economies such as India and China economic growth has not reached large sections of the population (Chibber 2003, Lee 2007). Rather poverty has increased across the globe with the UNDP's 2009 report estimating 1.4 billion people subsisting on below $1 day in 2009.

At the same time, there has been a parallel development of "ethical markets" emerging in Northern countries. Ethical markets are based on consumers choosing to purchase goods and services because they are produced "fairly", and investing savings and pensions in companies that have taken vows for ecological sustainability, non-involvement in arms manufacturing or trade, and fair conditions of production. One of the most important variants of this ethical alternative has been fair trade, which has exploded since the 1990s. For example, by 1998 fair trade had grown 400% from the early 1990s with over 200 million Euros spent on fair trade products, this number grew to 2.9 billion Euros by 2008 (Fair Trade, 2010). The growth has registered in a number of products such as tea, cotton, coffee, bananas, and handicrafts (Raynolds and Long, 2007: 20-24). In late 2008, there were 746 fair trade certified producer organizations representing over one million farmers and workers (FLO, 2010). In 58 countries in the Global South there are over five million farmers, farm workers and their families involved in fair trade (Murray and Raynolds, 2007: 3).

This growth in trade is impressive, but we must be careful not to exaggerate its impact as it is still a very small percentage of overall trade. For example, in 2006 fair trade represented less than 1% of all global trade (Farnworth and Goodman, 2006: 3). Even in its strongest commodity, coffee, the fair trade market only accounts for 3 percent of trade in coffee and the largest markets in fair trade sales has been limited to the US, UK, Switzerland, France, and Germany (Farnworth and Goodman, 2006: 3). Moreover, focusing on the numbers alone does not tell us how fair trade has impacted on producers in the South or what is actually meant by "fair trade". The idea of "fair trade" is hotly contested within the fair trade movement itself. Despite this definitional contestation, in 2001 FINE, the umbrella network of the major trade networks (Fair Trade Labeling Organizations (FLO), European Fair Trade Association (EFTA), International Federation for Alternative Trade (IFAT), Network of European Worldshops (NEWS)) agreed on a common definition of fair trade:

> "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 organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional trade" (EFTA 2001: 24).

The focus on principles of equity for producers in the South, rather than practical issues of mechanisms for achieving the principles, allows for broad agreement from a range of Northern partners. Nevertheless, the movement is more contested than the definition implies. There are two primary positions within the fair trade movement (Jaffee, 2007). The first sees fair trade as ensuring better trading conditions and "fairer" prices to producers in the South through creating access to markets (Stiglitz and Charlton, 2005). Fair traders focus on connecting peasants, workers and craftspeople in the South with partners in the North through fair trade rules and principles. This strand focuses on Northern consumers choosing to buy fair trade goods on the market. The support of consumers and companies is voluntary. In short, it complements market ideology by creating fair trade through market mechanisms.

The second position sees fair trade as an alternative trading system that is part of building a broader alternative economic system, which requires intensive state intervention in the regulation of markets. Fair-traders in this stream focus on state-led development with radical readjustment of international trade. This strand finds its roots in the 1950s with the original demand for "the elimination of 'unfair' protectionist regulations in the North, and the creation of interventionist mechanisms to ensure 'fair' prices for commodities produced in the South" (Fridel, 2007: 31). This strand does not look to market mechanisms, but rather looks to a developmental state to ensure conditions of exchange that benefit producers. Implicit in this line of thinking is an active state that intervenes in the economy, not simply for economic growth as in the classical developmental state, but for fairer trading conditions for local producers.

While the two positions share the general goal of fairer trade, the first argues for access to markets based on fair prices and voluntary support from consumers and the second argues for state intervention in regulating the markets. The first strand sees markets creating the potential solutions to the problems of an unfair trading system as it places emphasis on market-driven development and voluntary reforms to existing international economic order. The second strand argues for state intervention in regulating markets in order to create an alternative economic order that links democratic production to state-regulated markets (Jaffee, 2007; Fridel, 2007). This requires state intervention of a new type. But here too it is not clear that state intervention would transform structural conditions of capitalism or simply ameliorate market conditions. Because of its convergence with the market fundamentalism that gained salience in the 1980s and 1990s, the first strand has become the dominant position within the fair trade movement.

In this article I look at these two different positions within fair trade by exploring the impact of fair trade and the state on three worker-owned agricultural cooperatives: a coffee cooperative in Ethiopia, a coffee cooperative in Tanzania, and a rooibos tea cooperative in South Africa. I chose to look at these three cooperatives because they have been producing for the fair trade market over the last 10 years and have long and complicated relations with their respective states. Thus, the three cooperatives share similar conditions in relation to the fair trade market and common histories of state involvement in cooperative development in their countries. Drawing on fieldwork and interviews in 2007 and 2008, I argue that fair trade has been crucial for the few cooperatives lucky enough to access fair trade markets, but that it has not changed the vulnerable market conditions under which cooperatives operate. I further argue that the states in all three cases have failed to intervene in markets on behalf of cooperatives, but have focused their intervention at the cooperative level. I begin by sketching a broad overview of each country.

Cooperatives and Fair Trade in Ethiopia, Tanzania, and South Africa

Ethiopia is the birthplace of coffee and it is little wonder that some of the world's finest coffees come from this region. What is little known, however, is that one of the very finest coffees in the world is produced by a fair trade and organically certified coffee cooperative in the heart of Oromia province in the center of the country. While Ethiopia has natural resources and verdant land, it is one of the poorest countries in the world with very little industrial development. Its basic development indicators tell the bleak story: in 2003 with a population of 68 million people, the average Ethiopian could expect to live to 42 years of age and only 42 percent of the population was literate. Most Ethiopians live in rural areas and depend on agriculture in some part for their livelihoods. Coffee is Ethiopia's primary export commodity and a significant number of people depend on coffee production for their livelihoods. Coffee is produced by the millions of small-scale farmers scattered across the coffee estate regions the largest of which is Oromia Coffee Estate Region in the Oromia province. It is in this region that coffee cooperatives have thrived.

The Oromia Coffee Farmers Cooperative Union formed in June 1999 with 35 coffee cooperatives representing 22,691 members.[2] By 2007 it had grown to 129 coffee cooperative societies representing 128,361 coffee farmers. The cooperative union is a unique structure in Ethiopia: the cooperative union was formed by the individual cooperatives coming together to form a secondary cooperative in order to package, market, and distribute their coffee

[2] The data from Ethiopia and Oromia Coffee Farmers Cooperative Union is from my field visit and interviews with cooperative members and employees in December 2007. Some of the data has been updated through their webpage and documents sent directly from the cooperative (www.oromiacoffeeunion.org) .

collectively. Thus, the cooperative union is made up of the 129 farmer-owned cooperatives and has successfully penetrated the coveted fair trade and organic markets of the North. Indeed, Oromia cooperative union was among the first fair trade and organic certified coffee cooperatives in Ethiopia. The total area under coffee production of the Oromia cooperative union is 237,659 hectares with individual farm size averaging one to two hectares. The 129 cooperatives have the capacity to produce 142,992 tons of coffee every year (OCFCU, 2007). Despite their capacity to produce high volumes of quality coffee, the cooperative has had difficulties in accessing international markets and only two percent of their coffee is sold for export. The local coffee market is also fiercely competitive and Oromia cooperative union sells approximately 50 percent of its coffee locally with the remainder sold at the coffee auction.

When the cooperative union officially formed it faced serious challenges. The price of coffee collapsed in 2000, pushing many coffee farmers into a desperate situation unable to pay their loans. The situation was compounded by the fact that the coffee trade had been liberalized in the 1990s, opening the market to fierce competition. Liberalization also brought market failure as export licenses were given liberally to exporters many of whom did not have adequate money. These exporters then bought the coffee on auction and ultimately issued bad cheques to the coffee cooperatives. As a result, the farmers bore the brunt of this market failure. The cooperative union formed in this context of market failure and increasing farmer deprivation. Similar to Ethiopian cooperatives, Tanzanian coffee cooperatives have faced serious challenges.

Situated along the coast of East Africa, Tanzania is well endowed with natural resources and verdant land.[3] The population registers just under 40 million people of which approximately half depend on agriculture for their livelihoods. Indeed, agriculture accounts for approximately 80 percent of the economy. In the post-Independence period, Tanzania implemented land rights providing citizens access to land. Like its Ethiopian neighbours in the north, coffee is one of the mainstays of the Tanzanian economy. In addition to coffee the country also produces cashew, cotton, and tobacco for export markets. Measured in terms of its development indicators Tanzania is considered a poor country with an average nominal GDP of US$ 8,338 (millions) in 2003, a 77 percent literacy rate, and life expectancy of 43, yet it has an abundance of natural resources and the good fortune of rich soil that can grow almost anything.

[3] The data for Tanzania is from field visits and interviews with cooperative members in December 2007.

Located in the deep rural area of Kagera District in the remote north western corner of Tanzania, the Kagera Cooperative Union (KCU) has been central in accessing international markets. The primary economic activity of the Kagera region is coffee. The KCU is thus a crucial institution for the entire region as it has accessed domestic and international markets for farmers in this remote area of the country. KCU began in 1950 as a response to the unfair conditions small-scale farmers met in the marketplace. The colonial government had grudgingly allowed small-scale African farmers to produce coffee for the market, but did not make it easy for them. Isolated small-scale coffee farmers did not have the capacity to bring their coffee to the auction directly and therefore had to sell their coffee through share traders, who were notorious for the low prices paid to farmers. Small-scale farmers produce on half hectare to two-hectare plots and produce from 50 kilograms to 200 kilograms coffee a year. With such small amounts of coffee it is not surprising that the small-scale farmers had little power in the market. Farmers decided to form primary coffee cooperatives to collect and market their coffee. In 1950 the cooperatives decided to pool their efforts and form the cooperative union. The cooperative union grew in strength until 1976 when the government dissolved cooperatives and established the crop authorities. All the main agricultural crops were under the crop authorities, which attempted to manage production from above. As a result agricultural production dramatically declined and by 1982 the government realized it had made a mistake. The government decided to reintroduce cooperatives in 1982 as a government decree.

The KCU immediately reformed itself and officially registered in 1984. At this time KCU included the neighbouring regions and also included cotton producers. In 1986 the cotton producers broke off to form their own union. In 1990 it was decided that the area KCU serviced was too large and it split into two unions each responsible for specific geographical regions. KCU remained with the Kagera region. By 2007 KCU had a membership of 125 primary societies each with approximately 700 to 1,000 members. In addition to the 60,000 farmers in primary societies, KCU assists approximately 40,000 non-member farmers in the Kagera region. Shifting from coffee to tea, South Africa's rooibos tea producers have found equally difficult conditions as the coffee producers in Ethiopia and Tanzania.

South Africa is situated on the Southern tip of Africa with a population registering 47 million people and has the most developed economy on the African continent. In per capita income terms South Africa is the richest African economy. However, these averages do not tell the full story about post-apartheid South Africa. Despite sixteen years of democracy South Africa has become one of the most unequal societies in the world with over 20 million of its 47 million inhabitants living below the poverty line. While it scores relatively well in terms of literacy at 87%, its life expectancy is 45 years of age in part due to the HIV-AIDs pandemic.

The Heiveld Cooperative office is located in the small rustic town of Nieuwoudtville in the Cederberg region of South Africa.[4] Lying on the rugged terrain of the southern edge of the Northern Cape Province just where it meets the Western Cape, Heiveld Cooperative produces some of the finest organic rooibos tea in the world with a market niche that reaches Europe, North America, and East Asia. The farms of the Heiveld Cooperative lie scattered across the region approximately 5 to 70 kilometers outside of town on the beautiful semi-arid plateaux of the South Bokkeveld district. This part of South Africa has one of the most unique eco-systems in the world and is considered the jewel of the Cape Floral Kingdom. Among its many extraordinary characteristics the Cape Floral Kingdom is the only place in the world in which rooibos grows naturally. The unique climatic and soil conditions in this area combine to make the perfect conditions for the rare rooibos plant.

The town of Nieuwoudtville (and the environs of the South Bokkeveld) is also a gem of the Cape with a population that does not exceed 1500 inhabitants and lies 350 kilometers north of Cape Town. While the rest of the town's activities are concentrated around the tourist season, the Heiveld Cooperative office buzzes with life year round. Situated in a beautiful old building on the main street of town, the office serves as an epicentre for cooperative members on their visits into town, providing assistance and advice to members and non-members alike. It also serves as a local sales outlet for Heiveld's tea and communication and information center for the cooperative. The office is staffed by two full-time employees who handle the administrative, marketing, and day-to-day financial running of the cooperative. Like the members themselves, the office staff are welcoming and very willing to share information about the cooperative.

The name "Heiveld" refers to the area in which the rooibos tea is grown and translates into English as "Heather field."   Heiveld Cooperative is registered as a primary trading cooperative with 51 farmer-members. The structure of the cooperative is quite innovative and especially well suited for the conditions of the South Bokkeveld region. The members own or

[4] The data for Heiveld Cooperative is from field visits and interviews with members of the cooperative in March 2007 and April 2008.

rent small-scale farms either individually or in groups and cultivate organic rooibos plants on their farms. They are responsible for the cultivation and harvesting of the plants themselves—though the cooperative provides many forms of assistance (e.g., seedlings, mentor farmers, financial support). Once the rooibos has been harvested, the cooperative steps into the production cycle and plays the primary role in the numerous stages that the tea must still go through before it is sent to market.

Unlike coffee beans, which are sold in their raw (washed or unwashed) form to the Northern markets, Rooibos tea is sold in its final form. Once the rooibos has been harvested and bundled it is brought to the tea court, where the cooperative takes over the production cycle. In order to manage and account for farmers' tea, a tea court schedule is drawn up by the board at the end of the previous year. Each farmer is allotted a certain period of time on the tea court based on the amount of rooibos the farmer has produced. Assigning farmers particular weeks in which their tea is on the tea court allows the cooperative to accurately determine how much and of what quality grade each producer has contributed. Payments to members are made based on the quantity and grade of the rooibos that each member contributed.

Once at the tea court the rooibos must be cut, "bruised," and allowed to "sweat" for 12 hours before laid to dry for six to eight hours on the tea court. The hot summer sun is crucial for both the sweating and drying parts of the production cycle. The famous red colour of the rooibos tea is achieved through drying the tea in the baking sun. Indeed climate conditions are crucial in rooibos production. For example, rain will destroy the tea during the drying phase on the tea court. Once the tea has been dried and raked every two hours with natural wood rakes (an important indigenous technology that Heiveld maintains is crucial in the organic process), it is bagged in 50 kg bags, which are sent to the Red-T Company in Clan William for sterilization and sifting. This is the only part of the production cycle that is outsourced. The tea is returned to Heiveld in four grades and is then ready for packaging. The tea is packaged in Cape Town at the Fair Trade Packaging Company, which is a joint-stock company owned by Heiveld, Wupperthal Cooperative, and a progressive businessman in Cape Town. Once packaged it is ready to ship overseas to Europe, North America, and Asia.

The cooperative's core activities are in the post-harvesting production cycle. The cooperative is in charge of ensuring the tea is cut, dried, sifted, graded, sterilized, and packaged. In addition to its role in the production of the tea, the cooperative's other primary activity is marketing the tea and ensuring proper financial accountability. The cooperative also ensures the stringent FLO requirements are met. The cooperative has started a quarterly newsletter that keeps members informed, updates community supporters, and provides information to overseas buyers. The newsletter is a great source of information and is posted on the cooperative's website.

In order for the cooperative to function in a competitive market it must ensure its farmers adhere to the strict rules of organic farming and exclusively produce for the cooperative. Thus, all members sign a production agreement with the cooperative guaranteeing that they will only harvest rooibos tea for the cooperative. The mentor farmers regularly check the farms to ensure proper organic farming methods are adhered to. In 2006 Indigo, a local NGO, assisted the cooperative in mapping all the farms on a GPS mapping system. Mapping the farms is a great asset in monitoring farms and estimating production. Moreover, it serves the additional feature of providing an easy way to link local production to global markets. International consumers can easily locate the region in which the fair-trade organic rooibos has been produced through the GPS mapping system.

The Heiveld cooperative has consciously grown its production in relation to its capacity to access fair trade markets. In 2006 it sold 36 tons of tea with a turnover of 1.5 million Rand on the fair trade market. By 2008 it raised its production to 60 tons of tea, of which 90% sold on the fair trade market. Its production capacity, however, is far greater than 60 tons, but it is limited by market access.

As this brief overview of the activities of the three cooperatives makes clear, accessing the fair trade market is crucial, but inadequate. All three cooperatives continue to be extremely vulnerable to uncertain market conditions.

Cooperatives and the Fair Trade Market

What is the relation between the three cooperatives and the fair trade market? For each cooperative access to the fair trade market has been fundamental for their survival. In each of the three cooperatives, the fair trade market has created a crucial, if limited, security net that has allowed the cooperatives and their farmer-members to eke out an existence. This is especially important in the volatile coffee market. For example, in the 1990s coffee prices averaged 112 US cents per pound at the New York Coffee exchange, but plummeted to 45 US cents in 2001.

According to the Fair Trade Foundation “export earnings of producer countries have dropped from $10-$12 billion a year in the 1990s to $5.5 billion in the new millennium.”[5]

The attraction of the fair trade market for small producers is very clear: there is often a three-fold difference in price between fair trade and conventional markets. For example, in 2007 the Heiveld rooibos tea cooperative in South Africa received 22 Rand per kilogram of tea from the fair trade market, while the conventional market price was 8 Rand per kilogram. For the Heiveld cooperative the fair trade market is a crucial market outlet as the cooperative has been unable to penetrate the South African tea market due to the control of the Rooibos Tea Council, which centrally controls the South African tea market. The Council is dominated by large tea corporations and is responsible for grading tea, which determines the price and entry into the South African market. The Council has consistently lowered the grade of Heiveld tea, which ultimately means the price falls below the cost of production.[6] Clearly the fair trade market is a very attractive market for the cooperatives.

However, the actual amount sold on the fair trade market is a fraction of the production capacity of the cooperatives. For the Ethiopian coffee cooperative fair trade is crucial for its farmers but represents a very small percentage of its production. The Ethiopian Oromia Coffee Farmers Cooperative Union’s and the Tanzanian Kagera Cooperative Union’s primary role is to assist the cooperative societies in accessing markets, establishing market linkages, ensuring certification standards, packaging and distributing, and providing farmer development programs. One of the main roles of the cooperative unions is their marketing and distribution centers. By taking over marketing and distribution, the cooperative unions have eliminated two to three middlemen. Coffee goes from the farmers to their cooperatives to the cooperative union and then directly to the market. As a result a greater percentage of the surplus goes directly to the coffee farmers and their cooperatives. For example, 70 percent of the net profits Oromia Cooperative receives go back to the 129 primary cooperatives, the remaining 30 percent go to operating costs and investment in infrastructure such as hulleries, storage facilities, and transport trucks. The primary cooperatives distribute 70 percent of what they’ve received as dividends to the member farmers and 30 percent for capacity building, investment on fixed assets, and

[5] www.fairtrade.org.uk/producers/coffee/oromia_coffee_farmers_cooperative_ethiopia/default.aspx
[6] This information is from interviews with cooperative members and a progressive NGO, INDIGO, that has worked with the cooperative since is foundation. Interviews conducted in March 2007 and April 2008.

savings. Without the coordinated efforts of the cooperative union, the farmers were unable to access international markets.

The Oromia cooperative produces approximately 144,000 tons of coffee a year of which nearly 26,000 tons is Harar coffee—considered one of the finest coffees in the world. In 2007 the cooperative sold 4,000 tons of coffee on the fair trade market, which only accounts for 2 percent of its production.[7] The Tanzanian coffee cooperative produces approximately 10,000 tons of coffee a year and only sells 1,000 tons on the fair trade market, which is about 10 percent of its production. In 2008 the South African Heiveld Rooibos Tea Cooperative produced 60 tons of tea, of which 90% sold on the fair trade market. While Heiveld sells 90 percent of its yield on the fair trade market, it has the capacity to produce much more but only produces as much as it can sell. Unlike coffee, Rooibos tea does not have a long storage life and therefore every year's harvest must be sold. For all three cooperatives accessing the fair trade market is crucial, but inadequate.

Fair trade, however, brings additional developmental benefits to the cooperatives and their communities. In addition to the higher prices that the farmer-members receive, the fair trade social premium (which is an extra .10 US cents for every pound of coffee or tea) has also had positive social impacts. In Ethiopia, the cooperative union has built five schools and eight clinics, upgraded 23 other schools, built one bridge, and has 36 potable water projects. The impact of this cannot be underestimated in a country with 42 percent literacy and life expectancy of 42 years of age (OCFCU, 2007). Similarly, in Tanzania, the cooperative has also built four secondary schools in the region, which addressed a serious social need as there were no secondary schools in the district. It has a child fund for school fees, has upgraded two clinics, and built a pathology laboratory in Kagagwe (KCU, 2007). In South Africa, the cooperative has used the FLO premium to build a tea court and has a potable water project at the tea court, sponsors community projects, supports educational scholarships, and has upgraded the local school.

Thus, in all three cases, accessing the fair trade markets of the North has been crucial to the survival and growth of the cooperatives. The impact on the lives of members is without

[7] It should be noted, however, the amount sold on Fair Trade is growing every year. In 2003 the cooperative sold 946.8 tons of organic coffee to Fair Trade and received a guaranteed minimum price of $1.41 a pound. www.fairtrade.org.uk/producers/coffee/oromia_coffee_farmers_cooperative_ethiopia/default.aspx

question and the premiums from fair trade have helped the cooperatives play a development role in their communities. However, all the cooperatives remain extraordinarily vulnerable to uncertain conditions in highly competitive markets. While the numbers are impressive: in 2007 global sales of fair trade registered 1.6 billion pounds, which was a 47% increase from the previous year. The rate of growth slowed dramatically between 2008 and 2009 due to the economic crisis of 2008-9: in 2008 British consumers spent 712.6 million pounds up from 493 million pounds in 2007; by 2009 British consumers spent 799 million pounds on fair trade, leaving some to question whether the fair trade market will continue to grow (Fair Trade Foundation, 2010).

This vulnerability is inherent to the way in which fair trade is pursued through market-led decisions. The linchpin of the fair trade market is Northern consumers' "ethical" purchasing power. It does not offer a structural transformation of the way in which trade is done. Rather it is voluntary and consumer led. Northern consumers *choose* to pay a little more for fair trade goods, allowing them to feel good about their purchase. Thus, the fair trade market depends on the whims of Northern consumers who choose whether or not to purchase goods that have been produced by Southern partners for a "fair" price. As long as the market depends on personal choice, this form of fair trade is limited and cannot meet the supply capacity of producers. For fair trade to expand would entail state regulation requiring markets to ensure fair prices. This, however, has not been the approach of the market-led variant of fair trade. Ultimately, in this first strand of fair trade thinking, the market has helped ameliorate conditions for some producers in the South, but it has not changed their positions of severe vulnerability to market conditions.

Cooperatives and the State

The second strand of fair trade thinking posits the state as the harbinger of an alternative economic order in which cooperatives have a starring role. Here too the story is interesting as all three cases have long histories of cooperative movements and checkered histories of state support. In the 1990s all three states shifted their support for cooperatives. However, in none of the cases have the states attempted to regulate or intervene in the market in an effort to promote cooperatives or fair trade. Rather the states have limited their involvement to the functioning of cooperatives and not the market conditions in which they operate. Again, in similar fashion, the Ethiopian and Tanzanian states adopted market-led approaches, giving cooperatives autonomy (from the previous state control), but failed to provide crucial supports. Instead, both states deregulated their coffee markets, opening up the trade in coffee to fierce competition in both countries.

In Ethiopia cooperatives have existed in various forms for many years. During the authoritarian government of the mid-20th century cooperatives were supported and controlled by the state. During this period cooperatives had developed a bad name as they were used to embezzle money and as an avenue for corruption. In the early 1990s Ethiopia emerged from nearly forty years of dictatorship in which the state was forced to adopt dramatic changes including a mixed economy. In the early 1990s producer cooperatives were dismantled and their assets looted. In 1991 a new government came into power, but was extraordinarily ambivalent toward cooperatives. As a result government support for and control of cooperatives diminished and cooperatives were forced to find their own way. The new government eventually developed a new cooperative proclamation for agricultural cooperatives that took the views of primary cooperatives into consideration. The Oromia Coffee Farmers Cooperative Union has been at the forefront of the cooperative movement in Ethiopia and has helped reinvent the image of cooperatives and convince government officials of the value of cooperatives. In order to do this, the Cooperative Union took key government officials on a study tour to Kenya and Tanzania where they visited the cooperative colleges and a number of cooperatives. The study tours proved crucial in gaining support from key government officials.

Thus, the new government took a middle road between the heavy-handed approach of the past and a liberalized approach of no government involvement. The new proclamation meets the requirements of a market economy in which cooperatives are autonomous business enterprises, but are based on the seven principles of the International Cooperative Alliance, which include autonomy and democratic ownership. The Ethiopian government has defined its role in cooperative development primarily in terms of oversight and technical assistance. It does not provide any form of finance or preferential market access to cooperatives. The period of democracy, thus, brought autonomy to the cooperative movement, but it has also left cooperatives extraordinarily vulnerable to the highly competitive market in coffee trade. By 2005 there were 14,423 cooperatives in the country. The Oromia Coffee Farmers Cooperative Union has managed to build a constructive relation whith the state, but also recognizes that the state lacks the will, resources, or power to provide assistance, especially in terms of regulating markets.

Cooperatives have a long history in Tanzania dating back to the 1930s. Its early experience is integrally tied to the country's colonial history. The British colonial government allowed cooperatives to co-exist alongside the colonial economy. At Independence in the 1960s, Tanzanian cooperatives accounted for 82 percent of exports (the only other countries that cooperatives accounted for larger percentages of exports was Denmark and Israel), especially in cashew, cotton, coffee, and tobacco. Many food producing areas were also organized as cooperatives. At its peak in the late 1960s, over 10 million people were involved in cooperatives. But government control of cooperatives in the 1970s and 1980s led to a severe decline and by 2007, this number had dropped to 1 million. In some areas of the country, such as Kagera District and the Kilimanjaro region, coffee cooperatives continue to thrive and constitute a major sector of coffee production, but were always under the gaze of the government.

Ethiopia and Tanzania share a remarkable convergence in the pre-1990s period. From the 1960s to the 1990s, in both Ethiopia and Tanzania, the states prioritized cooperative development. However, both states controlled cooperatives and used them for patronage forms of control of communities. As a result, the cooperatives were not viable enterprises and were associated with corrupt patronage systems of state control. The effect this had on cooperatives was devastating. Again, to take the Tanzanian example, coffee production dropped from 70,000 tons a year in the early 1970s to 15,000 tons a year in the 1980s. At Tanzanian independence regulatory framework favoured independent cooperatives. However, very quickly things started to shift in ways that did not bode well for the independence of cooperatives. Ironically, the turn to socialist development led to a top-down state-led approach to cooperatives. Cooperatives were suddenly seen as an integral part of a socialist agenda to transform rural Tanzania into a socialist society. Thus, by 1975 the climate had shifted decidedly away from independent cooperatives with President Nyerere's Ujama initiative. Through political decree, existing cooperatives were dismantled and all villages were deemed cooperatives and every village member automatically became a member of the village cooperative. It was membership by conscription. Cooperative Acts were replaced by Village Acts.

The vibrant system of cooperative unions (made up of primary cooperative members) was replaced by state-owned crop bodies. The crop bodies were unable to provide the necessary services to the primary societies and within a few years the system failed. Agricultural production dropped across the country in all crops (e.g., coffee, cashew, cotton). For example, cashew nut production dropped from 190,000 tons a year in the early 1970s to 30,000 tons a year and coffee dropped from 70,000 to 15,000 in the same period[8]. Beginning in 1980s government realized production dropped because farmers had no organizational framework for inputs and distributions. In 1984 there was a commission for cooperatives, which recommended that the government overturn its Ujama policy and return to independent cooperatives. After cooperatives were reintroduced production, increased to 150,000 tons a year for cashew nuts and 45,000 tons a year for coffee.

In 1991 the old model of primary cooperatives, unions and national apex bodies were brought back and placed under the ministry of agriculture through a government Act of 1991. However, by the 1990s the challenges to cooperatives had grown immensely. First, cooperative unions were reinstated in a top-down manner. Originally, cooperative unions had emerged out of primary societies and were controlled by their primary societies. Many unions lost this accountability to their primary societies and operate in such a manner as though the primary societies were there to serve the union rather than the union to serve the primary societies. Second, the positive affiliation toward cooperatives of the 1960s had eroded with their political abuse during the 1970s and 1980s. Cooperatives now suffer from an image problem. Third, many primary cooperatives and cooperative unions have lost their organic links to members and have not delivered on promises. For example, some unions failed to pay farmers after they sold the coffee at the auction, using the money for their own operating costs.

In addition to these challenges, in the 1990s the Tanzanian government liberalized the economy, which transformed the environment in which cooperatives operate. The World Bank advocated a very hostile position towards cooperatives, arguing that they are not viable enterprises and should not receive government support. Instead of cooperatives based on small-scale farmers, the World Bank advocated large-scale farms. The Tanzanian countryside, however, is not particularly suited to large-scale farming as people have rights to land. Moreover, farming cooperatives had over 50 years of experience to demonstrate that cooperatives are viable and can work. Nevertheless, liberalization has brought very difficult

[8] This data is from an interview with the Principal of the Tanzanian Cooperative College, Moshi Tanzania, December 10, 2007.

conditions. The government opened up the economy to private traders who quickly formed cartels, suppressed prices, and did not provide credit to farmers. The private traders are only interested in buying for the cheapest price possible and are not interested in providing any services to cooperatives. As a result prices have consistently dropped in agriculture. This has led many farmers to shift from cash crops to higher priced food crops such as green beans, tomatoes, and maize.

One of the outcomes of the 1990s was the realization that cooperatives needed to reorganize themselves in order to ensure they were profitable. Since the 1970s cooperatives had received tremendous government subsidies, making many of them dependent on the government. In the 1990s the government withdrew support and many cooperatives died. Since 1991 the government has been not tried to control cooperatives, but has also not provided significant support, especially in creating favourable market conditions. Rather the government acts like a watchdog, not interfering in the functioning of cooperatives, and offers basic assistance when primary societies request it (e.g. in accounting, financial training, etc.).

The South African state's involvement differs from its northern neighbours. Cooperatives have a long history in South Africa. During apartheid cooperatives, like the rest of South African society, were divided along racial lines. Not surprisingly, white cooperatives especially in the agricultural sector received intensive state support and flourished during these years. What is especially noteworthy of the state's involvement during apartheid is the support in accessing and regulating markets and financial support (see Satgar and Williams, 2011). By contrast, in the post-apartheid era the state has not intervened in the market to assist cooperatives.

In post-apartheid South Africa cooperatives have been understood as an important empowerment and development tool. In the first 10 years of democracy, cooperatives were treated as private sector businesses or incubators for emerging small business owners. Since the 2005 Cooperatives Act was passed the pendulum has shifted to another extreme where cooperatives are seen as the solution to poverty in poor townships. At both national and provincial levels cooperatives are promoted through top-down initiatives and financial incentives. Genuine empowerment based on cooperative principles and values has not emerged in practice through this form of government support. Instead cooperatives are treated as small and medium businesses, with an emphasis on legal registration and fast-track incubation through financial incentives. Simply put, the state sees cooperatives as a stepping stone to normal capitalist enterprises for poor people and has helped proliferate their formation through financial incentives. In 2006 the Registrar of Cooperative, for example, claimed over 14,000 formally registered cooperatives by 2009 their number jumped to 21,000 (DTI, 2009). This emphasis on numbers hides the fact that many of these cooperatives do not function according to cooperative principles and a significant number of these cooperatives only exist on paper. The effects of this type of state support have polarized cooperatives, prevented the emergence of a racially unified and integrated cooperative movement, and have created patronage dependencies. Thus, the post-apartheid state has financially invested in cooperative development, but it has done so in a top-down and heavy handed manner. It has not assisted in creating conducive market conditions for cooperatives or in supporting an environment of cooperation and cooperative principles and values, a necessary precondition for a thriving cooperative movement. Nevertheless, some cooperatives have managed to succeed despite the difficult conditions. The Heiveld Rooibos tea Cooperative is one such example.

The state has focused its involvement at the cooperative enterprise level and has not helped regulate the market. While government has provided support for many cooperatives, Heiveld has not been able to access this assistance despite numerous attempts. For example, in 2005 Heiveld applied for a government grant—earmarked for infrastructural support to cooperatives—to help construct the tea court. After years of waiting, Heiveld never heard from the government, but managed to build the tea court from the fair trade premiums. In addition, cooperatives find themselves competing with large-scale commercial farmers who can produce much cheaper than small-scale farmers, but offer little benefits to their workers. The twin conditions of the lack of state support in regulating markets and the market-led approach by fair trade has created difficult conditions for Heiveld cooperative.

The experiences of Ethiopia, Tanzania, and South Africa suggests that when states do get involved in cooperative support, it is not in terms of regulating markets as the fair traders would argue for, but in controlling and intervening in the cooperative production process.

Conclusion

So what does all this mean? On the one side, fair trade allows Southern producers to sell beyond local boundaries and to restructure local production to be more sustainable, more economically viable, and more socially just. Northern middle class preferences have helped open opportunities for local producers and provid linkages that reshape the local. On the other side, the fragile and inherently unequal relationship between Northern consumers and Southern producers leaves Southern producers vulnerable to the whims of Northern consumers. The market alone, even the fair trade market, does not solve the problems of structural inequality in the global trading system. Thus, relying on the market and Northern consumer values is not going to transform the highly unequal relations of trade that dominate the global economy.

What of the state's role? Here too the three states have failed to play a developmental role in regulating markets in a manner that promotes cooperatives. Rather the states have tended to take either a heavy-handed approach of controlling cooperatives or a laissez faire approach that provides little support. Neither Southern nor Northern states have effectively engaged the market in a manner that challenges the dominant trends of the free market to promote fair trade. Indeed, for fair trade to represent an alternative requires collective intervention in market mechanisms from both the North and the South. These experiences teach us that new approaches to state-supported development are needed that include Northern and Southern states. This begs the question of whether we need fundamental transformation of political power, class relations, and property ownership alongside changes in the trading system? Where do we look for such examples?

There are examples of cooperatives and states engaging in more transformative relationships. One very preliminary example is the emerging solidarity economy in Brasil where worker-owned producer and consumer cooperatives are engaging the state to create alternative markets based on people's needs. Similar attempts are being made in Germany's and Italy's solidarity economy movements, in particular towns in Ireland where citizens have passed referendums declaring towns to be fair trade only towns, and, in Wales the National Assembly passed legislation in 2008 that effectively made Wales the first fair trade nation in the world. We must look to these civil society experiences for altneratives that attempt to restructure relations of production and consumption. Unlike the state versus the market approach that has dominated fair trade over the last 40 years, what these examples add is the central role of civil society. Ordinary people are collectively creating new ways of producing and consuming that challenge the state versus the market dichotomy.

Selected Bibliography

Amin, S., 2008. *The World We Wish to See*. New York: Monthly Review Press.

Anstey, M., ed., 1990. *Worker Participation: South African Options and Experiences*. In Proceedings of the 1989 Conference on Worker Participation Kenwyn. Juta and Co.

Bee, F.K., 2009. *Fair Trade- Fair Futures: The Kilimanjaro Native Cooperative Union scholarship Programme for Children made Vulnerable by AIDS*. Coop Africa Working Paper No. 6. ILO.

Birchall, J and Ketilson, L.H., 2009. *Sustainable Enterprise Programme: Resilience of the Cooperative Business Model in Times of Crisis*. Geneva: International Labour Office.

Birchall, J and Simmons, R., 2009. *Cooperatives and Poverty Reduction: Evidence from Sri Lanka and Tanzania.* Cooperatives for Development. Geneva: ILO.

Bronner, S.E., 2002. *Imagining the Impossible: Radical Essays for Conservative Times.* New York: Routledge.

Chambo, S.A. Mwangi,.M.M, Oloo, O.O and Mutisiya, N.A (undated). *An analysis of the Socio-economic impact of Cooperatives in Africa and their Institutional Context*. International Cooperative Alliance and Canadian Cooperative Association.

Chibber, V. 2003. *Locked in Place: State-Building and Late Industrialization in India.* Princeton: Princeton University Press.

Couture, M.F, Faber. Levin, M and Nippierd, A.B. ed., 2002. *Transition to Cooperative Entrepreneurship: Case Studies from Armenia, China, Ethiopia, Ghana, Poland, Russia, Uganda and Vietnam*. Geneva: International Labour Office.

de Sousa Santos, Boaventura, Sharit Bhowmik, Horácio Martins de Carvalho, and Hermes Augusto Costa, *Another Production is Possible: beyond the capitalist canon*. London: Verso Press.

Department of Trade and Industry (DTI) (2009) The DTI Baseline Study on Cooperatives in South Africa. Johannesburg: The Growth Laboratory. Accessed on 11 October, 2010 at http://www.dti.gov.za/Co-operative/baseline_study_of_co-operatives.pdf

Develtere, P., Pollet, I and Wanyama, F. eds. 2008. *Cooperating out of Poverty: The Renaissance of the African Cooperative Movement*. Geneva: International Labour Office.

Dublin, J and Dublin. S., 1983. *Credit Unions in a Changing World: The Tanzania-Kenya Experience.* Detroit: Wayne State University Press.

EFTA. 2001. *EFTA Yearbook: Challenges of Fair Trade, 2001-2003.* Maastricht, Netherlands: European Fair Trade Association.

Fairbairn, B and Russel, N. ed., 2004. *Cooperative Membership and Globalisation: New Directions in Research and Practice*. Centre for the Study of Cooperatives: University of Saskatchewan.

Fair Trade Foundation. "Facts and Figures", accessed on April 10, 2010; http://www.fairtrade.org.uk/what_is_fairtrade/facts_and_figures.aspx

Fair Trade Foundation. "Kagera Cooperative Union Report"; accessed on April5, 2010; http://www.fairtrade.org.uk/producers/coffee/a_better_life_at_the_source_of_the_nile.aspx

Fair Trade Foundation. "Oromia Coffee Farmers Cooperative Union Report"; accessed on April 5, 2010. *http://www.fairtrade.org.uk/producers/coffee/oromia_coffee_farmers_cooperative_ethiopia/default.aspx*

Fair Trade Labeling Organization International (FLO), "Facts and Figures"; accessed April 5, 2010. http://www.fairtrade.net/facts_and_figures.html \

Farnworth, C. And M. Goodman. 2006. "Growing Ethical Networks: the Fair Trade Market for Raw and Processed Agricultural Products", part of the *World Development Report 2008.* http://siteresources.worldbank.org/INTWDR2008/resources/2795087-119142986785/FarnworthC&GoodmanM_GrowingEthicalNetworks%5B1%5D.pdf

Fridell, G., 2007. *Fair Trade Coffee: The Prospects and Pitfalls of Market Driven Social Justice*. Toronto: University of Toronto Press.

Gladwell, M., 2002. *The Tipping Point: How Little Things can make a Big Difference.* Boston: Little, Brown and Company.

Grimes, K. M. and B. L. Milgram. 2000. *Artisans and Cooperatives: developing alternative trade for the global economy.* Tucson: University of Arizona Press.

Gunn, C., 2004. *Third-Sector Development: Making up for the Market*. Ithaca: Cornell University Press.

Holmen, H., 1990. *State, Cooperatives and Development in Africa*. Sweden: The Scandanavian Institute of African Studies.

Howarth, M., 2007. *Worker Cooperatives and the Phenomenon of Empresas Recuperadas in Argentina: An Analysis of Their Potential for Replication*. Oldham: The Cooperative College.

Jaffee, D., 2007. *Brewing Justice: Fair Trade Coffee, Sustainability and Survival*. Berkeley: University of California Press.

Kagera Cooperative Union (KCU). 2007. Annual Report. Obtained from Moshi Office, December 2007.

Lee, C.K. 2007. *Against the Law: Labor Protests in China's Rustbelt and Sunbelt.* Berkeley: University of California Press.

Leikin, S. 2005. *The Practical Utopians: American Workers and the Cooperative Movement in the Gilded Age*. Detroit: Wayne State University Press.

Litvinoff, M and Madeley, J., 2007. *50 Reasons to Buy Fair Trade*. London: Pluto Press.

Logue, J and Yates, J., 2005. *Productivity in Cooperatives and Worker-Owned Enterprises: Ownership and Participation make a Difference*! Geneva: International Labour Office.

Munkner, H.H and Shah, A., 1993. *Creating a Favorable Climate and Conditions for Cooperative Development.* Geneva: International labor office.

Murray, D. and L. T. Raynolds. 2007. "Globalization and its antinomies: negotiating a Fair Trade Movement" in Raynolds, L.T, Murray, D and Wilkinson, J. (eds.), *Fair Trade: The Challenges of Transforming Globalisation*. London: Routledge.

Nadeau, E.G and Thopmson, D.J., 1996. *Cooperative Works! How People are Using Cooperative Action to Rebuild Communities and Revitalize the Economy*. Minneota: Lone Oak Press.

Oromia Coffee Farmers Cooperative Union (OCFCU). 2007. Annual Report. Obtained from head office in Addis Ababa, Ethiopia, December 3, 2007.

Ransom, D., 2006. *The No-Nonsense Guide to Fair Trade*. Oxford: New Internationalist.

Raynolds, L.T. and M. A. Long. 2007. "Fair/Alternative Trade: historical and empirical dimensions" in Raynolds, L.T, Murray, D and Wilkinson, J. (eds.), *Fair Trade: The Challenges of Transforming Globalisation*. London: Routledge.

Raymolds. L.T. and J. Wildinson. 2007. "Fair Trade in the Agricultural and Food Sector: analytical dimensions" in Raynolds, L.T, Murray, D and Wilkinson, J. (eds.), *Fair Trade: The Challenges of Transforming Globalisation*. London: Routledge.

Satgar, V. and M. Williams. 2011. "The Worker Cooperative Alternative in South Africa" in Naidoo, P., J. Daniels, D. Pillay, and R. Southall (eds.), *The New South African Review*. Johannesburg: Wits University Press.

Sayer, A and Walker, R., 1992. *The New Social Economy: Reworking the Division of Labour*. Cambridge MA: Blackwell.

Sayer, A., 1996. *Radical Political Economy: A Critique*. Oxford: Blackwell.

Schweichart, D., 2002. *After Capitalism*. Maryland: Rowman and Littlefield Publishers Inc.

Shah, T., 1995. *Making Farmers Cooperatives Work: Design, Governance and Management*. New Delhi: Sage.

Spaull, H., 1965. *The Cooperative Movement in the World Today*. London: Barrie and Rockliff.

Starr, A., 2000. *Naming the Enemy: Anti-corporate Movements Confront Globalization*. London: Zed Books.

Stiglitz, J and Charlton, A., 2005. *Fair Trade For All: How Trade Can Promote Development.* Oxford: Oxford University Press.

Unger, R. M.,1998. *Democracy Realized: The Progressive Alternative*. London: Verso.

von Ravensburg, N.G., 2009. *Enterprise future lies in Cooperation-Entrepreneur Cooperatives in Africa.* Coop Africa Working Paper No. 2. ILO.

Wanyama, F.O, Develtere, P and Pollet, I., 2009. *Reinventing the Wheel? African Cooperatives in a Liberalized Economic Environment.* Coop Africa Working Paper No. 1. ILO.

Wanyama, F.O., 2009. *Surviving Liberalization: the Cooperative movement in Kenya.* Coop Africa Working Paper No. 10. ILO.

Williams, R.C., 2007. *The Cooperative Movement: Globalization from Below.* Hampshire: Ashgate.

World Bank. 2009. *World Development Indicators.* http://siteresources.worldbank.org/DATASTATISTICS/Resources/wdi09introch4.pdf