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Fairtrade Facts and Fancies: What Kenyan Fairtrade Tea Tells us About Business' Role as Development Agent

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ABSTRACT. Various promising claims have been made that business can help alleviate poverty, and can do so in ways that add value to the bottom line. This article begins by highlighting that the evidence for such claims is not especially strong, particularly if business is thought of as a development agent, i.e. an organization that consciously and accountably contributes towards pro-poor outcomes. It goes on to ask whether, if we did know more about either the business case or the poverty alleviation case, would this give cause for greater optimism that business could make a significant contribution to development. By exploring the experiences of producers of Fairtrade tea in Kenya, we reveal the complex nature of what constitutes a beneficial outcome for the poor and marginalized, and the gap that can exist between ethical intentions and the experience of their intended beneficiaries. The lessons of these experiences are relevant for Fairtrade and any commercial initiative that seeks to achieve outcomes beneficial and recognizable to the poor, and raise questions about the integration of social and instrumental outcomes that a future generation of ethical entrepreneurship will need to address.

KEY WORDS: corporate social responsibility, Fairtrade, international development, poverty alleviation

ABBREVIATIONS: ATO: alternative trade organization; DFID: British Department for International Development; ETP: Ethical Tea Partnership; FLO: Fairtrade Labelling Organizations International; FOB: free on board; IFAT: International Federation for Alternative Trade; IFOAM: International Federation of Organic Agriculture Movements; ILO: International Labour Organization; KTDA: Kenya Tea Development Agency Ltd; NGO: non-government organization; RA: Rainforest Alliance; SAI: Social Accountability International; SPC: Social Premium Committee

Introduction

Can business play a role in tackling the sort of poverty and marginalization that is held up as one of the downsides of economic globalization? This question is increasingly asked, both by those who favour greater private sector participation (e.g. Easterly, 2006; Moyo, 2009; Nelson, 2007; Ruggie et al., 2006; Wilson, 2006), and by those who are more sceptical (e.g. Bond, 2006; Karnani, 2007; Newell and Frynas, 2007; Utting, 2007). There are two ways to go about answering that question: one is to enquire what benefits a poverty focus has for business; the other is to ask what benefit the conscious participation of business in tackling poverty has for the poor and marginalized themselves.

In this article we explore both of these dimensions to the business–poverty conundrum. We will show that much more attention has been paid to why business should care about poverty (the instrumental business case) than to why the poor should welcome the private sector (the developmental poverty case), although there is still a shortage of evidence to draw many conclusions about either case. But despite the problems with the evidence, we will explain why a focus on the business case is problematic, especially if what advocates mean by business' participation in poverty alleviation is something more than business doing business in poor countries, i.e. not just acting out the expected role of private enterprise within capitalism.

Our interest is in business as a development agent, by which we mean an institution that consciously strives to deliver, and moreover is held to account for, developmental outcomes. There are many examples of companies claiming to serve as development agents (Blowfield, 2008a, b, 2009; Brainard, 2006), but perhaps the most widely acclaimed approach in the major consumer markets is that called Fairtrade, which began at the margins of retailing but has increasingly been recognized by the retail mainstream with companies such as Nestlé, Tesco, Ahold and Cadbury all having Fairtrade product lines (Reed, 2008). We are aware that placing Fairtrade alongside other approaches that fall under the umbrella of corporate social responsibility (CSR) is to court controversy. For certain, there are a variety of Fairtrade models (see Tallontire, 2000), and for the most part in this article we use the term to refer to the certified labelling approach developed under the auspices of Fairtrade Labelling Organization International (FLO), a model that itself has been criticized (Schmelzer, 2007; Sexsmith, 2008). Equally, we acknowledge that Fairtrade has ideological and historical origins that distinguish it from conventional business practice of the late twentieth century. But as products from the Fairtrade system gain more mainstream market share, and become the product of choice in organizations from student unions to the World Bank cafeteria, Fairtrade has rightly earned a place in the pantheon of approaches whereby business seeks to negotiate and manage its relationship with society, i.e. as a manifestation of what is meant by CSR (Blowfield and Murray, 2008).

In describing Fairtrade as an approach within the far wider universe of CSR, we are not claiming that all CSR initiatives are equally ethical, or that markets deliver optimal ethical outcomes (although we would emphasize that capitalism is a system with inherent ethical norms). As others have noted, economic activity cannot be equated with ethical activity (McMurtry, 2008), and it is this distinction we draw attention to when we talk of business as a development agent. Moreover, of all the private sector initiatives seeking to influence poverty, Fairtrade might be expected to be the most effective: it was after all set up to address the inequities of the conventional trading system, and is one of the most well-known examples of ethical entrepreneurship, i.e. the achievement of ethical goals through entrepreneurship (Wempe, 2005). Therefore, by exploring the experience of Fairtrade in a part of Kenya, this article examines the possibilities and limitations not only of Fairtrade, but also the much wider poverty case for private sector engagement in development.

Before examining this further, we would point out that development is a multi-faceted, contested concept, and the aims and policies of a pure neo-liberal development agenda, for example, are inherently different to other approaches (Mukherjee Reed and Reed, 2009; Utting, 2007). We have examined the way different development approaches affect the role of business in a separate article (Blowfield, 2009), but for the purposes of this article it is sufficient to say that contemporary practice positing business as a development agent (including Fairtrade) is situated within the dominant neo-liberal development paradigm, and although the boundaries of possibility are to an extent negotiable, ultimately all business as development agent models are at most attempts to modify rather than oppose the dominant norms and values of that paradigm (Blowfield, 2003).

The rise and rise of the business case

As McMurtry (2008) highlights, there is a body of thinking that equates the opportunity to engage in free market activity with ethical outcomes (e.g. Easterly, 2006; Sachs, 2005). From this have flowed various attempts to encourage business to help the poor by showing there is a positive business case to be had from operating at the ‘‘bottom of the pyramid’’. Pick up almost any book on CSR and you will see how important the business case has become to contemporary notions of the responsibilities of the private sector. For business managers, government officials, academics, and consultants, to name but a few, making the business case for tackling social and environmental issues has become the Holy Grail.

This is especially true in the developing country context because it is used to justify why companies should pay deliberate attention to their impact on the poor and otherwise marginalized. The justification is variously framed in terms of how companies exacerbate poverty, are a victim of it, or can ameliorate it; and analysis of the nature of the business–poverty relationship (i.e. what business is responding to) shows that the appropriateness and efficacy of different approaches is strongly affected by context, location and circumstance (Blowfield, 2009). But whether we are talking about a multi-stakeholder approach to improve workers’ conditions, an industry-wide initiative to overcome the consequences of weak government, or a consumer goods company's efforts to bring affordable products to rural communities, the same basic questions apply: (a) what evidence is there of a business case, and (b) does the way the business case gets addressed affect how poverty and marginalization is dealt with, or even conceptualized in developing countries?

These questions are by no means easy to answer, not least because of the methodological challenges facing any attempt to measure the business case (Blowfield and Murray, 2008), but there are good reasons to consider what the consequences are for the private sector's involvement in poverty alleviation if the business case continues to be brought to the fore, and equally the influence a focus on the business case might have on the way the business–poverty interface is being constructed. It may be unsurprising that many of the initiatives involving major corporations have been justified in terms of the contribution they bring to the top or bottom lines: for instance, that the Cadbury Cocoa Partnership to benefit cocoa-growing communities was spurred by a realization that the supply of high quality cacao was under threat, or that the participation of companies such as Gap and Nike in worker rights initiatives such as the Ethical Trading Initiative or the Fair Labor Association is predicated on the risk to reputation poor labour conditions pose. But approaches explicitly rooted in an ethic of equity such as Fairtrade have also been talked about in terms of commercial success with conventional business concepts such as growth, market share and net present value, all being used as evidence for Fairtrade's success (IFAT, 2006; Nicholls and Opal, 2005; Raynolds et al., 2004; Schmelzer, 2007). In their discussion of the benefits of introducing Fairtrade into mainstream retailing, Doherty and Tranchell (2007) begin their explanation of the importance of Fairtrade with reference to market penetration and consumer recognition of the Fairtrade brand. Indeed, more may be known about the market success of Fairtrade than its impact on small producers (Blowfield, 2007; Ronchi, 2002).

Evidence of the business case

Given the emphasis placed on the business case, one would expect the evidence of the relationship between CSR and business performance to be more complete and compelling than it actually is. But the reality is that concerns about the comprehensiveness and comparability of the data, the direction of causation (i.e. does good social/environmental performance lead to better business performance, or does conventionally measured business success encourage more investment in areas of non-financial performance [Waddock and Graves, 1997]), and how to make sense of different variables such as location and industry mean that it is impossible to draw the kind of firm conclusions about the business case that would allow us to condone or condemn poverty-oriented initiatives, or indeed other types of CSR endeavour. Salzmann et al. (2005) conclude that making the business case encounters two stumbling blocks: (a) the complex web of parameters (e.g. technology, regulatory regime and company visibility) and variables (e.g. location, industry, country and time) that can affect outcomes; and (b) the difficulty of detecting impact because, except in a small number of areas, notably eco-efficiency and brand reputation, CSR-type initiatives tend to be marginal to business practice for most companies and industries.

To a degree, one would expect the second of these obstacles to be surmountable if one limited one's attention to ethically driven entrepreneurship where social and other non-financial measures of performance are more central to the business model. However, Fairtrade is not immune from a third obstacle to demonstrating the business case: the veracity of the evidence. Various authors have stressed that in assessing the business case analysts are typically using data that are difficult to compare, drawn from a mixture of case studies and quantitative surveys, covering different industries and countries, and often focused on different dimensions of both CSR and business performance (Margolis and Walsh, 2003; Salzmann et al., 2005; SustainAbility, 2001). The situation is no easier if we confine ourselves to Fairtrade, because as already noted not only are there different types of Fairtrade, attempts to measure impact have largely been at the individual case study level (e.g. McMurtry, 2008; NRET, 1999; Ronchi, 2002), and the Fairtrade movement itself admits to not having the data to conduct a more systematic analysis (IFAT, 2006).

Since 2001, the consultancy cum think-tank SustainAbility has conducted a series of studies of the evidence for a business case, including studies with the International Finance Corporation on the situation in developing countries. The initial report (SustainAbility, 2001) emphasized the limited and perhaps biased nature of much of the evidence, but a subsequent report tucked away any mention of methodological weaknesses towards the end, whilst opening with the claim that, "Many businesses … are gaining valuable business benefits from initiatives which help progress towards sustainable development" (SustainAbility et al., 2002). Indeed, in launching its collaboration with the IFC, it declared that the 2002 study "was a landmark: the first to make a compelling case as to why [environmental, social, and governance] factors are relevant for emerging-market corporate competitiveness".[1] Yet these earlier studies had actually found little "strong evidence" of a positive correlation between a focus on social or environmental issues and companies' business performance, and most of the data pointed to a neutral or negative correlation (Blowfield and Murray, 2008). The evidence for a positive correlation was even less in developing countries (Blowfield, 2008b).

Although SustainAbility's analysis might be criticized for lacking academic rigour, the findings broadly reflect those of studies from the IMD business school (e.g. Salzmann et al., 2005; Steger, 2004), whilst its emphasis on the business case in a developing country context is found in work on the impact of business initiatives (e.g. Ellis, 2008; WBCSD, 2008). Furthermore, it could be argued that even if it is difficult to demonstrate a clear business case, there is no real evidence that attention to non-financial performance is damaging to profitability (Margolis and Walsh, 2003), and therefore rather than dwell on whether or not CSR pays, a more interesting question is "Under what conditions does corporate responsibility pay?" (Amalric and Hauser, 2005; Zadek et al., 2005). This could mean seeing the specific conditions within a company or industry that favour CSR, but more broadly it could mean identifying under what market conditions will companies maximize total value by taking account of stakeholder expectations (Amalric and Hauser, 2005).

For advocates of business' engagement as a development agent, this appears to shift the burden of proof from those who would influence business to business itself by requiring a company to show that accountability for areas of non-financial performance is detrimental to the company. However, this kind of inverted business case presupposes that what we earlier called the "poverty case" can be made, i.e. that when business plays the role of development agent, the poor and marginalized benefit. This kind of assumption informs the support for pro-poor business models such as bottom-of-the pyramid (Prahalad and Hart, 2002) and social enterprise (Dees, 1998), and in addition to well-established concepts such as microfinance, there is rapidly growing interest in the societal benefits of entrepreneurship and pro-poor enterprises such as Fairtrade. Yet even here the evidence of benefit is not comprehensive. Whilst there are many case studies, systematic comparative analysis is lacking (IFAT, 2006; Schmelzer, 2007; The Economist, 2006), and awareness that social objectives are not being properly integrated into management has led, for instance, to the recent creation of the Imp-Act Consortium to promote social performance measurement in microfinance.

The differences in levels of knowledge about financial returns on investment and social returns on investment help explain why ethical entrepreneurship initiatives such as Fairtrade have yet to satisfactorily integrate the management of social and business imperatives (Wempe, 2005). But despite the scarcity of robust evidence of beneficial outcomes, there are indications that the norms and priorities of business are influencing the kinds of development intervention that win favour, as is happening for instance with the investment – and as important the moral creditworthiness – given to small entrepreneurs (Karnani, 2007; Rajak, 2006).

Whilst the business community might, understandably, be concerned about the weakness of the business case, if the justification for business to be a development agent is the added value it can bring to poverty alleviation efforts, then of greater overall concern should be the weaknesses of the poverty case, and how business engagement affects poverty and marginalization. It is this we turn to now, drawing on field research with tea growers in Kenya to examine how a pro-poor private sector initiative (Fairtrade) affects the people it is intended to benefit. As noted previously, Fairtrade is an example of ethical entrepreneurship where enterprise is harnessed to deliver positive social and economic outcomes for poor producers in developing countries. The success of Fairtrade is therefore not to be judged on market penetration, revenues, consumer awareness or other indicators of conventional business progress, but by the benefits delivered to, and recognized by, the producers and their communities. The difference Fairtrade makes to the lives of these intended beneficiaries is something Fairtrade organizations emphasize in their promotional material, but a similar measure of success would apply equally to any model where business was a development agent. Therefore, whilst focussing on an example of Fairtrade here, our intent is to identify characteristics and lessons relevant to development agent initiatives more broadly.

The tea industry

As already noted, industry and location are amongst the variables that affect the outcome of any CSR-type initiative. Therefore, we first need to understand something about Kenya's tea industry. Tea has long been a mainstay of the Kenyan economy and one of the most important contributors of foreign exchange. Since independence in 1963 export volumes have expanded steadily, increasing from 15 million KG to over 345 million KG in 2007 (Embassy of the Republic of Kenya, 2008; Tea Board of Kenya statistics). The country is now the largest exporter and third largest producer (shared with Sri Lanka) of tea in the world, contributing 17% of the country's export earnings and employing over three million people both directly and indirectly (Africa Research Bulletin, 2007; Agritrade, 2007; PKF Consulting and International Research Network, 2005).

The majority (85%) of Kenyan tea is supplied to the Mombasa Tea Auction, the second largest tea auction in the world, which handles the purchase and export of teas from ten countries in Africa to over 45 different market destinations across the world (Embassy of the Republic of Kenya, 2008; Kariuki, 2007; Kinyili, 2003). Several large-scale tea estates[2] produce a considerable amount of this tea; however, Kenya is unique in the significance of small farmers in tea production with over 62% of all output derived from 400,000 independent smallholders (Oxfam, 2002; van der Wal, 2008). All smallholder tea is processed (withered, crushed, fermented and dried) at factories located near the point of production and marketed as black tea under the auspices of the Kenya Tea Development Agency Limited (KTDA), the largest single exporter of processed tea and the second largest exporter of black tea in the world (Kinyili, 2003; Oxfam, 2002). KTDA was privatized in 2000 and now serves as a management agent for the 57 KTDA factory companies, purchasing, processing and marketing tea for both domestic and export markets. As privatization endowed smallholders with the legal ownership of KTDA's assets, including the factories, these farmers form co-operative structures, and are considered as such for the purposes of Fairtrade.

The tea industry has confronted numerous challenges in recent years. Real primary producer prices have fallen significantly over the last three decades, negatively impacting the livelihoods of plantation workers and small-scale farmers (van der Wal, 2008). According to the World Bank, tea prices fell by 44% in real terms between 1970 and 2000, rising marginally between 2000 and 2004, only to fall back to 2001 levels in 2005 (World Bank data cited by Agritrade, 2007). Whilst real prices for tea in Northern markets have remained stable, average real auction prices in the years 2000–2005 were roughly half of those in the 1980s and 30% lower than in the 1990s (van der Wal, 2008).

At the same time, tea producers face the formidable market power of global buyers (Agritrade, 2007). Ninety per cent of the Western tea trade is controlled by seven multinational companies and six reportedly account for two-thirds of the tea traded at the auction (van der Wal, 2008). These companies not only dominate the most profitable activities in the tea commodity chain (blending, packing and marketing) but the entire global market. Concentration is also pronounced at a retail level: in the UK, the third largest tea importer in the world, the top three packers currently enjoy a 60% share of the tea market (van der Wal, 2008). These conditions have placed increasing pressures on producer countries to cut costs whilst improving quality to remain competitive. As a result, smallholders, who are effected by poor infrastructure (electricity, roads and water) and resource constraints (land and capital), have also confronted declining prices, compelling many to uproot their tea. At the same time, wage workers on tea estates face low wages, employment insecurity, long working hours, and sexual harassment, as well as a lack of adequate housing and health care (Tallontire et al., 2001; Traidcraft, 2007). It is this set of adverse conditions that Fairtrade aspires to redress.

Fairtrade tea[3]

Corporate social responsibility initiatives are relatively new to the tea sector; however, over the last 10 years several labelling and other initiatives have emerged including the Ethical Tea Partnership (ETP), Rainforest Alliance, Fairtrade (FLO and IFAT) and Organic (IFOAM). Other prominent schemes such as Utz Certified, SAI (SA 8000) and GlobalGAP (formerly EurepGAP) are in the process of expanding into the tea sector, and the world's largest tea company, Unilever, has announced that all of its tea will be certified to Rainforest Alliance standards by 2015 (van der Wal, 2008).

Tea first entered the Fairtrade market in 1993 when Transfair Germany certified its first tea plantation (Reed, 2008). In 1994, Clipper Tea introduced the first certified tea for sale in the UK (Fairtrade Foundation, 2008a), spawning the development of a market that has grown steadily over the last 10 years. As Table I shows, the value of tea sales in the UK increased from £2 million to £30 million from 1998 to 2007, registering a 21% increase by volume and 24% increase by estimated retail value from 2006 to 2007 (Fairtrade Foundation, 2008a).

TABLE I

Estimated UK retails sales of Fairtrade tea by value 1998–2007 (£million)

1998	2.0
1999	4.5
2000	5.1
2001	5.9
2002	7.2
2003	9.5
2004	12.9
2005	16.6
2006	25.1
2007	30.0

Source: Fairtrade Foundation (2008a)

Over the last 5 years, the Kenya tea industry has capitalized on the growth of Fairtrade in its largest market, the UK, where sales of FLO-certified products grew to £493 million in 2007 (UK Fairtrade Foundation, 2008b). The industry now supplies Fairtrade-certified tea to a number of international tea buyers including Finlays, CaféDirect, Vanrees, Ringtons, and Bettys & Taylors of Harrogate. The first KTDA factory to be certified was Aruka[4] in 2003, initially under the auspices of UK importers and subsequently through Cafédirect, the UK's largest Fairtrade hot beverages company. Today Fairtrade-certified tea is produced on nine additional KTDA estates: Makomboki, Gacharage, Iriaini, Chinga, Kanyenyaini, Ndima, Rukuriri, Imenti and Michimikuru (Mburu, 2008). Whilst estimates of the premiums generated through Fairtrade vary, approximately Ksh 207 million (USD 3.3 million) has been returned to KTDA-certified factories (see Table II).

The ethic embodied by Fairtrade

Fairtrade promotes an ethical vision that seeks to marry tangible financial rewards with development outcomes such as empowerment, capacity building, and producer participation. Whilst originally forged as a mechanism for humanitarian assistance, by the 1960s the Fairtrade movement, largely comprising

TABLE II

Premiums received by KTDA Fairtrade-certified factories to date (Ksh millions)

Aruka	120[a]
Makomboki	35
Gacharage	32
Imenti	6
Michi Mikuru	6
Kanyenyaini	2.5
Chinga	2.5
Iriaini	1
Rukuriri	1
Ndima	1
Total	207[b]

[a]Field data, Mburu (2008)
[b]As of December 2007 this was equivalent to approximately USD 3.3 million

faith-based, campaign and community organizations, had shed its philanthropic associations and shifted its orientation towards a structural reform of capitalism. Recasting its mandate for development as ''justice instead of charity'', these organizations aimed to alleviate poverty and injustice by instituting ''ethics'' into North–South trading relations through a system of direct and fair exchange (Schmelzer, 2007; Scholte, 2003; Tallontire, 2000).[5] In the late 1980s these disparate Fairtrade and Alternative Trade Organizations (FTOs and ATOs) came together to form the International Federation of Alternative Trade (IFAT). By 2007, IFAT had grown to 330 members drawn from 70 countries who embody an organizational commitment to grassroots development and North-South partnerships and market goods that are produced, imported and/or distributed through ''alternative'' market channels (see Box 1) (IFAT, 2007).

This alternative approach to conventional trade was part of a broader paradigmatic shift towards market-friendly approaches to development that cast business rather than just nation states as the driver for social welfare provision and poverty reduction. However, in contrast to other CSR initiatives that typically limit the scope of responsibility to the conditions of production, Fairtrade extends its ethical mandate to address the terms of the trading relationship along the entire commodity chain

BOX 1

Core principles of Fairtrade

Creating opportunities for economically disadvantaged producers
Transparent management and commercial relations
Capacity building or a means to develop producers' independence
Promoting Fairtrade
Payment of a fair price for producers work, at least equal to the costs of sustainable production
Gender equity
Safe and healthy working conditions
No child labour
Better environmental practices and the application of responsible methods of production
Long-term buyer–supplier relationships

Source: IFAT (http://www.ifat.org/index.php?option=com_content&task=view&id=2&Itemid=14)

(Taylor et al., 2005). As described by the umbrella organization FINE[6]:

> Fairtrade 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, marginalised producers and workers – especially in the South. Fairtrade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade (FINE, 2001).

In the 1990s a second model, spearheaded by the Fairtrade Labelling Organizations International (FLO) was developed to expand the visibility and market access for Fairtrade goods through mainstream distribution channels (Bezençon and Blili, 2006; Renard, 2003). Spawned by the establishment of the first Fairtrade label, Max Havelaar, in 1988, FLO (through its National Initiatives) has become the worldwide standard-setting and certification organization for Fairtrade-labelled products, codifying Fairtrade norms and ideals into a highly regulated certification system. FLO certification has moved Fairtrade moved beyond alternative distribution channels such as religious and other non-government organizations, towards the integration of Fairtrade products into mainstream supermarkets and transnational food corporations (Bezençon and Blili, 2006; Renard, 2003). Whilst not uncontested, corporate engagement has expanded rapidly and now accounts for a growing proportion of market share. In the UK, the Co-op, Tesco and Sainsbury now carry own-brand Fairtrade products whilst global giants such as Starbucks, Nestlé, McDonald's and Sam's Clubs (Wal-Mart) market FLO-certified goods. In 2006, certified Fairtrade sales totalled US$2 billion, a 95% increase in value over 2002 with Fairtrade-labelled commodities sold in 20 countries across Europe, North America and Asia (FLO, 2007d).

This expansion of Fairtrade into mainstream food production and retailing coincided with a change in the nature of the actors and institutions in the value chain. Whilst Fairtrade's founding principles were oriented towards small and marginalized producers and producer groups, the ''product certification route'' has included sourcing from larger commercial farms and/or ''plantations''. This was spearheaded by the FLO standard for banana certification in 1997, which included coverage of minimum labour standards for workers, and has been extended to other products, including bananas, orange juice, cut flowers, pineapples, mangos, plants, and tea.[7] Like the inclusion of corporate manufacturers and large-scale retailers, the addition of plantations has been discomfiting for many who view them as intrinsically exploitative and unethical and by nature unable to deliver the economic and social benefits Fairtrade exhorts (Robinson, 2009).

Although ATO and FLO models embody different actors, strategies, and institutional arrangements and different value chains,[8] both are fundamentally wedded to a vision of global justice founded on equal exchange, cross border solidarity and community empowerment. This vision conveys a set of ethical principles with considerable resonance in western societies, reinforcing values of democracy, autonomy, and economic justice, and a liberal democratic attachment to rights and responsibilities. These ideals are codified in Fairtrade standards and certification regimes, which aim to institutionalize the ethical responsibilities of business and ensure that purchasers take seriously their obligation to address the rights of producers and workers. At the same time, by presenting a financially viable model that institutionalizes ethics within the trading relationship, and promotes entrepreneurship and capacity building amongst small producers, Fairtrade initiatives have garnered significant support from the development community who perceive them as a new way to "solve" the problems of African economies through neoliberal solutions. International development agencies such as the World Bank and the British Department for International Development (DFID), for example, have provided significant fiscal support of ethical entrepreneurship opportunities amongst small-scale producers, including Fairtrade, with DFID alone awarding approximately £1.8 million in grants to the UK-based Fairtrade Foundation between 1999 and 2007 (Sidwell, 2008).

Fairtrade's ethical postulates

Fairtrade tea must comply with the standards established by FLO. Because both smallholdings and plantations are certified, tea is subject to FLO's Generic Fairtrade standards for hired labour on large farms, plantations and factories (FLO, 2008), as well as its Generic Fairtrade Standards for Small Farmers' Organizations[9] (FLO, 2009). Both sets of standards contain requirements for social, economic and environmental development (e.g. minimum price, democracy, participation, transparency, non-discrimination, environmental protection), and require adherence with national legislation. The standards for small farmers' organizations also require that producers be small family farmers that are organized into independent, democratic associations (FLO, 2009), whilst those for hired labour require that factories/estates comply with various ILO conventions (non-discrimination, freedom of labour, freedom of association) (FLO, 2008). Both workers and smallholders also receive a Fairtrade premium[10] (USD 0.50/kg of export value for tea bag cut, fannings or crush, tear and curl [CTC[11]]) targeted for community and/or economic development projects such as boreholes, schools, and daycare facilities (Fairtrade Foundation, 2006). Both sets of standards contain minimum requirements which all producers must meet from the moment they join Fairtrade, and a set of progress requirements, which specify the areas in which companies will be expected to improve and over which timescale.

These standards, which aim to translate "universal" values of transparency, empowerment, and equity into prescriptions for action, are the "institutional hardware" of what Peck and Tickell (2002, p. 389) call "roll-out liberalization." Through their specification of performance requirements they provide producers, traders, and buyers with a technical blueprint of their responsibilities, and grant Fairtrade legitimacy in the eyes of Northern consumers. By definition, standards also comprise a set of ethical postulates that we can expect to see operationalized in the practices and processes of Fairtrade production. In the following section, we examine three of the ethical postulates put forth in FLO's Generic Standards for Small Farmers' Organisations and Product Standards for Tea, and how they are operationalized in Kenyan Fairtrade tea. The discussion is based on an in-depth study of one KTDA Fairtrade-certified factory, Aruka.[12] All Aruka's tea is cultivated and processed in accordance with the Fairtrade standards established by FLO, incorporating over 10,000 smallholders and 200 wage employees in ethical production arrangements, and supplying a range of overseas buyers (Interview, 16 October, 2006).

The purpose of the analysis is not to assess the effectiveness of Fairtrade – whether it fulfils its stated claims – but rather to examine the assumptions and outcomes that are associated with its enactment. That is, what its ethical vision, regimes of accountability and management technologies accomplish, for whom, and to what effect (Ferguson, 1994). Using the standards as a heuristic device, we focus on five key areas of economic (minimum price and social premium) and social (democracy, participation and non-discrimination) development, which together are intended to underpin a business model that efficiently marries financial and ethical imperatives. In doing so, we follow the lead of other scholars who are examining the effects of designating business as a trustee of development, and the interests that are advanced in doing so (Blowfield and Dolan, 2008; Li, 2007; Rajak, 2007; Sharp, 2006).

Postulate 1: Fairtrade will benefit the poor by guaranteeing a fair price and long-term supply chain relations

The signature feature of Fairtrade is the provision of a minimum guaranteed price that covers the costs of sustainable production, and ensures a living wage for growers (Linton, 2008). As the key mechanism through which redistributive justice is secured, the minimum price typically provides producers and workers the "clearest direct benefit" from participation in Fairtrade schemes (Taylor et al., 2005). The product standards require that:

> When the relevant market price (where it exists) or the negotiated price for a product is higher than the Fairtrade Minimum Price, then this higher price must be paid (FLO, 2007c, p. 5).

Yet because the certification of Fairtrade tea originated in the plantation sector, where the main ethical concern was labour conditions rather than the terms of the trading relationship, tea was exempt from FLO's minimum price condition until January 2008 and was sold at the standard market price (ranging from USD 1.50 to 2.50) whether at the auction or through direct sales (Kariuki, 2007). Yet, as soon as Fairtrade tea was sourced from smallholders the issue of farmgate price was clearly of high importance to Fairtrade's intended beneficiaries. Moreover, even though a minimum price has now been introduced, its benefits are not immediately obvious. First, whilst Cafédirect introduced a minimum price in July 2007 (1.78 USD per KG), and FLO followed suit in February 2008 ($1.40 and $1.50 per KG for the auction and Free on Board [FOB][13], respectively), both of these prices are lower than the market price Aruka producers receive through the Mombasa Tea Auction (see below) due to the superior quality of their tea. Second, because the new minimum price is pegged to accommodate varying regional production costs (North India, Rwanda and South India, for example, have minimum prices of US $2.00, $1.70 and $1.40, respectively), it can militate against the associational supply chain relations Fairtrade espouses as it provides northern retailers with an incentive to seek a lower-cost producer. In other words, the floor price could prove meaningless if all it did was encourage buyers to source from producers with the lowest minimum price. Fairtrade is not blind to this problem of promiscuous sourcing, but the circumstances of Kenya's tea industry pose particular challenges to the Fairtrade model. Furthermore, the benefit of a price guarantee is contingent upon having buyers for the tea crop, and although Fairtrade seeks to strengthen producer–buyer relations, as a commercial initiative it cannot promise continuity of the market.

As noted previously, Fairtrade is unique in its focus on the terms of the trading relationship. Product standards, for example, stipulate that:

> Buyers and importers will make efforts to establish long-term stable trade relationships with producers in which the rights and interests of both parties are respected (FLO, 2007c, p. 4)

In reality, however, the longer-term buyer commitments and the symmetrical supply chain relations that are promoted by the Fairtrade system are challenged by two structural issues: (a) the role the Tea Auction plays in the purchasing of Kenyan tea, and (b) the exemption of supermarkets/retailers from a requirement to comply with Fairtrade licensee standards in the UK. First, the majority of Kenyan tea is supplied to the Mombasa Tea Auction, the second largest tea auction in the world, and the market through which approximately 85% of Kenyan tea flows (Kinyili, 2003). The auction is conducted under the auspices of the East African Tea Trade Association (EATTA), an organization of producers, brokers, buyers and packers of tea,[14] and handles teas from ten African countries (Burundi, Democratic Republic of Congo, Kenya, Madagascar, Malawi, Mozambique, Rwanda, Tanzania, Uganda and Zambia) (Kazungu, 2008).

The auction system has been credited with being a transparent and fair marketing mechanism which accurately reflects fluctuations in supply and demand. However, the auction house is effectively a locus of ''middlemen'' (brokers, agents) that mediate the trade between producers and consumers. Whilst the auction provides producers with market access and potentially higher prices through open bidding, it also allows buyers to avoid dependence on any one producer country, and gives them considerable latitude in where they source from (Oxfam, 2002).[15] This non-binding nature of spot market transactions, however, precludes opportunities for the sustained collaboration and the long-term trading alliances that Fairtrade exhorts (Bacon, 2005).

Second, under existing FLO rules, National Labelling Initiatives such as the UK Fairtrade Foundation may allow supermarkets to include the Fairtrade logo on their own-brand products without the supermarket itself being licensed by FLO as long as products are sourced from the FLO register of licensed importers (Barrientos and Dolan, 2006; Raynolds et al., 2007). Whilst Fairtrade does not prevent a retailer from registering as a licensee as long as they comply with Fairtrade standards, in practice, with the exception of the Co-operative Retail Group, it is not supermarkets but their own-labeled suppliers who are the Fairtrade licensees (Doherty and Tranchell, 2007). For some, this caveat allows for a ''Fairtrade Lite'', enabling retailers to capitalize on the ''halo effect'' of ethical branding without the responsibility of investing in Fairtrade supply chains and long-term relationships (Doherty and Tranchell, 2007, p. 699). Others, however, contend that whilst such arms length relationships may undermine Fairtrade principles of partnership and sustained collaboration, enhanced retailer commitment could deepen corporate control and governance over the value chain (Dolan and Humphrey, 2004; Reed, 2008).

Postulate 2: Fairtrade will benefit the poor by fostering democracy, participation and representation

Fairtrade advocates a model of entrepreneurial developmentalism in which ''communities'' are encouraged to assume responsibility for their own improvement through market engagement. This shift in ''development'' practice away from top-down state solutions to community-led entrepreneurial initiatives forms the crux of Fairtrade's vision of democracy, participation, and representation. FLO standards state that the producer organization:

> must be an instrument for the social and economic development of the members, and the benefits of Fairtrade must reach the members. The organization must therefore have democratic structures in place and a transparent administration, enabling effective control by the members and the Board over the management of the organization, as well as enabling the members to hold the Board accountable for its activities (2009, p. 7).

This ethical postulate – that producers will secure their own well being through a governance structure of representative democracy (Macdonald, 2007) – is by most accounts laudatory. Yet the case of Aruka illustrates that the invocation of consultation and participation – what Rose (1996) terms governance through community – raises a number of questions for how business engages with development concerns, who it designates as within and beyond its purview of responsibility, and whether targeting ''communities'' as the object of CSR fulfils its ethical vision.

Fairtrade conceptualizes poverty alleviation as an outcome that can be delivered through new sets of relationships, not only between buyers and sellers, but through the formation of ''responsible, autonomous, self-governing communities'' (Li, 2007, p. 241). In Aruka, there are several institutional structures through which Fairtrade's 12,000 farmers (divided into six catchment areas) and approximately 200 workers are represented.[16] These include a workers' committee, buying centre committees, a board of directors, and the Social Premium

Committee (SPC), the latter of which is the principal forum through which workers and producers are incorporated into the development process of Fairtrade. As a decentralized institution responsible for representing farmers in the allocation and monitoring of premium funds, the SPC operationalizes Fairtrade principles of participation, empowerment, and transparency. At the time of this research the SPC comprised 14 representatives (two from each catchment and two worker representatives) elected by farmers and workers.

The legitimacy of the Fairtrade system requires that producers and workers participate in the governance processes of the SPC, and that the decisions taken by the committee are ''thoroughly understood and democratically approved'' by them (Sexsmith, 2008, p. 65). At a minimum, this requires that producers are aware of, and understand the objectives of Fairtrade. Yet, as documented in other parts of the world (Lyon, 2007; Shreck, 2002), farmers often misinterpret the objectives of ''Fairtrade,'' perceiving it not as a model of business partnership but as a form of development ''aid'' or Christian charity (Dolan, 2008). For most farmers in the Aruka study (95.2%), Fairtrade is synonymous with the development projects (schools and dispensaries) funded through the social premium. As a KTDA official said, farmers ''don't understand the Fairtrade concept, but see it as a way to get schools free of charge. What the farmer understands is that they produce good tea, send it somewhere and someone will come and build schools'' (Interview, 11 October 2006).

This detachment from the commercial objectives of Fairtrade such as a fair price and supply chain partnerships, is related in part to the legacy of missionary and development interventions in the area which have formed a conceptual frame through which all such projects are interpreted. But it is also due to the exclusion of many workers/producers from the processes of information dissemination and knowledge production surrounding Fairtrade (Dolan, 2008). More than half (53.2%) of the farmers surveyed, and over 95% of farmers in Focus Group Discussions for this study have never attended an annual general assembly meeting, and of the former only 38.9% were able to describe the general assembly meeting with any degree of accuracy. As one Fairtrade auditor remarked, ''… if you are working and you ask, do you understand what Fairtrade is? …the sad thing is that more often than not the answer is No… I am telling you, everywhere where there is a company or an association of small farmers if you are working and you ask, 'Do you understand what Fairtrade is?' some will say Yes but will start mumbling when you ask what it is. They don't have a clue'' (Interview, 25 June, 2007).

Indeed, whilst Fairtrade aims to instil new practices of self-government that are transparent, participatory, and democratic (Li, 2007), involvement in the processes of the SPC in Aruka is negligible. Whilst a significant proportion of farmers were aware of the SPC and who represented them (78.2% and 75.3%, respectively), only one-third of them (34.1%) actually participated in project selection. One farmer, for example, said that he neither elected the current representative to the SPC nor knew that there was one until the Fairtrade *mzungu* [white man] informed him that he should participate in the Fairtrade process. He said that he is like most of the farmers in the area: they don't participate in the selection of the community projects but rather just ''see the project being carried [out].'' Again, to some extent this distance reflects a structural weakness in the channels of communication. For instance, the SPC is charged with the responsibility of managing all aspects of the social premium, including the incorporation of farmers in ''decisions about how the benefits are shared'' (FLO, 2007a, p. 5). The SPC typically provides training and information to the buying centre committee members who in turn assume responsibility for its dissemination amongst farmers. However, members of the buying committees, whose responsibilities are to manage the process of tea production and collection, possess little incentive to marshal farmers in their catchment area to a Fairtrade meeting, for which neither they nor farmers will receive recompense, and which could provide a forum for farmers to air grievances regarding delayed collections, high input costs and low tea prices.

This is not to suggest that the community did not welcome the construction of roads, schools and health clinics provided through Fairtrade. The majority (80.2%) of smallholders believed that Fairtrade brought new development to the community, and approximately two-thirds (66.7%) claimed to have directly benefited, or knew other members of the community who had directly benefited from the community projects. Yet despite the often-visible enthusiasm for the projects conferred through Fairtrade, the lack of producer participation in project selection does raise questions about the processes of Fairtrade. Many farmers, for example, expressed gratitude for the projects, but stated that the projects did not necessarily reflect their priorities. Over 86% of workers and 39% of smallholders, for instance, said they would have preferred different projects such as a dispensary, kerosene tank, piped water, and/or electricity.

This disjuncture reflects two issues with how democracy and participation are actualized amongst producers. First, until 2008 voting for social premium projects was conducted publicly – through either raised hands or queuing behind the proposed candidate/project to signal the voter's preference. Yet openly selecting a development project in an area riven with resource conflicts and economic constraints inevitably renders the more marginalized members of the community vulnerable to the will of those with more power and prestige.

Second, despite the fact that the FLO training manual states: "You know what you need; you need to make the choice" (FLO, 2007b, p. 6), FLO also shapes community desires by specifying the parameters for legitimate projects (cf. Li, 2007). As a former member of the SPC noted, "[T]he people from FLO gave us advice and said we should be building mostly the schools, we should not be constructing things like dispensaries. But we told them these are the community's ideas" (Interview 15 July, 2008). Several producers noted that the use of social premium funds to construct the road to the tea factory "brought problems" as it was not the type of project that FLO endorsed, claiming that producers "should be requesting such kind of things before doing them" (Interview, 15 July, 2008). This gap between what FLO considers a worthy development benefit and the perceptions of producers highlights an ongoing tension between the instrumental desires of the latter and the ethical mandate of FLO. Whilst FLO states that "You are always a part of the wider community and what is good for the community is good for you" (FLO, 2007b, p. 4), most farmers bemoaned the absence of individual benefits (i.e. a "fair" minimum price). According to one man, "[f]armers want to be given money. They don't want to be told it is going to a school" (Interview, 25 June 2007). Another said "You could sell tea below the cost of production even though you are getting a premium. When the factory closes there will be no premium" (Interview, 16 October 2006). This friction between communal values and individual accumulation was well captured by one producer:

> [T]hose funds should not be taken to the community directly. Those funds should first be used to build for the farmers their homes, or help the farmers at their homes before going out to the community. The reason I have for saying this is that something can't spread out before you as the owner receives it … a farmer who doesn't have the fertilizer to put on the tea, and he is still waiting for those funds to build for them a school, if that farmer can't take care of their children as required, where will the community that will go to the school come from?… If God would give me a chance to speak to the Mzungu like I am speaking to you, I would tell him, even if that money is there for the community, go back and think about us again, let even a small percentage come directly to the farmers to uplift him. It's the same as taking a cow and milking it completely. When your cow gives birth and you milk that cow completely, you will make the calf for that cow completely weak…. You will sell it [*the milk*] and get money, but you have made the calf weak. Will you have cows again? It will die. So I take the farmers to be like that calf. They have been denied their rights as the calf has been denied its milk (Interview, 16 July, 2008).

Whilst the rationale of the social premium is founded on an ethic of collective redistribution, this is not an ideal venerated amongst tea farmers. For them the social premium, however beneficial, was not sufficient: given the choice they would prefer higher tea prices. Perhaps the situation is different where Fairtrade producers receive a price higher than that for non-Fairtrade products, but as explained earlier that has not been the case in Aruka. Consequently Fairtrade has failed to perceptibly alter their daily standard of living. Farmers were particularly resentful that the social premium projects benefited non-tea producers. "It is", one farmer said, "like harvesting where you have not planted," implying that non-tea farmers were illegitimate stakeholders with no claims to the social goods provided through Fairtrade.

Postulate 3: Fairtrade aims to work deliberately with "marginalized producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency" (FLO, nd)

The previous discussion not only illustrates how certain development benefits are deemed (or not) as morally justified, but also that only specific beneficiaries are considered as deserving recipients. In contrast to the period of statist developmentalism, for instance, in which *all* citizens were constructed as beneficiaries of development interventions, Fairtrade (reflecting CSR more widely) has demarcated a new category of recipients – stakeholders – "whose entitlement stems from the fact that they are directly affected by, or in some way involved in, the core business of the corporations concerned" (Sharp, 2006, p. 217). This "contractual morality" – an exchange between business and those who possess a resource that business desires – confines the entitlements of CSR initiatives to certain spaces, fields and actors, rendering "them distinct from those areas and people who are not in its line of vision" (Li, 2007; Rajak, 2007, p. 222; Sharp, 2006). Consequently, CSR initiatives in general grant moral creditworthiness based on different criteria than the ones of equality and distribution aspired to in many mainstream development programmes. It is only where the two sets of criteria overlap (e.g. if a producer is poor or marginalized) that the CSR initiative will be pro-poor in the development sense, and this is a matter of coincidence not conscious intention.

Demarcating the boundaries of moral considerability – those who have a rightful claim to participate in, and benefit from CSR's rights and protections – to "stakeholders" is arguably a legitimate position for business, if not, as described previously, for farmers themselves. Fairtrade, however, aims to cast a wider net, extending the scope of its ethical obligation beyond workers, farmers, and their families, to producer communities as a whole. As noted, social premium projects do not discriminate as when a school is built, all children may attend and when a road is constructed all may use it (Interview, 21 June 2007). Yet not all can produce for the market on "fairer" terms as the model, even if inadvertently, privileges certain categories of beneficiaries (the landed, men, entrepreneurs) whilst marginalizing others (the very poor, landless, and certain categories of women). For example, the parameters of "responsibility" are confined to beneficiaries who are "marginalized" but not so much so that they are unable to invest in the resources necessary to meet the quality standards of western consumers. As Mutersbaugh's (2002) study of organic coffee producers in Oaxaca, Mexico demonstrated, standards carve out new forms of distinction and uneven development in rural economies, differentiating between those communities and households that possess the resources to engage in certified agriculture and those who do not. The costs of FLO certification for a small producer group (between 50 and 100 members), for example, are approximately €2500 for initial certification, plus an annual inspection fee of €1,575.00, a not insignificant sum in countries like Kenya where the average gross national income per capita hovers at approximately €385 per annum.[17] Indeed, as mainstreaming raises the quality bar for participation in supply chains, standards impose a new form of "conditionality" on market entry, eclipsing "some of the poorest and least 'connected' farmers and cooperatives" (Goodman, 2007, p. 1). As a former KTDA official argued:

> [T]hese things [standards] come as a condition. Now they have brought in issues to do with mental things [ethics] which are extremely expensive to implement, and they have absolutely nothing to do with even the product they are getting. They will not change the quality or anything…it is just brought in as a condition for certification.… So basically the total implication of that is that you are making … tea production extremely expensive and you plough back nothing. What we are saying, I wish for a price differential for that [effort]. For us, there is nothing (Interview, 20 June, 2007).

Who is included in the "community" is thus mediated by a broader political economy of consumption and the certification requirements of social, environmental, and quality standards. But inclusion is also determined by prevailing socio-economic relations and the cultural norms, social hierarchies, and gender conventions that shape the extent to which Fairtrade achieves "redistributive" justice and for whom. For example, even whilst Fairtrade aspires to reform gender relations, stipulating that there "must be no discrimination regarding participation, voting

BOX 2

Local mechanisms for the representation of Aruka workers and producers

The workers' committee: Feeds worker concerns and recommendations to the Factory management and into the Fairtrade SPC. Comprised 15 members (11 men and 4 women)
Buying centre committees: Each of the 32 buying centres – the collection centres where smallholder tea is weighed and subsequently transported to factories – is governed by 5 individuals who constitute the representatives of the buying committee. Women comprise approximately 10% of all buying centre representatives, which work with the management of Aruka and the board of directors
Factory board of directors: Each of the 6 catchment areas elects one representative (a director) to form the *factory board of directors, all six are men*
Social Premium Committee (*SPC*): The body that determines how the social premium will be spent (FLO, 2009). In Aruka, the SPC consisted of two elected farmer representatives from each catchment and two workers' representatives. Originally over 36% of the SPC's 14 members are women (5 women and 9 men). However, due to conflicts surrounding the composition of the original SPC, and its subsequent dismantling in November 2007, the SPC is now administered by the 6 board of directors, 3 workers, and 2 members of management. Only 2 of the 11 members are female

rights, the right to be elected'', etc. in the organization (FLO, 2009, p. 9), women remain ''invisible'' to its ''exercise of responsibility'' (cf. Lyon, 2008; Rajak, 2007), comprising zero to 27% of local decision-making structures (see Box 2). This exclusion is also manifest in the knowledge and understanding that women in the region have of Fairtrade, with more men than women aware of the existence of the SPC, better able to describe its purpose, and more likely to know their representatives. Men were also more than twice as likely (53.8–19.9%) as women to participate in the process of project selection.

Yet it is not only women's marginality in organizational structures that impedes their participation in customarily ''male spheres''. Intra-household relations, and particularly customary norms of gendered rights and responsibilities, have a considerable effect on the distributional effects of Fairtrade and its capacity to deliver gender equity for smallholders. In most households in the study, the labour process is governed by social norms that define work allocation by gender, with women and children performing the most labour intensive tasks such as weeding and tea plucking. At the same time ''non-market'' responsibilities such as childcare and domestic labour are borne predominantly by women, with the majority (78.1%) claiming that they negatively affected their income earning options. These time constraints limit women's capacity to serve on committees (SPC, workers' committee, board of directors) or from attending Annual General Meetings (AGM) and other forums where information about Fairtrade is typically disseminated and discussed: only seven of the 240 registered women attended the annual AGM meeting in June 2007.

Similarly, access to land mediates the benefits of Fairtrade, not only because you need land to cultivate tea, but because participation in KTDA and Fairtrade governance structures is restricted to those who possess a tea registration number. Those without a registration number cannot receive payment for tea and are excluded from voting for the board of directors or the joint body committee, a situation that disenfranchises the resource-poor and particularly women, who whilst legally entitled to own land, are socially constrained from doing so. As the manager at one KTDA factory said, ''Women are actually the farmers in African culture but you can't register all these women. What if a man has several wives, then what are you going to do? It could be a problem to give one wife a right to vote'' (Interview, 12 October, 2008). Women, who comprise less than 20% of Aruka's 12,000 registered smallholders, are thus not granted legitimate stakeholder status: they are excluded from the main institutional channels through which empowerment is potentially fostered and their claim to the benefits of Fairtrade are mediated by husbands, brothers and sons. Thus as Lyon (2008, p. 264) notes, the fact that Fairtrade certification standards are premised on the notion of an ungendered, generic family farmer is ''proving to be a disservice to the female members of producer households and a limitation on Fairtrade's promotion of gender equity.''

The assumption, therefore, that there is a unified community of beneficiaries who share a set of common interests, and that power relations – across gender, class, and ethnic lines – are erased by a collective commitment to the social good can render a significant portion of the community (the landless, women, those without the resources to cultivate high quality tea) beyond business' acknowledged ethical obligation. In particular, by defining institutions (communities and households) as the target of remediation, Fairtrade may not only circumscribe the scope and depth of its interventions, but risks disregarding "the practices through which one social group impoverishes another" (Li, 2007, p. 7). Hence whilst the "decoupling" of Fairtrade initiatives from social context allows the ethical problem of poverty to be rendered amenable to a local solution (community empowerment), it also conceals the structural contributors to poverty and inequality behind an unquestioned, and increasingly ubiquitous, belief in Fairtrade's benevolence (Ferguson, 1994, p. 256).

Conclusion

Of the numerous promises made of CSR, the idea that business can help combat poverty is amongst the most seductive. It is not just that business can profit from operating in developing countries, or can serve its own interests by combating exploitation of workers and the environment. No, more than this, the claim is that private enterprise can be managed in such a way as to bring benefit to all involved in it. This article has shown that this promise needs to be treated with caution. First, it is a claim based on scant systematic evidence, and where justification has been sought, this is more likely to take the form of a business case for engaging in poverty alleviation than a case for why the poor should welcome business' participation as a development agent. Indeed, the lack of evidence itself, together with the type of information that is available, and the fact that the acknowledged bias in some attempts to make a business case reflect the imperatives of business and government and non-government supporters of a business role, and says something about the low priority given to the intended beneficiaries.

Second, our empirical data from Kenya reveal not only the complexity of assessing impact (see also Barrientos and Smith, 2007; Omosa et al., 2006), but that even in models such as Fairtrade that seek to foreground the interests of the poor, there are significant problems in identifying and realizing benefits that are recognizable to the intended beneficiaries. Whilst not wanting to extrapolate too much from the study of a single community, we nonetheless believe that the situation in Aruka is representative of other Fairtrade tea-growing areas where issues of price, decisions about the payment and use of the social premium, the challenges of creating democratic and transparent institutions, and the ultimate inclusiveness of the outcomes are likely to be just as pertinent (e.g. Besky, 2008; Neilson and Pritchard, 2009). The Aruka example shows the significant differences that can lie between what an ethically driven initiative seeks to achieve, and its benefit to the community. It shows also the difficulties such initiatives face in constructing an accurate model of poverty, without which benefit is always likely to be arbitrary at best, and at worst subject to capture by better-placed elements of the community.

We are not implying that these difficulties, challenges and shortcomings are unique to Fairtrade. On the contrary, although our analysis raises questions as to whether Fairtrade is as uniquely placed to benefit the poor and marginalized as some of its proponents claim, more significantly the experience of Fairtrade in Aruka highlights issues of relevance to any attempt by business to take on a development agent role. Of all the approaches that fall under the CSR umbrella, Fairtrade puts greatest emphasis on its ethical purpose. But the claimed goals and benefits of Fairtrade increasingly influence what is meant by good practice for companies trading in developing countries. Indeed, one of Fairtrade's successes is its normative significance for the wider business–poverty debate. Yet our examination of three postulates at the heart of Fairtrade to do with the trading relationship, the fostering of democracy, participation and representation, and the inclusiveness of the benefits show that a significant part of the claimed advantages of Fairtrade are not being experienced by producers, nor others involved in production (notably women farmers) and the wider producer community.

This of course raises questions for development policy-makers who have supported Fairtrade as an approach, and have used its perceived success as a reason for advancing entrepreneurial approaches to poverty alleviation more broadly. It also should give pause for thought to companies such as Nestlé and Cadbury which have to a degree "outsourced" aspects of their CSR management by relying on the credibility of the Fairtrade label. However, it also raises questions about the nature of the business case for engaging in poverty alleviation, and what can be expected from that engagement. It may be tempting to argue that the shortcomings evident in Aruka are technical ones of implementation; that through, for instance, more effective cooperatives and capacity-building for Fairtrade managers, improvements can be made that will show the Fairtrade model is fit for purpose. But we would also draw attention to the questions it raises about the fundamental nature of this and related models, and the structural constraints on the possibilities of what can be achieved through them. The fact that we know more about the business case than we do about the poverty case for engaging business is not simply to identify a technical shortcoming that can be addressed by better project appraisal or impact assessment tools. It is indicative of the nature of power and influence in trading relationships, and whose interests are served by this. Likewise, the fact that Fairtrade denies people some of the benefits they would like should not be treated solely or primarily as an argument for more meetings, more consultations, or better facilitation, but as a warning about the nature and possibilities of what can be achieved through this type of developmental approach.

Ultimately, for all of the assertions about democratization of the trading chain, the empowerment of producers, closer relations between producers and their markets, and increased equity and justice, the evidence in this article reveals Fairtrade (and by implication ethical entrepreneurship more widely) as something paternalistic, partially reminiscent of preceding approaches to development going back to the colonial era. This is clearly contrary to the ethical postulates of Fairtrade discussed in this article, and will not be welcomed by Fairtrade's advocates. Nor will it be welcomed by others who favour business' engagement as a development agent, not least because it implies a relationship of dependency that is anathema to much of modern private sector orthodoxy. As increasing attention is paid to social entrepreneurship, the bottom of the pyramid, and other private sector-related developmental approaches, the challenge is whether the poverty case and the business case can be better integrated so that they both influence the enterprise, and if not whether the private sector is comfortable taking on a role where it universalizes the values embedded in its own normative practices, and is accountable for consequences that may be negative for the poor and marginalized.

Notes

[1] www.sustainability.com/news-media/news-resource.asp?id=733, accessed November 1 2006.

[2] Most large plantations are organized under the Kenya Tea Growers' Association (KTGA).

[3] This article is specifically focussed on products certified as "Fairtrade" by the Fairtrade Labelling Organizations International (FLO).

[4] Owing to media controversy surrounding previous research in this region, we have not used the real name of the community.

[5] See Tallontire (2000) and Barrientos and Dolan (2006) for overviews on the evolution of Fairtrade.

[6] FINE is a forum that brings together the following fair trade organizations: Fairtrade Labelling Organizations International (FLO), International Fair Trade Association (IFAT, formerly the International Federation of Alternative Trade), Network of European World Shops (NEWS) and European Fair Trade Association (EFTA) (Barrientos and Dolan, 2006).

[7] ATOs have resisted this trend on the grounds that larger producers will further marginalize small-scale farmers and strengthen the competitive advantage of plantations and agribusiness, thereby reversing the gains of the alternative trade movement (Barrientos and Dolan, 2006).

[8] Reed (2008), for example, distinguishes between social economy and corporate variants of Fairtrade value chains. Broadly speaking, the value chains of ATOs are characterised by relational governance and the participation of social economy actors, whilst FLO-certified products travel through value chains characterised by modular governance and enhanced corporate participation.

[9] Small producers are defined by FLO as "those that are not structurally dependent on permanent hired labour, managing their farm mainly with their own and their family's labour-force" (FLO, 2009, p. 4).

[10] FLO defines the Fairtrade premium as "an amount paid to the producer organization in addition to the

payment for their products. The Fairtrade Premium is a tool for development, supporting the organization to realize their development objectives as laid down in its development plan'' (FLO, 2009, p. 10).

[11] The social premium paid for whole leaf tea (''Orthodox'') is 1 Euro or $1.47 per kilogram.

[12] This formed part of a multi-sited study of the socio-economic implications of Fairtrade tea conducted from 2005 to 2007 funded by the National Science Foundation (Grant #0548997) and Northeastern University. In Kenya the research consisted of 252 semi-structured interviews (SSIs) with smallholders, 52 SSIs with wage employees in the processing factory, 12 participatory focus group discussions, 43 in-depth interviews with smallholders, and over 50 ''key informant'' stakeholder interviews. In the UK it comprised 40 in-depth interviews with Fairtrade consumers and NGOs.

[13] FOB designates that the supplier pays the shipping costs to a specified location.

[14] There are 12 brokers registered in Kenya, 100 buyers and 140 packers (Embassy of the Republic of Kenya, 2008).

[15] This has become more pronounced as popular brands now typically consist of up to 35 different types of tea (Oxfam, 2002).

[16] Aruka Factory can employ as many as 220 and as few as 150 workers depending on the season.

[17] FLO (2006); World Bank (2005), http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC05.pdf.

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